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Marty Whitman, Founder of Third Avenue Value Funds and iconoclastic value investor giant, passed away at the age of 93 on April 16, 2018. Marty's demeanor was once aptly described as a mix of Art Carney and Marlon Brando. He was a working-class Jewish kid who grew up in the Bronx, served in the Pacific during WWII, and afterwards went to Syracuse University on the G.I. Bill. From these humble beginnings, he became a Wall Street legend. He readily embraced media depictions of himself like, "Bargain Shopper" and "Vulture Investor." Like many in his generation who lived through the Great Depression, Marty revered FDR. While he was a committed capitalist, he was unwavering in the idea that government plays a crucial role in society. The concept of loss was never far from his mind, which was likely a leading contributor to the deep-value investment philosophy that came to be synonymous with his name.

In the early 1990s, I was introduced to Marty's *The Aggressive Conservative Investor* by the late Gerry Pinkerton, Third Avenue's first wholesaler. A light bulb went off in my head as Marty boiled down investing to deep fundamental company analysis done independent of the overall market and macroeconomic data. Marty stressed that company-specific analysis should be focused first and foremost on a company's balance sheet. Additionally, resource-conversion considerations were paramount in Marty's thinking since M&A was a perennial feature of corporate activities. Lastly, he counseled, be super price-conscious because price paid is what ultimately dictates returns. In the end, combining balance sheet "safety" attributes with a "cheap" price was his secret sauce. Upon reading Marty's prolific writing, I instantly knew that deep-value was my kind of investing—intellectually challenging, quantifiable, eminently reasonable and stingy about what price to pay.

> "Market prognostications are of no importance in value investing. In the investor's lifetime, market conditions in politically stable environments in which there is no violence in the streets will be important so rarely that these macro-factors can be safely ignored." — Marty Whitman

In the mid-1990s, I was following a lawsuit brought against a closed-end fund managed by Piper Jaffrey. The fund was comprised of U.S. Treasury bonds trading at a 15% discount to its NAV. One day I called up the Lutheran Brotherhood's attorney to get a status update on the case and was told that the two sides had agreed on a settlement in which the fund would repurchase 50% of its shares at NAV, i.e., if only 50% of shareholders submitted to tender, then 100% of submitted shares would be repurchased. The lawyer informed me that the judge overseeing the case hadn't yet approved the settlement, but that there was little reason to believe that she wouldn't accept the settlement terms agreed upon by both parties. The lawyer said the agreement was publicly filed and I asked him if he could mail me a copy (this being pre-email days). I had stumbled upon an unlevered, U.S. government bond fund, paying a 6% annual yield, with a duration of six years, trading 15% below its liquidation value, with a catalyst right around the corner. I still get excited thinking about the investment.

After completing client purchases of the Piper fund, resulting in a 20% position in accounts, I wrote up a three-page memo and faxed it to Marty, not really expecting to hear back. The following morning, I picked up the phone to hear Marty's gravelly voice, "This is Marty Whitman. I read your idea and like it. I'm gonna' put you on with my trader, we'll buy a million shares and pay you 2.5 cents a share." I stammered and said, "Mr. Whitman, it's a great honor to present an idea that you want to buy." He responded, "Look, it's a great idea, but like most great ideas, it's a pretty simple one." Marty gave me a price limit of $5.25. One day, anxious to complete the order, I tried to move him to $5.30 when the stock ticked up. He barked, "I said $5.25 top!" It took 40 days to complete, but he never paid a penny over $5.25.

The judge later did accept the settlement agreement. In the end, Piper decided to close the fund down and redeemed all shares at NAV. The investment uniquely underscored the crux of deep-value investing — despite an overall highly efficient market, securities do get mispriced. Marty's approval of my idea gave me an invaluable shot of confidence. That initial phone call segued into a mentoring relationship that eventually became a friendship.

In 1998, after having gotten better acquainted and having further idea exchanges, I told Marty I was opening up Roumell Asset Management and asked if he would be willing to be an advisor and perhaps lend his name to my marketing efforts. He said, "Sure, call me an informal advisor but make sure you don't mention it to anyone around here or they'll be all over me." I asked him for a quote for our marketing materials and he provided the following, "Jim's investment philosophies and his actual investments snugly fit into my criteria for securities investment—safe and cheap." Could he have possibly been more generous?

> "In value investing, the analyst is extremely price conscious in making judgments about the attractiveness of a security. In other disciplines, the strong tendency is to be outlook conscious rather than price conscious."
> —Marty Whitman

A few years later, Third Avenue decided to exit the separate account business and Marty recommended RAM as a replacement for two firms. With Marty's stamp of approval, our credibility, and assets, grew.

I last saw Marty in December of 2017 over bagels in his office. He was sharp, and after musing about the world, we talked shop, as we always did. He proudly showed me his (highly concentrated) personal portfolio peppered with Hong Kong real estate stocks. I never left one of our meetings without telling him that he changed my life. He always demurred and just shrugged it off. It's not often that a person can identify someone who changed their life, I'm fortunate to have a few, and Marty was undoubtedly one of them.

In reading through my "Whitman" file, I came across classic teachings of Marty and, of course, his ever-present sharp wit and intellect. In a 1994 interview, a journalist asked Marty, "Some of your holdings are relatively obscure companies that are thinly traded. Does that mean your investment approach is speculative?" Marty answered, "We're anything but speculative. In fact, we're extraordinarily conservative. We analyze businesses the way a businessperson does. Which, we think, is a process that's far less speculative relative to Wall Street's approach."

