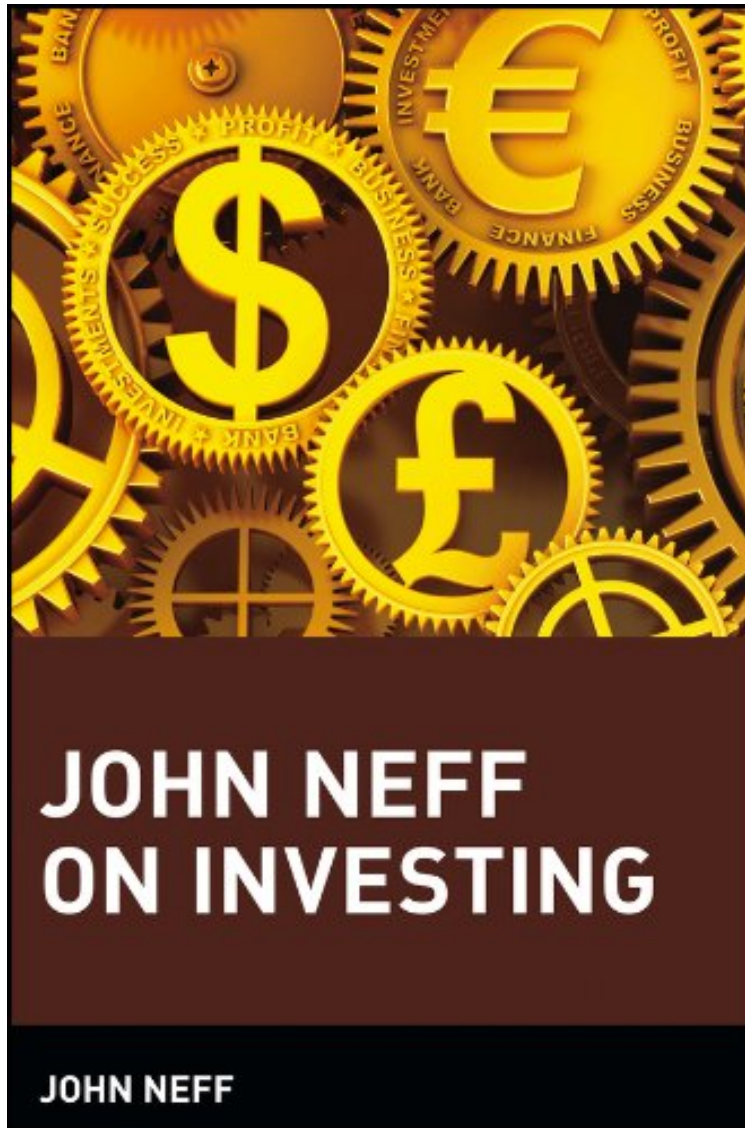


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John Neff on Investing

John Neff

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John Neff : John Neff on Investing before purchasing it in order to gage whether or not it would be worth my time, and all praised John Neff on Investing:

38 of 38 people found the following review helpful. Wisdom of the AgesBy Randy N. MyersMutual fund managers who can beat the market for a couple of years are a dime a dozen. Mutual fund managers who can beat the market for a couple of decades are practically unheard of. Which is why almost every investor has heard of John Neff. In his 31 years as a bargain-hunting fund manager, he beat the market in 22 of them. By the time he retired a few years ago, a dollar invested in his Windsor Fund in 1964 would have returned \$56, versus \$22 for the SP 500.In JOHN NEFF ON INVESTING, one of the true masters of Wall Street tells us exactly how he compiled this amazing record. With

