

英汉对照

Investment

商务英语名品案例系列

国际市场投资高手 案例分析

刘昕蓉 主编

南开大学出版社

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国际市场投资高手案例分析

(英汉对照)

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前 言

近几年，投资方面的书籍总是引起那些极具聪明才智的人们的高度关注。但是要想找到一本涉及投资学理论及实践的入门教材，从中既可以纵观精彩纷呈的投资世界，又不会备感投资理论的艰涩，是很难的。

所以我们便策划和编著了这样一本书。在这个投资活动全球性扩张的时代，在这个信息技术爆炸式地增长的时代，我们想借助这本书的内容，把那些鲜活的投资案例和长盛不衰的投资学理论带入课堂，带进金融服务机构，带到商业企业乃至个人的投资经历中去。

几经筛选，我们选中了以《福布斯》杂志资深编辑 Richard Phalon 所著的《伟大的投资故事》中的案例为蓝本，保留了原文中逻辑性强、重点突出的部分，加上详细的语言及背景知识注释，强调系统的理论分析，又配以优美的译文。手捧此书，相信读者们会感到，在那个没有硝烟的战场上，历史和现实难免几度交汇，卓越与知识的魅力是那么持久和永恒。

本书共九章，每章分为四大部分。第一部分为英文原文的投资案例。读者可以读到原汁原味的精彩英文案例，生词和词组为读者学习提供了帮助，详细的注释介绍了案例中涉及的主要人物、公司及专业术语。第二部分为投资理论知识点。这部分简要归纳和介绍了与该案例内容相关的投资学理论要点，通读全书后，读者可以从中系统地学习到几经发展的投资学理论。第三部分为案例分析。这部分包括五至十个英文问题及答案，这些问题囊括了案例中的全部核心知识及主题。第四部分为案例的译文。在英汉对照的学习过程中，读者可以进一步地学习和欣赏优美的英文，更深刻地了解蕴含其中的那些在财富世界沉浮的人物的精彩人生和至理箴言。

本书所选的案例致力于客观还原投资世界的精彩与残酷，其分析部分旨在说明如何掌握这些投资学基本原则，并将其转化为现实投资问题的完备和实际的解决方案。本书的各个章节所覆盖的内容既有简单的概念，又有高深的公式。本书对各个案例的分析不仅用来说明人物的经历、介绍他们的洞见，同时也用来描述近半个世纪投资环境的特征及变化。

编写这本书的过程既艰辛又充满了乐趣，因为身边的同事、家人和朋友是那么无私地为该书的顺利完成提供了如此多的鼓励和帮助，尤其是我们这个编创团队，大家克服了种种困难，将智力和心力成功地“投资”到这本旨在成为伟大投资思想之传播工具的作品上。

深入研读本书，你将在投资及语言学习上获取更多更新的知识，你的思维方式及处事态度将会逐渐发生变化。过去的生活或许不会重演，更高的价值确实可以发现！

本书一至九章的编译负责人分别为：刘昕蓉、李伦、张春梅、王欣梅、陈媛、葛瑞平、王佳歆、董妍伽和袁建敏。全书的内容由刘昕蓉和陈媛进行修定和补充。匆忙之作，不足之处，敬请谅解。

编 者

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Chapter One

Godfather of Modern Security— Benjamin Graham

第一章

现代证券之父——本杰明·格雷厄姆

I. Case Study

Benjamin Graham's arrival on Wall Street in that summer of 1914 was not much more than a chance encounter, a light reconnaissance of the world of money. There were no telltales that Graham would live in that world for the next four decades, synthesize a dominant theory of value investing, and in the process create a class of thousands of superinvestors like himself. Among the chief disciples is one-time student and employee Warren Buffett, who graces Graham with the ultimate accolade. Graham, he says, had more influence on him than any man except his father.

Buffett underscored the link through his own son's middle name—Howard Graham Buffett. Among other expressions of filial gratitude, Buffett has unabashedly told fellow Berkshire Hathaway shareholders, "I benefited enormously from the intellectual generosity of Ben Graham, the greatest teacher in the history of finance."

