

INSIGHTS FROM CFA SOCIETY SINGAPORE

# Get acquainted with investing personality Roger Murray



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WHO among us does not know the contributions of Benjamin Graham and David Dodd to security analysis, as well as their disciplined approach to long-term investing?

After reading and thoroughly enjoying *The Enduring Value of Roger Murray*, by Paul Johnson and Paul D Sonkin, I now understand that Roger Murray (1911 to 1998) represents a dynamic successor to Graham and Dodd in practicing fundamental analysis, with an emphasis on uncovering the intrinsic value of the stock at hand.

This fresh look at a great investment personality of the last millennium restores one's confidence in fundamental analysis – especially in value investing. It also underscores how sticking with one's convictions in all aspects of work and life can leave a lasting impact beyond one's lifetime.

The authors present this book in a congenial way, acquainting the reader with Murray's professional and personal life. They then intro-

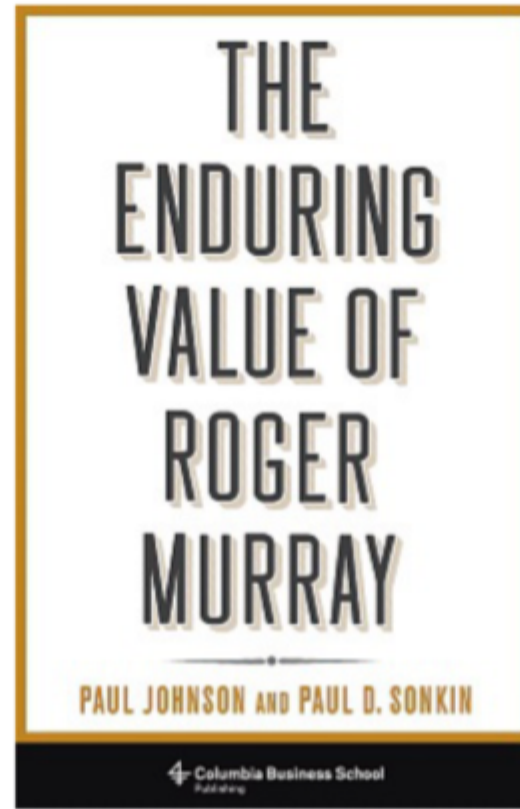
duce him in his own voice in four lectures as well as a 1996 interview by Peter Tanous that took place the year before he died, at the age of 86.

Both authors have backgrounds that enhance their work on this investment master. Johnson has taught security analysis and value investing at Columbia Business School for more than 30 years. Sonkin was a portfolio manager at Mario Gabelli's Gamco Investors, and also served as an adjunct professor at the same school.

Murray strikes me as a rational thinker who could approach any problem with an open mind. The biographical section of the book highlights this strength during his undergraduate years at Yale, where he achieved awards at a young age in literary research and analysis.

What drew Murray to business and economics during the Great Depression was marriage. Although he wanted to become a teacher, he realised he would need a better income to support his family. Early in his career at Bankers Trust, Murray discovered his passion for investing and found his call to work in investment management. By the age of 39, he was named head of the economic and business research department, and given the responsibility to manage institutional portfolios.

Murray's primary concern in in-



Paul Johnson and Paul D Sonkin introduce Roger Murray in his own voice in four lectures as well as a 1996 interview by Peter Tanous that took place the year before he died. PHOTO: COLUMBIA BUSINESS SCHOOL PUBLISHING

vesting post-World War II, was that the returns for fixed income would fall behind the returns he anticipated for equities. At this time, fixed income provided the main source of investment return for both individual and institutional investors.

Murray took a retirement of sorts when he left Bankers Trust for Columbia Business School in 1954. His dream of becoming a teacher was about to come true, even

though his work there was initially administrative. As an adjunct professor, he could only teach a single class – which happened to be advanced security analysis, initially taught by Ben Graham, who planned to retire in 1956.

With Murray's extensive experience in investment management, he brought a sense of excitement and purpose to all the classes he taught over two decades at Columbia. After his departure, the school's excellent programme in value investing was not actively nurtured until it was recultivated in the 1990s, with the founding of The Heilbrunn Center for Graham & Dodd Investing.

After 10 years at Columbia Business School, Murray took a sabbatical and began working at Teachers Insurance and Annuity Association of America (later along with College Retirement Equities Fund) as vice-president and economist, leading its investment operations. At that time, he noted that the returns from college endowments lagged the growth rate in operating budgets. As a remedy, Murray invested conservatively in equities with a multi-decade time frame, based on his bullish outlook for the US economy.

Over his 30 years in investing and teaching, Murray stimulated widespread interest in investing for retirement, not only in pension

plans, but also in Keogh (tax-deferred pension plan available to self-employed individuals in the US) and IRA (tax-advantaged investment account for retirement) plans. He assisted US Representative Eugene Keogh in his efforts to pass a retirement plan for self-employed workers, and he worked to get the IRA (individual retirement account) into the 1974 Employee Retirement Income Security Act. His 1968 study of the effects of pension plans on savings and investments for the National Bureau of Economic Research was a major part of the IRA effort.

Murray's thoughts are summarised impeccably in the four lectures he presented at the Museum of Television and Radio in New York City in early 1993, sponsored by Gabelli Asset Management Company. In these lectures, the reader "hears" his voice, understands his reasoning and gets a few hearty laughs.

Murray addresses numerous topics that emphasise critical issues investors face, including earning power and its sources, intrinsic value, cash flow versus reported earnings, and inflation in valuation. Readers will also enjoy the authors' notes throughout the lectures; their analysis makes the lectures seem as if they were given recently, not 30 years ago.

In addition to keen insights on

fundamental investing, readers receive a special treat as the book begins when they are introduced to Murray's family. The Murrays were a hard-working, close-knit family that valued education and strong commitment to productive work. The big surprise to me was learning about his older sister, Grace Hopper, fondly known as Grandma Cobol. She wrote the industry's first software compiler in 1952.

My only critique of this excellent book is that it lacks an index. I was put on the spot when a colleague asked me a specific question about Bruce Greenwald. I also unsuccessfully sought a quick look-up on Murray's quote: "I've got a deal you can't refuse!"

This excellent tribute to Murray and his enduring value will delight seasoned investment professionals and those who are just beginning their careers in investment research and management. For the more mature practitioner, it highlights the importance of considering the pricing versus the intrinsic value of securities in managing assets. For the student or younger practitioner, it extols the joy and satisfaction of loving one's work and profession over a long and rich career. For all, it sheds great light on the investment management industry's evolution over the past 90 years – and how one luminous individual contributed so much to it.

The writer was formerly a senior portfolio manager with PNC Wealth.