collaborator Steven Mintz, he explains what kinds of stocks he looked for (in a nutshell, low p/e stocks of companies growing earnings in excess of 7% annually, often paying a respectable dividend) and a long list of qualifications concerning just what makes one low p/e stock better than another. (A low p/e company growing too fast is suspect. A dividend yield isn't always a must. Cyclical stocks should offer lower p/e multiples. The list goes on and on.) Just as importantly, Neff shares the wisdom of a lifetime in the investment business, outlining the pitfalls that can trap the unwary investor. (See Chapter 9, CARE AND MAINTENANCE OF A LOW P/E PORTFOLIO. The meat of Neff's discussion of his investment style is included in the middle third of the book. Armed with this advice, an investor can easily begin to screen the stock market for companies that fit the Neff mold. (MSN MoneyCentral Investor, at [...]) offers a powerful and free screening tool. There are many others.) Elsewhere, Neff devotes the first third of his book to talking about his formative years in the investment business prior to taking over the Windsor Fund. In the final third of the book, he provides a journal describing his investment activities at the helm of the Windsor Fund. He talks about critical buy-sell decisions, why he made them, and how they worked out ... and also describes the ever-changing market environment in which he was making them. (Reading this book is a great reminder that large-cap growth stocks don't always lead the market, as they have for the past five years. As such, it should help investors be better prepared the next time market leadership changes.) If you had the chance to sit down and talk with John Neff for a few weeks about his career and his investment style, what you would get, though likely not so well structured, would be this book. I'd love to spend those weeks with John Neff. But I wouldn't give up the chance to have read this book, either. Few investors have achieved more than Neff, and his story deserves a place on any investor's reading list. #####7 of 8 people found the following review helpful. Really poorly written, boring, and not helpful investment book By Consumer 5I will save you 250 pages and \$20, by low P/E stocks. This is by far one of the worst investment books I have read. I have great respect for Neff, but not this terribly written book (Maybe this book explains why Buffet never wrote a book). The drones on and on about the stocks he pick, I bought Delta Airlines, it had a P/E of 7 and a dividend Yield of 4%, it went up 50%, over and over again. No detail on what made his stocks good low P/E stocks, why were they good investments, why he thought earnings were going to grow, why they were not value traps. A novice investor (I am a buy side equity analyst) would read this book and think all you have to do is buy low P/E stocks and you will make lots of money. Where is the meat of his process? He only really talks about his big winners, rally mentions his bad stocks or his so-so investments, it reads as if almost all of his investments were up 50% in the 3 months. I guess maybe in the 60s - 80s, all you had to do was buy cheap stocks to make money, but believe me, now buying low P/E stocks is full of risks. Don't get me wrong I am a value investor, but it is hard risky work, with plenty of mistakes on my part. I would highly recommend the Warren Buffet Way over this book or if you want to be very serious about value investing read Graham's Security Analysis, but that is a project book. 0 of 0 people found the following review helpful. A good read with detailed descriptions of periods where emotions reign ... By Andre Nunes A good read with detailed descriptions of periods where emotions reign above judgment. A worthwhile read for every value investor

John Neff is a life-long contrarian, proving time-and-again over the past three decades that bucking the system can pay off big. During his illustrious career as a money manager, Neff flew in the face of conventional wisdom by consistently passing over the big growth stocks of the moment, in favor of inexpensive, under performing ones-and he usually won. During his thirty-one years as portfolio manager for Vanguard's Windsor and Gemini II Funds, he beat the market twenty-two times, through every imaginable stock market climate, while posting a 57-fold increase in an initial stake. When Windsor closed its doors to new investors in 1986, it was the largest mutual fund in the United States. Now retired from mutual fund management, Neff is finally ready to share the investment strategies that earned him international recognition as the "investor's investor", and made him the one to whom other money managers come to manage their money. In John Neff on Investing, Neff delineates, for the first time, the principles of his phenomenally successful low p/e approach to investing, and he describes the strategies, techniques, and investment decisions that earned him a place alongside Warren Buffett and Peter Lynch in the pantheon of modern investment wizards. Packed with solid advice and guidance for anyone who aspires to using Neff's unique brand of value investing, John Neff on Investing offers invaluable lessons on using price-earnings ratios as a yardstick, to zeroing in on undervalued stocks, interpreting earnings histories and anticipating new market climates. A narrative of Neff's early days-My Road to Windsor-reveals the extraordinary mindset and humble circumstances that shaped his winning investment philosophy. By reproducing excerpts from his personal investment diaries, this book offers a unique opportunity to watch Neff in action over the years. A faithful, quarter-in-quarter-out chronicle of a life on Wall Street, the diaries provide unprecedented insights into the thinking behind some of his best (and worst) investment decisions, while tracing the evolution of his innovative investment style. The first book to fully reveal the long-heralded investment strategies of a Wall Street genius, John Neff on Investing is must reading for investors, brokers, traders, and bankers of every kind. JOHN NEFF, until his retirement in 1995, was Senior Vice President and Managing Partner of the Wellington Management Company, the Windsor Fund's investment advisor. S.L. MINTZ, is New York Bureau Chief of CFO Magazine, a publication of the Economist Group dedicated to the latest financial thinking and

how it is being implemented in today's markets. His other books include *Beyond Wall Street* (Wiley, 1998) and *Five Eminent Contrarians*.

