

Behind the Scenes, Ahead of His Time

Irving Kahn Discovers True Value in a Life Well Lived

BY CHRISTINA GROTHEER

Irving Kahn, CFA, is one of only a few original CFA charterholders who are still actively in practice. In honor of his 100th birthday, which he celebrated in December 2005, CFA Magazine is reprinting (from the former AIMR Exchange newsletter) the following account of his career. His story marks the kick off of a recurring magazine feature, Member Portrait, which celebrates extraordinary members who are leading the profession by example.

On any given Saturday morning, you will find Irving Kahn, CFA, reading a copy of the *Financial Times Weekend Edition*. Certainly it is not unusual for an investment professional to peruse a financial newspaper, even on a weekend. What's different here is that Kahn's copy of the *FT* was hand delivered at no charge to his Upper East Side apartment in Manhattan — as it has been every Saturday morning for more than 45 years — as a token of the paper's gratitude for his foresight.

Ever ahead of his time, Kahn found himself fascinated by financial markets in Europe long before it was fashionable in the United States. He tried to keep up, but in New York City in the early 1950s, getting a daily copy of the *Financial Times* was both difficult and very expensive. So, during a trip to London with his wife in 1953, he visited the office of the *FT* and pointed out that they were overlooking a sizeable subscriber base in the United States.

"When I suggested that they publish the paper in America, they laughed," says Kahn. "Their response was, 'We're a British paper.'" Yet, less than a year after Kahn's visit, the *FT* sent its circulation manager to the United States to investigate. "I think they publish it in three places now, and one of their largest circulations is in the United States," he explains.

While he's happy to tell you about the challenges of combining the New York Society of Security Analysts with other local analyst societies to form the Financial Analysts Federation (a predecessor to today's CFA Institute), when asked about himself, Kahn grows quiet. Behind his modesty, however, is the story of the birth of a profession and of an amiable 100-year-old visionary who has witnessed the market's many ups and downs in his 77 years in the investment industry.

Remarkably, Kahn's involvement in the investment profession stretches from its genesis to today. "I attended City College of New York," he says, "but there were no courses in security analysis — it didn't exist at the time — so I left."

Instead, he jumped right into Wall Street, joining Loeb Rhodes in 1928. "In those days, they didn't much care how



much you knew or didn't know," says Kahn. "They were so darn busy — the market was boiling — and they were just glad to have someone in there to answer the telephone. The research was secondary. My qualification for the job was 'willingness to be helpful.'"

While Kahn had not learned much about the stock market yet, he clearly had a bent for analysis from the beginning, and was confident enough to view the pre-1929-crash stock market as overvalued when nearly everyone was caught up in speculation. "My first trade was a short sale of 50 shares of Magma Copper," he explains. "When I told people I did this, they said, 'You are going to lose your money.' But less than a year later, the market broke in the fall, and I bought it back."

The 1929 market crash happened less than a year into Kahn's first job, but it did not adversely affect him as it did so many others. He kept his job, thanks in part to his participation in Ben Graham's first course in security analysis at Columbia University's School of Business. "Wall Street was a very small place then," says Kahn. "They didn't have many people in the office who read as much as I did or who went to Columbia and studied individual companies. We didn't have any analysts. I was able to come back to the office and say that Professor Graham said this or that, and they didn't have anybody to offer something else."

In fact, in the late 1920s, the term "analyst" did not exist. "When Ben started his course in security analysis, it was a new order, new words, new everything," says Kahn. "When I came to Wall Street, the man who hired me asked, 'What do you do? Are you a bookkeeper? Are you a sales-

man?' He never said, 'Are you an analyst?' because the word for analyst was 'statistician' back then."

Kahn immediately took to security analysis and to Ben Graham himself, becoming his first teaching assistant and life-long friend. Both men worked a full day on the Street (which closed at 3:00 p.m. back then), and then rode the subway up to Columbia. "We worked together for nearly 30 years, and Ben generously acknowledged the fact that I did a lot of research for three of his books, including *Security Analysis* in 1934, which became the 'Bible' of our profession and has never gone out of print," he says. "I even had the good fortune of meeting my late wife, Ruth, in Ben's first class."

In 1937, Graham made a departure from analyzing specific corporate shares. Instead, in his book, *Storage and Stability*, he outlined a broader backing for currency. Having been a part of the book's creation, Kahn explains it best: "Ben suggested a basket of the 15 most important world commodities to make stability more achievable and reduce the wide gaps between developed nations and poorer countries with limited export balances. Seven years later, his 1944 book *World Commodities and World Currency* applied the theory internationally. It was even cited in the Bretton Woods meeting that created the World Bank and the International Monetary Fund."

Kahn is quick to point out that Ben Graham was a founder of the New York Society and also envisioned and supported the creation of the Institute of Chartered Financial Analysts. Kahn also favored the concept and sat for the first CFA exam in 1963. "I wanted to be sure that nobody felt we were automatically accepting individuals without making them pass the exam," he says. "We were all challenged because the questions were good." Challenged, perhaps, but he passed the first time around and was awarded CFA charter number 240 on 15 September 1963.

Following his beginning on Wall Street, Kahn worked for several different investment firms. Loeb Rhodes went out of business, so he moved to Wertheim and Company. Later, he became a partner of JR Williston and then made partner at Abraham and Company, which merged into Lehman Brothers in 1975. "Around that time, my sons Alan and Tom had finished college and graduate school and suggested that we form our own firm," says Kahn. "That's when Kahn Brothers and Company, Inc., was formed — in 1978."

Today, having spent the past 77 years absorbing every aspect of the investment profession, Kahn is still going strong as Chairman of the Board of Kahn Brothers. He works at least five days a week, sometimes six: "On Saturday, the phone doesn't ring," he says. And most mornings, when the weather is nice, he walks the mile or so to work. Clearly captivated by his vocation, Kahn is not the least bit interested in slowing down.



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On the contrary, Kahn has definite ideas about where the investment profession should be headed, and he is *not* afraid to speak his mind. He has three pieces of advice for new analysts: "First, specialize in two separate industries; with changing markets, one may decline while the other grows. Second, stay close to the basic principles of proven accounting. And third, regularly study the *Financial Times*, the *Wall Street Journal*, and industry-specific magazines to stay up to date on what is happening in the industry. Clip and file significant articles for future reference."

Clearly, Kahn is relentless in his ever-forward focus, but given his roots, it's not surprising that he has visionary tendencies. Born the third child of highly successful Polish immigrants, he benefited from having thoroughly open-minded parents. "They were very progressive, permissive, open to intermarriage, different religions, and so forth," he says. "I was quite fortunate in having such intelligent and modern parents."

Over the years, Kahn has remained true to his early training, and, like fellow Graham devotee Warren Buffett, is a diehard value investor. An avid follower of technology companies, Kahn also specializes in the food and energy industries and has always been interested in emerging markets. His stories of bargain stock finds stretch back over decades from companies no longer in existence to his recent acquisitions in the area of water filtration, like Osmonics and Ionics.

But forget resting on his laurels. Kahn continues to put in many hours each day corresponding with acquaintances worldwide and reading from industry publications and his stash of widely varied trade magazines in search of the perfect, undervalued company in which to invest.

While he has chosen to avoid the spotlight, his quest has taken him on trips around the world. Still, every Saturday morning you'll find Irving Kahn pouring over his treasured *Financial Times Weekend Edition*, ever vigilant lest he miss out on that one last deal of a lifetime. ■

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