Buffett doesn't burn incense at Graham's shrine simply because he was a nice guy. Graham has been dead for more than three decades now, but there are still uncanny touches of his style in the discipline that has made Buffett and dozens of

other disciples very rich men.

What did Graham so lastingly teach this school of brilliant portfolio managers? The simple hardheaded principle that is at the heart of value investing: the need to cut through market prices to reality. When you buy a stock, you are not buying a piece of paper; you're buying part of a business. There is often a huge spread between the "intrinsic value" of the business and the price that a frequently manic stock market is putting on the paper. Buy a stock significantly above intrinsic value and you court a loss. Buy below intrinsic value and you have a good chance of making money over the long haul, with little risk of taking a permanent hit on your capital. The basic bet is that market value and intrinsic value will ultimately converge.

In one of a number of lead articles he wrote for *Forbes*, Graham thought of his strategy as "buying dollar bills for 50¢." It was a strategy that enabled him to survive the bad years of the 1929 crash while others were sinking and it brought him returns of 20 percent or more over many good years.

The touchstone is intrinsic value. How to establish it? Graham, an irrepressible polymath who loved puns, dancing at Fred Astaire studios (mainly for the pulchritude of the female instructors), and Latin verse, worked at refining his formula almost literally to his dying day in 1976 at age 82. First he concentrated on undervalued assets. Then he began working earnings and dividends into his risk/reward equations. His formula in its final form, a distillation to ten critical elements, took shape as Graham's "Last Will & Testament" in the *Forbes* of August 1, 1977 (see box).

Ten Points: Ben Graham's Last Will and Testament

In his last years, Ben Graham distilled six decades of experience into ten criteria that would help the intelligent investor pick value stocks from the chaff of the market.

The Ten:

1. An earnings-to-price yield of twice the triple-A bond yield. The earnings yield is the reciprocal of the price earnings ratio.
2. A price/earnings ratio down to four-tenths of the highest average P/E ratio the stock reached in the most recent five years. (Average P/E ratio is the average stock price for a year divided by the earnings for that year.)

3. A dividend yield of two-thirds of the triple-A bond yield.
4. A stock price down to two-thirds of tangible book value per share.
5. A stock price down to two-thirds of net current asset value—current assets less total debt.
6. Total debt less than tangible book value.
7. Current ratio (current assets divided by current liabilities) of two or more.
8. Total debt equal or less than twice the net quick liquidation value as defined in No.5.
9. Earnings growth over the most recent ten years of seven percent compounded—a doubling of earnings in a ten-year period.
10. Stability of growth in earnings—defined as no more than two declines of five percent or more in year-end earnings over the most recent ten years.

Together, Ben's ten points construct a formidable risk/reward barrier. The first five point to potential reward by pinpointing a low price in relation to such key operating results as earnings. The second five measure risk by measuring financial soundness and stability of earnings.

Backtesting has shown that concentrating on stocks that meet just two or three of these criteria can produce good results.

The refinements evolved out of his own experience in Wall Street, three decades of teaching at the Columbia Graduate School of Business, and the writing of his multiedition best-sellers, *Security Analysis* and *The Intelligent Investor*.

Graham had little time for the hype and hyperbole of Wall Street. Talking of growth stock fads and high-tech cults shortly before he died, Graham noted that the Bourbon Kings were said "to forget nothing and learn nothing." "Wall Street people," he added, "typically learn nothing and forget everything." It's fashionable in these high-flying days to dismiss Graham as irrelevant. If Graham is irrelevant, so is Warren Buffett.

The education of Ben Graham, Wall Streeter, began that summer in 1914. Graham was 20, a star young graduate and classics scholar who sometimes thought of himself as the wandering Ulysses.

Now, carrying a recommendation from Columbia Dean Frederick Keppel, Graham was pacing anxiously in front of Trinity Church, waiting for the hands on

the steeple clock to creep to 3:10 PM. That was his cue to cut across the street to 100 Broadway and an after-the-market-close interview for a job as a junior bond salesman with the partners of the New York Stock Exchange firm of Newburger, Henderson & Loeb.

