

WHO WAS BENJAMIN GRAHAM?

THE FATHER OF SECURITY ANALYSIS CHANGED THE WAY INVESTORS VIEW AND EVALUATE STOCKS.

With no experience or even a complete course in economics to his credit, Benjamin Graham arrived on Wall Street in 1914, a young man of 20 with a bachelor's degree from Columbia University. The stock market then was an often lawless world of unwritten rules in which 'professional' investment decisions were based largely on outright conjecture, even word of mouth. Bonds were considered the only true investments; stocks were seen as purely speculative, their financial statements

a mere consideration. With his analytical mind and rigorous standards of honesty, Graham upended the emotional, subjective approach of valuing stocks. To him, an investment was not defined by what you bought but *how*—the measures used to make an intelligent decision. With a scientific approach, Graham changed the financial world by founding modern security analysis, with an emphasis on information such as assets and liabilities, earnings and dividends, and book value.



THE MAN WHO WROTE THE BOOK ON FINANCIAL ANALYSIS

Benjamin Graham started as a clerk and became one of Wall Street's great thinkers.

A YOUNG START

Just before his graduation, Graham declined an offer from Columbia to teach and joined an investment firm as a clerk at a salary of \$12 a week (about \$250 in today's dollars). He memorized the details of over 100 bond offerings and began analyzing the financial statements of industrial companies.

INTRINSIC VALUE

"To old Wall Street hands it seemed silly to pore over dry statistics," Graham wrote in his memoirs. In contrast, he believed investors should see themselves as part owners of a business and, with its intrinsic value determined by thorough research, look past any short-term volatility.

ON CHARACTER AND INTELLIGENCE

About investing, Graham wrote, "The main point is to have the right general principles and the character to stick with them." Graham defined character as more than one's actions—to him it was the rationality with which one *thought*. Intelligence too was more a quality of character than one's IQ.

A BOOK FOR INVESTORS

Graham eventually did return to Columbia to teach and, with a colleague, wrote what is among the most important books on investing, *Security Analysis*, in 1934. The book has remained in print for over 70 years and has influenced some of the world's most successful investors. 📖

Sources: *Benjamin Graham, Building a Profession* (Jason Zweig, editor). McGraw-Hill, 2010; *The Memoirs of the Dean of Wall Street*, Benjamin Graham. McGraw-Hill, 1996.