

# Investing



Thomas Dallal for The New York Times

Attendance fell to 16 this year, from 60 last year, at a seminar on value investing taught by Bruce Greenwald at Columbia University.

## A Dwindling Few in Search of Value

By GERALDINE FABRIKANT

**S**AY this about brand-name value investors: There seem to be fewer of them of late.

This year, Julian Robertson of **Tiger Management** handed in his slide rule. And Robert Sanborn, manager of the **Oakmark Fund**, surrendered his post, as did Gary Brinson, a chief investment officer at **UBS A.G.**

Nevertheless, value investing still has its core loyalists, at least as seen at a recent two-day executive seminar on the subject at the Columbia University Business School. The session is offered each June.

This is not just any value investing seminar. Over the years, the audience has included luminaries like Charles H. Bruni, chairman emeritus of **Oppenheimer Capital**; Herbert Allen Jr. of **Allen & Company**; and Michael Overlock, the former head of investment banking at **Goldman Sachs**.

Last year, attendance swelled to 60 people. But this year, as the market has remained infatuated with high-priced technology stocks, many of which lack proven franchise power, obvious asset value, or profits — the number of participants fell sharply, to just 16.

The motley roster of guests lacked some of the glamour of former years. It included an **Icelandair** executive who worries about the value of his company's Internet investments, an executive at a Puerto Rican food distribution company and an executive from **Cattolica Popolare**, an Italian investment firm.

These hard-core acolytes of Warren E. Buffett would not be swayed from the value outlook. Jeffrey Todd Hamm, recently out of college, is investing a bit of his own money while he looks for a job. Over a lunch break, he compared notes with Francesco Azzolini, who had flown in from the Molfetta, Italy, headquarters of **Cattolica Popolare**, which manages \$70 million in assets.

"How do you figure the underlying value of a stock without getting distracted from the noise?" Mr. Hamm asked. "I haven't

bought the Internet stocks, and I have still made money. I feel more proud of myself if I follow my discipline."

Mr. Hamm is looking for an investing job in a market obsessed by the new economy, so his attention to valuations may make him appear old-fashioned. Getting the right position is taking time. "I want to find a job where I can hold my investment strategy firm," he said.

The man whom these guests paid up to \$2,900 to hear is Prof. Bruce Greenwald, who appeared adamant about the worth of his chosen discipline as he walked his audience through the rigors of searching for attractive value stocks. Unlike many proponents of value investing, who dwell on price-to-earnings and price-to-book multiples, Professor Greenwald focuses just as much on a company's franchise and earnings predictability.

The seminar's case studies zeroed in on **Sealed Air**, a packaging company, and **Liz Claiborne**, the apparel maker.

But perhaps as a concession to the market's infatuation with growth, some of the discussion centered on dissecting the worth of new-economy stocks.

Professor Greenwald pointed out that there are technology value stocks. Back in 1994, for example, **Intel** traded at just 12 times earnings but had a juggernaut franchise and proven earnings power.

Of course, many value investors have ignored the sector because they cannot make heads or tails of it.

"This approach helps you understand the difference between buying an Intel, which has real values, if not at current prices, and some Internet stock that has no value at all or very little," Professor Greenwald said.

Is it possible that value investing may never again return to favor? "No, it is not

over," the professor said. "Value investing is really an attempt to use all the information you have intelligently."

Still, most people continue to shun value stocks. "The fact is they love to buy lottery tickets," he said.

But not Steinn Björnsson, 40, senior vice president for marketing and sales at **Icelandair**, a privately held company that has been doing deals with Internet-based travel companies. "I am asked to invest in small

companies that have computer-driven travel operations," Mr. Björnsson said. "Sometimes the guy with the biggest hype and the strongest arguments gets the investment money, but the company has no cash flow," he said. "At least I can ask them to prove what they are promising."

Vincent Bazi, a senior manager at **Oddio & Company**, a French brokerage firm, flew in from Paris because he is planning to redeploy some of his clients' money — out of the technology sector and into value stocks. "We did 25 percent of the I.P.O.'s in France, making a lot of money for our clients," he said. "Some investors will

come back to traditional stocks to diversify their portfolios."

As for Professor Greenwald, he is not much of an investor himself, because he does not feel that he has the time to devote to it. So he is not agonizing over value stocks' underperformance.

But he is suffering in other ways. His mother, Virginia, 78, pays scant heed to his value outlook, having bought **Cisco Systems** at \$2.50 a share in 1995, and **Oracle** at about \$15 in early 1999. Before the April meltdown in technology, he said, she sold **Cisco** for \$80.25 and **Oracle** for \$83. "How would you feel with a mother who's a genius?" he asked ruefully. □

### A Valuation Gap

Standard & Poor's Barra Value index, which tracks stocks with low price-to-book ratios, has lagged behind its growth-stock counterpart.



Source: Bloomberg Financial Markets

The New York Times