Benjamin Graham: Building a Profession

March 23, 2010

McGraw-Hill Professional

Benjamin Graham is widely known as the father of value investing and mentor to the legendary investor Warren Buffett. But Graham made another critically important contribution by advocating that securities analysts meet minimum requirements of knowledge, and be held to high standards of ethical conduct — in other words, that the profession should be treated as seriously as accounting, medicine or law.

When he began working on Wall Street, in 1914, the center of American finance resembled a lawless frontier. The concept of regulation was in its infancy, the birth of the SEC was 20 years in the future, and companies routinely hid assets and earnings from nosy outsiders.

Security analysis didn’t exist as we know it. There were people known as “diagnosticians,” but they didn’t do much analyzing. Instead, investors prided themselves on going with the “feel” of the market; most of them rarely looked at a financial statement.

Graham was appalled by the lack of research and quantification, and set out to change it all. In the process, he created the discipline of modern security analysis.

This collection of writings by and interviews offers valuable perspectives on investing and financial markets and details the evolution of Graham’s passionate belief in the creation of a financial profession and a science of financial analysis.

---

AQR Capital Management, LLC, ("AQR") provide links to third-party websites only as a convenience, and the inclusion of such links does not imply any endorsement, approval, investigation, verification or monitoring by us of any content or information contained within or accessible from the linked sites. If you choose to visit the linked sites, you do so at your own risk, and you will be subject to such sites’ terms of use and privacy policies, over which AQR.com has no control. In no event will AQR be responsible for any information or content within the linked sites or your use of the linked sites.

The information contained herein is only as current as of the date indicated, and may be superseded by subsequent market events or for other reasons. The views and opinions expressed herein are those of the author and do not necessarily reflect the views of AQR Capital Management, LLC, its affiliates or its employees. This information is not intended to, and does not relate specifically to any investment strategy or product that AQR offers. It is being provided merely to provide a framework to assist in the implementation of an investor’s own analysis and an investor’s own view on the topic discussed herein. Past performance is not a guarantee of future results.

Hypothetical performance results have many inherent limitations, some of which, but not all, are described herein. The hypothetical performance shown was derived from the retroactive application of a model developed with the benefit of hindsight. Hypothetical performance results are presented for illustrative purposes only.

Diversification does not eliminate the risk of experiencing investment loss.

Certain publications may have been written prior to the author being an employee of AQR.

This material is intended for informational purposes only and should not be construed as legal or tax advice, nor is it intended to replace the advice of a qualified attorney or tax advisor.
AQR Capital Management is a global investment management firm, which may or may not apply similar investment techniques or methods of analysis as described herein. The views expressed here are those of the authors and not necessarily those of AQR.