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NEWSLETTER

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THE MOUNT RUSHMORE OF MONEY MANAGERS

By Eric Nager, CRPS®

Mount Rushmore is the inspiration for this month's article. Terry and I had opportunity to visit this historic landmark last month. It was completed in 1941 and included, who many felt were, the four best presidents our nation had ever had to that time: George Washington, Thomas Jefferson, Abraham Lincoln, and Theodore Roosevelt. Seeing it got me to thinking about the all-time best at what they do in various categories. For example, according to Jerry Seinfeld, the Mount Rushmore of Comedians is Bill Cosby, George Carlin, Richard Pryor, and Don Rickles.

Who are the best money managers of all time? The list compiled here is our opinion. The question is

important to our industry and our company because we are constantly looking for the best managers to hire on behalf of our clients. Some of these names will be familiar to you. And, if you have other nominees, send them to us!

(Pictures above are listed here in order)

1. **Warren Buffett.** "The Sage of Omaha" is our pick for best money manager of all time. In 1965 he acquired a small textile company named Berkshire Hathaway that was valued at \$19 per share. As of this writing, it is worth \$430,160 per share! Put another way, according to MarketWatch.com, between 1964-2017, Berkshire had an average

annual return of 20.9% compared with 9.9% for the S&P 500 Index. The Wall Street Journal called this performance, "probably the longest and greatest margin of outperformance any investment manager has ever generated."

Buffett did this by looking for bargain companies to acquire with products that Americans trust and use every day like Fruit of the Loom, Geico, and Duracell. At Southern Capital, we maintained a position in the Sequoia Fund in the early 2000s long after it was closed to new investors. We did this because that fund had up to one-third of its holdings in Berkshire Hathaway giving us access to Buffett as a manager.

2. **Peter Lynch.** Perhaps the greatest mutual fund manager of all time, Lynch managed Fidelity Magellan Fund from 1977-1990, and it grew from \$18 million in assets to \$14 billion, according to *Business Insider*. During this time, the fund had an average annual return of 29% (Guru Investor), leading my college finance professor to refer to Lynch as “star crossed.” Lynch retired in 1990, before Southern Capital went to our fee-only management model, so we did not have opportunity to tap into Lynch’s expertise.

However, we have still used Peter Lynch as an example of the difference management makes in a fund. After Lynch retired, Fidelity continued to market Magellan’s track record, even though its performance began to drift toward mediocrity after 1990. The fund had the same name but, without the star manager, it was never the same. To us this illustrates that all the value a fund has is in its manager.

3. **Jean-Marie Eveillard.** The long-time manager of the First Eagle Fund, Eveillard is the only non-American on the list, born in France, and is no stranger to Southern Capital clients. The fund, which Eveillard continues to advise as a trustee for First Eagle, has been a mainstay in our portfolios for some time. In 2003, Morningstar awarded him a Fund Manager Lifetime Achievement Award in recognition of his career contributions since 1978.

We are particularly impressed with how well Eveillard performed in down markets. During the recession of 2000-2002 when the NASDAQ lost 70% of its value, the First Eagle Fund was up nearly 10% in each of those three years. It was a great thrill for Terry to meet him in person on more than one occasion.

4. **Bill Gross.** “The Bond King” is the greatest bond fund manager of all time. Gross was co-founder of Pacific Investment Management Company (PIMCO) and managed their Total Return Fund. For the 2000s, he was named by Morningstar as the Fund Manager of the Decade for fixed income in 2010. According to the Financial Times, his big contribution was aggressively trading bonds with the fund when most bond fund managers passively bought and held. In 2014, Gross had a fallout with PIMCO executive Mohamed El-Erian and departed to join Janus Capital Group. He never achieved the success there that he enjoyed at PIMCO and retired from Janus in 2019 to manage his personal and charitable money.

In the last two decades we have seen historically low interest rates, so Southern Capital has steered away from significant bond holdings. This is because underlying bond values decline when interest rates rise, and they have not had much room to go anywhere but up for quite some time. Consequently, we only held the PIMCO Total Return Fund for

short periods of time. As great as he was, Bill Gross is also a cautionary tale that outstanding fund managers can also lose their touch, yet his final years at Janus do not detract from his legacy.

Honorable mention: There are many other great managers we could name. A couple who come to mind are Michael Price, who is now retired, and Cathie Wood, the CEO of Ark Invest, although her track record is not long enough yet.

As great managers emerge and prove themselves over time, we will employ them on your behalf to do the best possible job with your portfolios.

RANDOM FINANCIAL FACTS

In 2021, the number of women running businesses on the Fortune 500 hit an all-time record: 41. *Source: Fortune*

Every single corporate board in the S&P 500 now has at least one woman on it as of May, according to Bloomberg. The share of female directors at S&P companies is currently 29.7%.

Source: Bloomberg

Prompted by the global pandemic and a strong stock market, donations to charity hit an all-time high last year, according to the latest Giving USA report. U.S. charities took in an estimated \$471 billion in donations last year from all sources, including individuals, private foundations and corporations. This is an estimated 5.1% increase from 2019; adjusted for inflation, the increase was 3.8%.

Source: MarketWatch