Breaking Into Money Management

Is money management right for you? In response to frequent emails asking how to break into the business, fund manager Whitney Tilson offers reading materials and job-seeking advice. It's not an easy field to crack, but if you're committed and tenacious, you may catch a money manager's eye.

By Whitney Tilson
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The most common email I get from readers goes something like this: "I recently graduated college and would someday like to manage money. I would like to now, but no one will trust some 22-year-old kid, understandably. Could you offer me some advice on this and what you have learned since you began managing money full time?"

I'm not surprised by these emails, as a lot of people are looking for jobs right now, and the money management industry is very attractive. But it's not right for everyone, and breaking into the business is extremely difficult.

Is money management right for you?
My first response to potential job seekers is consider whether this industry is a good fit for you. Many people get into this business for the wrong reasons: They want to get rich quickly, trading stocks and watching the minute-to-minute gyrations of the market; they get a rush from making big bets in the hope of making a big score; or they want to prove they're smarter than the market. These are not only the wrong motivations, but they're likely to lead to disaster.

Instead, those most likely to succeed are patient and disciplined, highly intelligent and good with numbers, simultaneously confident and independent, yet also humble. They make decisions based on analysis, not emotion, and, most importantly, they are businesspeople that enjoy learning and thinking about companies and industries.

Teaching yourself
Before applying for *any* job, you should make every effort to learn as much as possible on your own. When it comes to money management, it will likely take months of reading and studying before you're ready to apply for a job.

What should you know? Let's start with the basics: You should be intimately familiar with all of the following terms (these suggestions also apply to those who simply want to become better investors): revenues, costs of goods sold, gross margin, SG&A, operating margin, net (profit) margin, earnings per share, pro forma earnings, option expense, dilution, share repurchase, IPO, secondary offering, free cash flow, float, depreciation, amortization, capital expenditure, equity, assets, liabilities, shareholder's equity, receivables, inventories, goodwill, leverage, lease obligations, tangible book value, debt-to-equity ratio, cash conversion cycle, return on equity, assets and invested capital, market capitalization, enterprise value, price-to-earnings book and sales ratios, EBITDA, NOPAT, EVA, GAAP, burn rate, and many others. There are numerous textbooks and websites covering all of these terms, including the Fool's Investing Basics center.

Next, every investor should be familiar with this body of literature: Ben Graham's *The Intelligent Investor* and Warren Buffett's annual letters, available for free on **Berkshire Hathaway's** (NYSE: BRK.A) website or in a more organized format in *The Essays of Warren Buffett: Lessons for Corporate America*. After reading these books, you should be able to discuss margin of safety, Munger's mental models (see his speech here), the Superinvestors of Graham and Doddsville, castles and moats, and many other terms.

Finally, there's day-to-day reading: *The Wall Street Journal*, *Fortune*, *Forbes*, and *Business Week. A*t a recent Berkshire Hathaway annual meeting, Charlie Munger said, "I don't think you can be a really good investor over a broad range without doing a massive amount of reading. I think both Warren and I learn more from the great business magazines than we do anywhere else." Other good publications and websites (aside from Fool.com, of course) are *The New York Times* Business section, *Barron's*, ValueInvestorsClub.com, TheStreet.com/RealMoney, and *Outstanding Investor Digest* (a bit pricey, but Buffett once said, "Anyone interested in investing who doesn't subscribe is making a big mistake.").

Keeping up with current business news will allow you to give thoughtful answers (there are no "right" answers) to questions such as: Should **Cisco** (Nasdaq: CSCO) pay a dividend? Should options be expensed? What are your thoughts on the steel tariffs? Is there a housing bubble? Why have **Costco** (Nasdaq: COST) and **Wal-Mart** (NYSE: WMT) been so successful?

Beyond all of this reading, there are other ways to teach yourself valuable skills. Buffett suggested:

> You might think about picking out five or 10 companies where you feel quite familiar with their products, but not necessarily so familiar with their financials.... Then get lots of annual reports and all of the articles that have been written on those companies for five or 10 years.... Just sort of immerse yourself. And when you get all through, ask yourself, 'What do I not know that I need to know?' Many years ago, I would go around and talk to competitors and employees.... I just kept asking questions... It's an investigative process -- a journalistic process. And in the end, you want to write the story.... .Some companies are easy to write stories about, and other companies are much tougher to write stories about. We try to look for the ones that are easy.

Finally, I highly recommend attending the Berkshire Hathaway annual meeting. There is no better investment education than listening to two of the greatest investors ever answer questions for six hours. All you have to do is buy one **Berkshire B** (NYSE: BRK.B) share and book a flight to Omaha, Neb., on the first Saturday in May. (For Munger's two- to three-hour solo act, the **Wesco** (AMEX: WSC) annual meeting is always the following Wednesday in Pasadena, Calif.)

Actually finding a job
Once you're prepared, develop a list of firms to approach. There are countless good private money management firms -- the best way to find them is to read a lot and don't hesitate to email people. As for the best mutual funds or fund families, I suggest considering (in no particular

order): Longleaf (about which Zeke Ashton wrote), Clipper, Bill Miller and Bob Hagstrom's funds at **Legg Mason** (NYSE: LM), Oakmark, Olstein, Fairholme, Sequoia, Third Avenue, Dodge & Cox, Oak Value, and Tweedy Browne. For further information, check out the Fool's Mutual Fund Center.

You can be certain that all of the top firms are deluged with resumes, so you need to distinguish yourself from the crowd. First, never write to the human resources department -- send your letter directly to a portfolio manager and include three things:

1) A one-page cover letter. Try something like this:

> Dear Mr. Nygren,
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> I am a college senior with a passionate interest in investing. I have been a great admirer of yours [flattery gets you everywhere] since I first read about you in *Outstanding Investor Digest* [how many college seniors have even heard of OID, much less read it?], and I now make it a point to check Oakmark's website regularly to read your letters to investors and other materials [more flattery, but don't overdo it -- and be prepared to show that you really read it and you know Oakmark's largest positions].
>
> I am writing in the hope that you can offer me some brief career advice, and perhaps you have an opening in your organization for an eager and hard-working young analyst...

Then mention the attached resume and investment idea, and say you'll call his office to follow up.

2) A one-page resume. This is least important. If you can't show direct investing experience, at least try to show strong analytical and quantitative skills.

3) A write-up of your single favorite investment idea at that time (or at the very least, an old write-up of an idea that's done well). Resumes are a dime a dozen, but well-researched, well-written, insightful investment ideas are rare and valuable. Try to tailor your investment idea to your audience (e.g., don't send a micro-cap stock idea to a large fund).

For examples of many good write-ups, check out ValueInvestorsClub.com -- you can sign in as a guest and access all but last month's ideas. I know many outstanding value investors are members and suggest becoming a member. It looks good on a resume, and I know people have gotten jobs through VIC connections.

Good luck!

Whitney Tilson is a long-time guest columnist for The Motley Fool. He appreciates your feedback on the Fool on the Hill discussion board or at Tilson@Tilsonfunds.com. The Motley Fool is investors writing for investors.