The reception was a bit starchy. Senior partner Alfred Newburger—"Mr. A.N." as he was known in the firm—seemed surprised that Graham, despite a fistful of distinctions in math, English lit, and philosophy, had dropped out of the only economics course he had taken. Graham had whizzed through Columbia on a scholarship in two and a half years, working the while at such odd jobs as a night shift manager for the U.S. Express Co. and peddling cut-rate photograph coupons door-to-door. Graham hurriedly told Mr. A.N. he just hadn't been able to reschedule the economics course, and then demonstrated his practical grasp of the subject by talking up the starting salary on his new job from \$10 to \$12 a week. "We always start our young men at \$10 a week, but in view of your necessities we'll stretch a point and make it \$12," Mr. A.N. told the new recruit.

He ended the interview, recalled Ben, with a warning. "If you speculate, young man, you'll lose your money. Always remember that." It was a warning that young Ben took to heart—but only after getting blind-sided a couple of times by his own enthusiasms. When he talked speculation, Mr. A.N. didn't mean the threat of a paper loss. He was talking about getting wiped out.

Learning the business from the ground up—matching buy and sell orders in the back office, swapping checks and stock certificates with other runners and went right on working two after-hours jobs. One of them was tutoring army officers' sons on Governors Island: the other teaching English to foreigners at night school.

Working his way out of backoffice chores to a slot in the Newburger bond department, Ben needed no repetition of Mr. A.N.'s warnings on the perils of speculation. He had learned of them at his mother's knee. Mrs. Grossbaum had a small margin account and, among other stocks, had been trading odd lots of U.S. Steel. As a small boy, recalled Ben, he had checked the financial pages to keep tabs on how the stock was doing—knowing just enough "to be glad when the price advanced, and sorry when it was down." His mother's account was wiped out in the panic of 1907, adding to the anxiety Graham often felt when Mrs. Grossbaum sent him to the bank to cash a personal check. "Is Mrs. Grossbaum good for five dollars?" the tellers would whisper.

At Newburger, Henderson & Loeb, Graham was beginning to formulate the crux of his theory of value investing. All investments are tinged with some element of speculation, he thought. The trick was to limit the level of risk. Always look for a margin of safety. Ben's theories did not spring full-blown, like Minerva from the brow of Jupiter. They grew by trial and error—some wins, some fearful losses—and maturation.

Did the family's business misfortunes help to forge Graham's conviction that the margin of safety was the supreme rule of the investment road? At age 20 he had already tasted what for many would have been a lifetime of exiguous bad luck—with plenty more to come.

Take the summer of 1910, spent after graduation from Boys High School in Brooklyn on a hard scrabble dairy farm in upstate New York. Ben was working a 60-hour week, pitching hay, slopping the pigs, mucking out stables. The pay: \$10 a month and board. After chores at night, Ben was teaching himself ancient Greek by lantern light, certain that he had won a Pulitzer scholarship that would give him a full four-year ticket through Columbia.

Then came the devastating word. He thought he had sailed through a final interview only to be told that he had not made the cut after all. He drifted through a couple of monotonous assembly-line jobs, easing the tedium by reciting to himself passages from the Rubaiyat and the Aeneid.

Then came a stunning note from Columbia's Dean Keppel. Through some administrative mix-up, Ben's name had been confused with that of cousin, Louis Grossbaum, who already had a Pulitzer. "But I've lost a whole year," Ben told Dean Keppel. Then, characteristically, he set about cramming for placement exams that enabled him to catch up on lost time and then some.

Thus, by the time he had nodded acquiescence to Mr. A.N.'s caution on speculation two elements of young Ben's nascent theory of value investing were already in place: Anticipate the unexpected; prepare for it with rigorous study.

In spare moments at Newburger, Ben set about memorizing descriptions of the bonds on the firm's recommended list, jotting them down in a loose-leaf notebook.

He began looking for deeper patterns behind the raw numbers, a challenging task in a time when companies were only reluctantly beginning to disclose at least window dressing on their operations, and stock prices were more often as not a product of rumor and manipulation.

One of Ben's early reports—an analysis showing that Missouri Pacific Railroad bonds had slipped below investment grade—was so penetrating that it drew a job offer from a competing brokerage firm. Newburger preempted the bid by raising the upstart's pay from \$12 to \$18 a week. He was shifted out of bond sales (where he'd generated very little in commissions) and breveted the firm's first "statistician" (i.e., a security analyst).