Morningstar named Marty fund manager of the year in 1990. Publisher Don Phillips referred to Marty as a free thinker and a bold thinker and said, "When you get a manager with his character it really stands out." Phillips went on to say, "His fund won't move with the market, and he'll give you exposure to opportunities you just won't find in other funds." In that tradition, we've long counseled our clients to not come to RAM for a market proxy.

Marty always stressed that investing was a business of dealing in probabilities, not certainties. The goal was to value the business and then stop. He realistically noted that there were always trade-offs in sourcing cheap securities and that, "In almost all cases when we acquire a security, the near-term earnings outlook is terrible." Marty said, "You will often find us walking in when others are running out…" I recall pushing back on certain investment ideas with Marty and he would say, "Look, they all have hair. The next one that doesn't will be my first."

> "Conventional security analysis overemphasizes the primacy of the income account to the exclusion of the balance sheet. Issuers lacking a good earnings record frequently are highly attractive." —Marty Whitman

Deep-value can be a lonely business at times. In "Finding Bargains from the Bottom Up" published in April of 1995, Marty wrote, "At any given time, the best performing equities in the stock market will be those that are reporting improving GAAP earnings per share quarter to quarter; those that have the most popular industry identification, and those that are most heavily promoted by insiders and members of the financial community." We rarely hang out with the popular kids who get all of the fun headlines, but as Michael Corleone said, "It's the life we chose."

While deeply indebted to Marty's overall thinking about investing, RAM developed its own brand of deep-value investing. For one, unlike Marty, RAM is very scuttlebutt oriented in the tradition of investors like Walter Schloss and Irving Kahn. Particularly after Third Avenue reached tens of billions in AUM, Marty often bought super-sized battleships like Brookfield Asset Management, Toyota Industries, Forrest City Enterprises and Henderson Land Company in Hong Kong. Scuttlebutt is not a particularly useful investment tool for battleship investing. RAM's sweet spot of micro/small cap securities requires, in our view, in-depth field knowledge. We enjoy detective work, while Marty never tired of document work. Second, Marty was a very dedicated buy and hold investor, while RAM's holding period is typically two to three years. Marty held "modestly overvalued" securities, while RAM often sells a security as it approaches our estimate of intrinsic value.

What cannot be fully appreciated from Marty's writings was his temperamental strength. He was built for public security investing with its gyrations and mood swings and the necessity to remain even-tempered often in the midst of severe volatility. At the height of the financial crisis, feeling beleaguered and beaten up, I called Marty up one day and asked, "Oh, Marty, how you doing?" He said, "I'm fine, shouldn't I be?" He counseled that life was still good, markets sometimes go crazy… stick to your knitting, don't buy on margin, and you'll be fine.

There is some anecdotal evidence that perhaps deep-value investors have an edge in living long lives. Benjamin Graham lived to 82, Walter Schloss to 95, Irving Kahn to 109 and Marty made it to 93— average age of 95! In fact, Marty founded Third Avenue in 1986 at the age of 61, when most men his age would have been contemplating retirement. Marty founded Third Avenue after a long and successful career focused on distressed debt investing. Interestingly, all of these individuals were known for generously sharing their insights. All were educators at heart. Marty of course was a prolific writer, taught classes at Syracuse and Columbia and was an adjunct professor at Yale.

Marty was exceptionally generous and gave away a lot of money. He endowed Syracuse's Business school, now named the MJ Whitman School of Business. In 2008, he and his wife founded The Lois and Martin Whitman Scholarship Fund at Tel Aviv University. Speaking as a Jew coming of age during a time of Jewish quotas, Marty said, "I spent half my life as a second-class citizen" and told students it is important "to give scholarships to Arab students at Tel Aviv University." After having amassed great wealth, Marty and his wife looked for ways to lift up others. In the end, he referred to himself as, "A poor kid with a lot of money." He eschewed common Wall Street excesses such as hiring private town cars for the daily commute and instead walked or took the subway to the office.

Marty was my mentor for sure, and he provided me with a framework to think about securities and investing that I turned into a thoroughly enjoyable career. But it is his kindness and his generosity in sharing his knowledge and experience that will stick closely to my bones. He was truly one of a kind. I'll remain forever grateful that our paths not only crossed, but that a friendship ensued and grew each year.

One final writing of Marty's dated January 3, 1999 is worth highlighting. At the time, Marty was certain that the market was significantly overvalued while in no way believing he could time its drop. "The appreciation in market prices for common stocks that make up the leading indexes have, in recent years, so far outstripped the growth in book value and earnings for the companies whose common stocks make indexes that these market prices seem now to be grossly out of line with corporate reality. Thus, the possibilities for disaster." Of course, a few years later the S&P 500 dropped nearly 40% and the Nasdaq dropped over 50%. Today, according to Bloomberg, the S&P 500, on a price to book basis, trades at 92% of its historical percentile. On a price to trailing earnings basis, the index trades at 97% of its historical percentile. Percentiles are based on data since 1976.

However, the overall metrics in 1999 did not deter Marty from sticking to his knitting, "In contrast to this statistical picture for the S&P 500, many common stocks, especially well-capitalized small caps currently seem to be priced at bargain prices relative to long term earnings prospects and current book values."