Jonathan Boyar

After graduating from Cornell University with a B.S. in Applied Economics and Business Management, JONATHAN BOYAR *started his investment career at GAMCO Investors. He then joined Boyar where he established Boyar's Alternative Viewpoint which was a research product specifically designed for the $1.4 billion Global Analyst Research Settlement. This award winning research product was purchased by major banks such as Deutsche Bank, Bear Stearns, Credit Suisse, Lehman Brothers, Morgan Stanley and Merrill Lynch.*

In 2004 Jonathan received a Dean's Merit Scholarship from Cardozo School of Law. Upon Graduation he worked as a litigator at the nationally recognized medical malpractice defense law firm Martin Clearwater & Bell.

In 2008 he rejoined Boyar and is currently President of Boyar's Intrinsic Value Research and a Principal of Boyar Asset Management. Jonathan has been interviewed by Barron's, Welling on Wall Street *and GuruFocus. He has also been a presenter at both the London Value Investor Conference as well as the GuruFocus Value Conference.*

"INVESTORS WHO JUDGE YOU ON YOUR SHORT-TERM PERFORMANCE RESULTS ARE ACTUALLY A HINDRANCE TO YOU AND YOUR OTHER INVESTORS."

Patience Makes Perfect

The Boyar Value Group has been providing independent stock market research and money management services since 1975. Because we publish our research for some of the world's leading investors, we get to listen to their feedback on our investment ideas. Continually providing research for such a sophisticated group (who are not shy in telling us when they think we are wrong and the reasons why) enables us to constantly improve our craft.

1. BE PATIENT.

By being patient and looking for opportunities that are either underfollowed (i.e. spinouts or post-bankruptcy reorganizations) or out of favor (due to circumstances that you believe to be temporary), it is possible for individuals to outperform the pros, as many professionals are hamstrung with clients who will fire them if they underperform in the short term. This is a significant competitive advantage for the regular investor – the only 'client' you need to answer to is yourself. If you adopt the mindset of treating each stock as something you intend to hold on to for many years, and pay no heed to the day-to-day stock price fluctuations, you will put the odds of investment success in your favor.

Being a value investor oftentimes entails taking a contrarian position. This is psychologically difficult to do as it can be quite lonely going against the prevailing 'wisdom' of the crowd. Value investors are often early to the party but if you conduct proper research and determine that a given company is selling at a significant discount to intrinsic value, it can be quite rewarding *provided that you are patient*. As legendary investor Jesse Livermore once said, "throughout all my years of investing I've found that the big money was never made in the buying or the selling. The big money was made in the waiting."

2. MAKE SURE YOU HAVE THE RIGHT CLIENTS.

For a professional investor, a corollary of this is having the 'right' clients. Investors who judge you on your short-term performance results are actually a hindrance to you and your other investors. You need to find clients who are true partners that believe in your strategy and will allow you to make investments that are measured in years and not months.

During the dotcom bubble when our firm did not purchase a single internet stock we were called dinosaurs. We were told that traditional valuation metrics like price-to-earnings and book value no longer mattered and had been replaced by such reliable indicators as 'eyeballs'.

It was frustrating watching companies with no earnings and questionable future prospects become market darlings, while companies with solid balance sheets and good long-term growth prospects were left for dead. However, we stood by our investment philosophy and while we did not participate in the upside, we more than made up for any underperformance when the dotcom bubble burst and our style of investing became in vogue again.

Today we are beginning to experience that same lonely feeling as stocks like Tesla and Netflix have become the market leaders and our style of investing has underperformed. Our bet is that history will once again repeat itself and purchasing companies for less than they are worth will prove to be the best way to invest over the long term.

Patience in practice

The benefits of patience – and having the right clients – were brought home to me in a particularly memorable meeting shortly after the global financial crisis. I was visiting the office of a successful hedge fund manager client who wanted to know our two highest conviction stock ideas.

"Two of our favorite ideas right now are Home Depot and Madison Square Garden," I told him. I then went through our investment case for both companies, and the multiple catalysts we had identified for each.

I discussed how MSG had recently been spun out of Cablevision and one of the reasons we believed it to be undervalued was that it received very little sell-side coverage. According to our calculations, if you took the value of its 'trophy' assets – which included the Knicks, the Rangers, and the Garden itself – they were worth significantly more than the current enterprise value of the company.

For Home Depot, we believed that poor industry fundamentals were masking the operational progress made under CEO Frank Blake. In addition, you had a margin of safety because we estimated that the company's owned real estate accounted for a significant percentage of its current market capitalization.

The manager was intrigued. He asked, "What are the catalysts?"

I explained how Home Depot could profit from an eventual housing recovery, as this would cause both new houses to be built and current home owners to embrace major home improvement projects. Either of these would translate to significantly improved sales and margins.

MSG, I explained, was in the middle of a costly renovation that we believed was masking the firm's true cash-flow-generating ability, as capital expenditures were temporarily elevated. Also, the new arena would help the Knicks and Rangers command higher ticket prices, and create opportunities for high-margin sponsorship revenue. There could also be additional spinouts on the horizon and we believed that the end game for James Dolan, the owner, was to go private.

"So what's the time frame?" was the hedge fund manager's next question.

I told him it was impossible to provide a cast-iron time frame. All of it would take time – but meanwhile he'd be owning great assets at a significant discount to intrinsic value. Value gets recognized: it's just a matter of how long it takes.

He had to pass on both ideas.

"If I underperform for a year or two, my investors will disappear," he said. "These are perfect investments to buy – for my kids."

MSG increased its value by ~400% in the ensuing years. Home Depot increased in value by ~350%.

Patience pays off.