At one point, he projected improving earnings for the Missouri, Kansas & Texas Railroad. The stock seemed cheap at \$12 a share. Ben went into a joint account with one of Newburger's customers men on 100 shares and was showing a small profit when authority intervened in the person of Mr. A.N. ("He seemed to know everything about everybody in the firm," recalled Ben.) Newburger ordered Ben to unwind the deal and chewed him out.

"If you are going to speculate in something, you should have better sense than to pick a run-down, no good road like the M.K.T." It was another lesson in the need for rigorous analysis. Mr. A.N. had taken a hard look at the interest coverage on the road's bonds. Graham hadn't, distracted for the moment by what proved to be only a temporary (and suspiciously fortuitous) bulge in the M.K.T.'s profits.

In the end, Mr. A.N. was right, but so was Ben. The M.K.T. did indeed flounder into bankruptcy, but the Newburger firm made good money on a new piece of Graham analysis. On his suggestion, it bought stock at 50¢ a share that on the road's reorganization brought new stock worth twice as much.

The M.K.T. call launched Ben's career as a risk arbitrageur—a pursuit requiring a quick mathematical turn of mind, and an eye keen enough to distinguish two discrete bits of information: market price on the one hand and underlying value on the other.

Ben's first big such hit lay in the perception that the market was grossly underpricing the liquidation of the Guggenheim Exploration Company. It owned major interests in four Big Board-traded mining companies. As reconstructed by colleague (and fellow superinvestor) Irving Kahn in a study for the Financial Analysts Research Foundation, Guggenheim's going-out-of-business arithmetic looked like this: Each share of the holding company would receive .7277 shares of Kennecott Copper .1172 shares of Chino Copper; .0833 shares of American Smelting; and .185 shares of Ray Consolidated Copper.

All told, the package carried a market value of \$76.23. Guggenheim

Exploration, on the other hand, was selling at a bargain \$68.88. Ben recommended that Newburger simultaneously sell the pieces and buy Guggenheim for a clear gross profit of \$7.35 a share.

The spread was there because of the risks: Shareholders might turn down the deal in the three months before it was scheduled to fall into place; the deal might get tied up in litigation or some regulatory hang-up; prices on the small pieces might rise sharply before they were distributed to Guggenheim holders, thereby wiping out the profit spread. Ben had assessed the dangers and decided they weren't substantial. Ben was right and won himself another raise. On the strength of the Guggenheim coup, he began to develop a personal following and a deepening sense of value investing: *When you spot intrinsic value at a discount, go for it!* Ben's margin of safety: the strong likelihood that Guggenheim would trade up to the value of the pieces.

Among his new followers was Algernon Tassin, one of Ben's favorite professors at Columbia. Tassin put his lifesaving—about \$10,000 in blue-chip utility stocks—into a joint account. Ben would run the book; profits and losses would be split 50-50. Ben's reputation was anchored in the idea that he had tamed speculation. There was risk, but you weren't betting on some vague evanescent turn in the market to make you rich. You were buying a piece of hidden value the market would recognize soon or late and price accordingly.

The Tassin account was doing well, but much else was on the boil. The United States had entered World War I. Ben was financing a new venture of Leon's (he of the movie house failure). This involved the purchase of the Broadway Phonograph Shop, located uptown at Broadway & 98th St. The cost, about \$7,000, had come out of Ben's share of the profits of the Tassin account. The record shop failed to live up to its promise. Unfortunately for Ben, its swan song coincided with a sharp peace scare sell-off in the stock market.

The peace scare—a flash that the Germans were about to surrender—was a hiccup typical of runaway bull markets. Traders glorying in war-driven prices had no confidence in the underlying economy.

In its full dimension, Ben's value theory holds that safety-minded investors (as distinguished from speculators) should shift proportionately more money out of stocks and into bonds as equity prices boom. The point is to be able to get back into stocks when bear market bargains reappear. Ordinarily, Ben would have been buying

as peace scare prices fell. But with all his cash tied up in Broadway Phonograph and its Vocalion Brand record inventories, he was in a liquidity bind. He had no buying power. Worse yet, he couldn't meet margin calls on the money borrowed to leverage the Tassin account.

