Investor profile at InvestingByTheBooks:
The book The World’s 99 Greatest Investors: The Secret of Success provides a unique opportunity to learn from the most prominent investors globally. In the book they generously share their experiences, advice and insights and we are proud to present these excerpts. Magnus Angenfelt, previously a top ranked sell side analyst and hedge fund manager, will be presenting one investor per month. For those who cannot wait for the monthly columns, we strongly recommend you to buy the book. The investor himself writes the first section below and then Angenfelt describes the background of the investor and comments on his investment philosophy. Enjoy.

There are no words in our vocabulary that define the common quality that all very successful people share, but the closest words would be ‘passion’ or ‘obsession’ relating to what they do. A second quality these people share is a lack of hubris when achieving a great victory in a game or investment. When they are victorious they do not believe they are geniuses, rather they understand how much luck is involved. As Rudyard Kipling put it, ‘if you can meet with Triumph and Disaster and treat those two impostors just the same’.

A third quality that I believe all great investors share is the ability to recognize the difference between a ‘secular’ and ‘cyclical’ change in companies they have carefully studied. If a company they have studied and believe in is down because of a cyclical change, successful investors use the opportunity to purchase as much as they can as quickly as they can. They do not care and are not influenced or frightened by market conditions, etc. However, if a company is in trouble due to ‘secular’ change, successful investors will take their losses and back away.

The ability to recognize secular and cyclical cycles cannot be taught, in my opinion. Rather, it is an instinct or talent that has been honed over many years of arduous work. In other words, the great investors, just like the great champions in other fields, can divorce themselves from their emotions and just play the game.

BORN New York, USA 1936.

EDUCATION He studied philosophy at Princeton University in 1957 and at the New York University School of Medicine, but he left without graduating.
CAREER Icahn began his career on Wall Street in 1961 as a registered representative with Dreyfus & Company. Aged 32 he bought a seat on the New York Stock Exchange and started Icahn & Co. Inc., a brokerage firm that focused on risk arbitrage and options trading. In 1978, he began taking substantial controlling positions in individual companies. Today, he is chairman of Icahn Enterprises, a diversified publicly listed holding company engaged in a variety of businesses, including investments, metals, real estate, and consumer goods.

INVESTMENT PHILOSOPHY Icahn is the most successful and famous stock market activist in the world, but his roots are in contrarian value investing. His strategy is to invest in beaten-down assets that nobody else wants, usually out of bankruptcy, then fix them up and sell them when they are back in favour. When studying a firm’s structure and operations to explore the reasons for any disconnect between the company’s stock price and the true value of its assets, ‘for the most part the reason for this disconnect is management’, as he explains it. To take the steps necessary to seek to unlock value he uses tender offers, proxy contests, and demands for management accountability. When valuing companies, he looks at replacement cost, break-up value, cash flow and earnings power, and also liquidation value.

He operates with almost all market instruments – including long and short equities and bonds, bank debt and other corporate obligations, options, swaps, etc. He regards consensus thinking as generally wrong. ‘If you go with a trend, the momentum always falls apart on you’ says Icahn. In contrast to the general view about activists, he is more of a long-term investor. The focus is on capital structure, management, and finding the best long-term owner for the assets.

OTHER Icahn Enterprises has revenues around $20 billion and almost $30 billion in assets. In 2008, Icahn launched the Icahn Report, which campaigns for shareholder rights and encourages them to shake up the management and boards of underperforming companies. He has through his different vehicles taken positions in various corporations over the years and very seldom failed to wring out changes and higher valuation. Some of the most famous battles were RJR Nabisco, Texaco, TWA, Phillips Petroleum, Western Union, Gulf & Western, Viacom, Blockbuster, Time Warner, Yahoo, Motorola and recently Dell. In the fight over Time Warner, where he owned about 3.3 %, he unveiled a 343-page proposal calling for the break-up of the company. In 2013 his net worth was estimated by Forbes to be $20.3 billion, making him the eighteen richest man in the world. He has been an active participant in a variety of philanthropic endeavors through Icahn Charitable Foundation, which mainly focuses on child welfare, education, and medicine.

Sources: Carl Icahn; Icahn Enterprises L.P.; Icahn Enterprises; the Icahn Report; Wikipedia.