.com In the investment-management business, it's best to take bows quickly. Unless, of course, you're John Neff, a living legend, who as manager of Vanguard's Windsor Fund beat the market in 22 out of 31 years. Neff grew Windsor to become the largest mutual fund by combing the bargain basement for quality merchandise and selling as other investors caught on. In *John Neff on Investing*, he explains how he scoured the daily list of stocks hitting new lows, the "dusty rag and bone shop of the market," to find out-of-favor companies with low price/earnings ratios, those growing faster than seven percent a year, that paid generous dividends. He shows how to distinguish misunderstood and overlooked stocks from those with lackluster prospects. Shunning the terms value investor and contrarian, he tells us he prefers to be known simply as a "low-p/e investor." "Contrarian investor suggests a stubborn nature," he says, "and there's a thin line between contrarian and being just plain stubborn." Memory in the stock market is notoriously short. "Remember the lessons of the past as they tend to repeat themselves," Neff says. "You cannot become a captive of historical parallel, but you must be a student of history." He takes us back to the early '70s, the "silly season" he calls it, "when investors emphasized a handful of glamour stocks at the expense of the market.... Hypnotized by rising market levels, investors lost sight of fundamentals ... and a dazed and confused public became persuaded that investing is easy." The toughest investment decision is the decision to sell. "Successful stocks don't tell you when to sell," says Neff. "When you feel like bragging, it's probably time to sell." He quotes a French proverb: "Buy on the cannons, sell on the trumpets." *John Neff on Investing* begins with an insightful autobiographical sketch, but the marrow of this book is the journey through Neff's investment diary while managing Windsor. He takes us through three turbulent decades and dissects in detail his investment successes and failures. Relying on relentless application of his low-p/e strategy, abetted by attention to fundamentals and a liberal dose of common sense, he repeatedly rode stocks from under- to fair valuation, most often leaving the overvaluation thrill ride to braver souls. Neff explains his concept of Measured Participation, a sort of asset-allocation strategy for low-p/e investing, and he shows that while difficult in today's high valuation market, constructing a portfolio guided by his methodology is still possible. Anyone with an interest in investing will enjoy learning at the feet of this master. --Scott Harrison
From Publishers Weekly
From 1964 to 1995, Neff managed the large Windsor mutual fund, which consistently beat the stock market's average returns. In this wise and engaging volume, Neff and finance writer Mintz (*Five Eminent Contrarians*) team up to explain how Windsor did it and how smaller-scale investors might duplicate Neff's success. The result is half financial advice, half autobiography. Early chapters describe Neff's difficult family life in Texas and Michigan, his navy years and his early job in a Cleveland bank. Thereafter, Neff's investment advice alternates with year-by-year analyses of the market and of Windsor's performance. Neff and Mintz together craft clear, forceful prose, studded with personal asides: at the bank in Cleveland, "I was not inclined to play by their rules. Instead of bankers' pinstripes, I wore sport coats." Neff's core precept is simple: buy stocks that look bad to less-careful investors and hang on until their real value is recognized. This means seeking solid companies whose price/earnings ratios look low. "I've never bought a stock," he declares, "unless, in my view, it was on sale." That's not new advice, but Neff's success proves that he knows how to apply it: patience and willpower, he informs us, matter as much as (though not more than) rapt attention to business news and company reports. Bad analysis had almost sunk the Windsor fund when he arrived; Neff's first years there saw "go-go practitioners" and "adrenaline funds" temporarily surpass his returns, then collapse while Windsor persevered. Today's NASDAQ and Internet stock booms, Neff warns, looks like trends from ages past: they, too, will eventually weaken. Readers seeking up-to-the-minute stock tips or get-rich-quick advice may not like the message Neff delivers, but cooler heads seeking to make money over the long haul should enjoy, and benefit from, finding out how Neff invested very, very well. (Jan.) Copyright 1999 Reed Business Information, Inc.
From Library Journal
Neff is a famous investor who led the Vanguard's Windsor Fund, once the largest mutual fund in the United States. Now retired, he wants to share his story and investing principles with others. Neff has been called contrarian because he doesn't blindly follow the herd of investors buying the hot, faddish stocks: electronics in the late 1950s, the go-go stocks of the late 1960s, the net-based stocks of today. Rather, he advocates investing in companies with a solid, intrinsic value, as denoted by a low price-to-earnings ratio and regular dividends. His book both tells the story of his career and explains, in detail, his investing principles. His long-term record of success is enviable (during his tenure, when Windsor posted an average yearly return of 13.7 percent, money managers considered him on a par with Warren Buffett). He writes in lively prose, keeps his chapters short, and uses language that will be familiar to anyone with a passing interest in the market. Public and academic libraries that have a call for investment how-to books should buy this interesting, practical work.
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