To cover the calls, he was forced to sell of some of his old professor's treasured blue chip, American Light & Traction stock.

In his memoirs, Graham recalls wandering the Financial District in bleak despair: "I had a debt to the account which I could not repay; what was worse... My management of Tassin's capital had failed abjectly."

The old tutor stuck with Ben, though it was almost two years before he was fully repaid at the rate of \$60 a month—all Ben could afford. What comes around goes around. Tassin's continuing trust in Ben made him a rich man. And Ben, who subsequently bought a substantial piece of a bankrupt Aeolian Company preferred stock at distress prices, finally managed to squeeze a profit out of the record business. The Tassin failure burned, though. And while it made him much more conservative about borrowing money, Ben was about to get another lesson in humility that reinforced the innate caution of his still evolving market strategy.

A friend arranged for Ben to be let in on the ground floor of a heavily promoted new issue for an outfit called Savold Tire. The draw was high-tech stuff: Savold's revolutionary new process for retreading automobile tires. The stock opened at 10 and zipped to 35. Within a week, recalled Graham, his initial stake of \$5,000 brought a check for three times that amount.

Graham clamored for more, getting himself and friends in for \$20,000 on a Savold affiliate floated four weeks later. Inside price: \$20. The stock opened at \$50, and Graham celebrated his twenty-fifth birthday in a "blaze of excitement": a check for the original contribution, plus some 150 percent in profits.

Disappointingly, Graham and his friends were shut out of the next Savold offer. Sorry, just not enough stock to go 'round, Ben was told. Then came the good word—yet another affiliate was about to hit The Street. Last call! Graham quickly put together \$60,000, half of it anted up by three friends, and got ready to pop the champagne on another smash debut.

The offering didn't go off as scheduled. Administrative delays, Ben was told. Anxious days went by. Then like a puff of smoke, bids on all the Savold companies totally disappeared in the raucous outcry of the old outdoor Curb Market.

Stunned by his own cupidity, Graham took the pledge. Moral: Late bull market IPOs are all part of the high-octane speculative environment. The game hasn't changed very much.

Ben, at least, had direct recourse. He ultimately collared the promoter and succeeded in squeezing out of him about 30¢ on every dollar that had been plunged on the last Savold offer. A chagrined Graham had done no homework on the issue—a lamentable breach of the advice handed down in a series of pamphlets (“Lessons for Investors”) he had been writing for Newburger clients. Graham had put heavy emphasis in the pamphlets on the need to search for intrinsic value priced well below the market. Don't follow the crowd, he preached.

By 1926, Ben's reputation as a value player and the runaway bull market had brought new affluence to the young Grahams. There were three children now, and a spacious apartment at 86th St. and Riverside Drive, in a neighborhood that to Ben “spoke of financial success.” The family summered in the carefully manicured enclave of Deal, on the New Jersey shore, and Ben began to take squash and golf lessons at the City Athletic Club.

The new affluence was a direct result of the under-valued situations Ben continued to dig up, sometimes almost by sixth sense. Working with \$450,000 in capital now, much of it his own, Graham was winnowing through an Interstate Commerce Commission annual report on railroads one day when he did a double take on a footnote reference to a group of pipeline companies.

Graham was soon on a train to Washington, D.C. In the records room of the ICC, he requested documents he hadn't known existed before spotting the footnote reference in some of the pipeline financials.

Eight of these pipelines had come out of the breakup of the Standard Oil Company in 1911. Their job was to move crude oil from the wellheads to the refineries. Tankers had taken over much of their business and Wall Street was paying them little attention, as evidenced by the junk bond-like nine percent yield on Northern Pipeline Company common stock.

Dividend payout had already been cut some, and the yield was signaling that Wall Street expected still more trouble ahead. The mingy one-line income statement the pipelines made public did little to dispel this apprehension.

Shifting through the full balance sheets he found on file at the ICC—documents other “statisticians” had missed—Ben made a startling discovery. The pipelines were