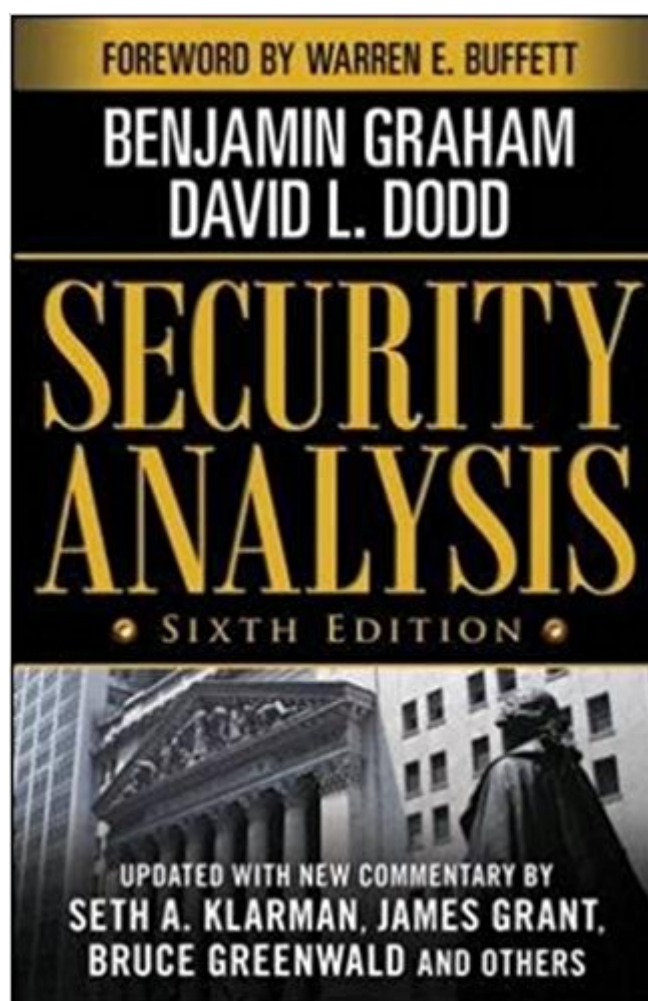


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# Security Analysis: Sixth Edition, Foreword By Warren Buffett (Security Analysis Prior Editions)



## Synopsis

"A road map for investing that I have now been following for 57 years."--From the Foreword by Warren E. Buffett

First published in 1934, *Security Analysis* is one of the most influential financial books ever written. Selling more than one million copies through five editions, it has provided generations of investors with the timeless value investing philosophy and techniques of Benjamin Graham and David L. Dodd. As relevant today as when they first appeared nearly 75 years ago, the teachings of Benjamin Graham, "the father of value investing," have withstood the test of time across a wide diversity of market conditions, countries, and asset classes. This new sixth edition, based on the classic 1940 version, is enhanced with 200 additional pages of commentary from some of today's leading Wall Street money managers. These masters of value investing explain why the principles and techniques of Graham and Dodd are still highly relevant even in today's vastly different markets. The contributor list includes: Seth A. Klarman, president of The Baupost Group, L.L.C. and author of *Margin of Safety*; James Grant, founder of Grant's Interest Rate Observer, general partner of Nippon Partners; Jeffrey M. Laderman, twenty-five year veteran of *BusinessWeek*; Roger Lowenstein, author of *Buffett: The Making of an American Capitalist* and *When America Aged and Outside Director*; Howard S. Marks, CFA, Chairman and Co-Founder, Oaktree Capital Management L.P.; J. Ezra Merkin, Managing Partner, Gabriel Capital Group; Bruce Berkowitz, Founder, Fairholme Capital Management; Glenn H. Greenberg, Co-Founder and Managing Director, Chieftain Capital Management; Bruce Greenwald, Robert Heilbrunn Professor of Finance and Asset Management, Columbia Business School; David Abrams, Managing Member, Abrams Capital. Featuring a foreword by Warren E. Buffett (in which he reveals that he has read the 1940 masterwork "at least four times"), this new edition of *Security Analysis* will reacquaint you with the foundations of value investing—more relevant than ever in the tumultuous 21st century markets.

## Book Information

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"The biggest event in the world of investment publishing this year looks certain to be the re-publication of a book that came out almost three-quarters of a century ago."The biggest event in the world of investment publishing this year looks certain to be the re-publication of a book that came out almost three-quarters of a century ago. .

"A roadmap for investing that I have now been following for 57

years."From the foreword by Warren E. Buffett The 1940 edition of Security

Analysis is considered the bible of value investing. McGraw-Hill continues its proud tradition with this new sixth edition that will serve as a touchstone for a new generation of investors. The leading

"Masters of value investing have updated Graham and Dodd's classic

work with more than 200 pages of new commentary: Seth A. Klarman, president of The Baupost Group, L.L.C. and author of Margin of Safety James Grant, founder of Grant's Interest Rate

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Group . Bruce Berkowitz, Founder, Fairholme Capital Management. Glenn H. Greenberg,

Co-Founder and Managing Director, Chieftain Capital Management Bruce Greenwald, Robert

Heilbrunn Professor of Finance and Asset Management, Columbia Business School David Abrams,

Managing Member, Abrams Capital The accompanying CD-ROM contains additional chapters from

the original 1940 edition. "Benjamin Graham is the father of investment analysts

everywhere, originally sparking the debate for a credential to professionalize the industry which led to the CFA Charter. He transformed the practice of financial analysis from trade to science, starting

with his groundbreaking book, Security Analysis, first published in 1934. This edition, with new

commentary by some of today's finest investors, belongs on every investment

professional's shelf." Jeffrey J. Diermeier, CFA, president and CEO, CFA

This book was made famous by Warren Buffet, but you probably already know that. Will it teach you to invest like Warren? Yes, the fundamentals are there and so are the valuation techniques. In today's rough and tumble world, it's hard to say that it still applies. On a very basic level, yes it does. Security Analysis: The Classic 1934, has been dubbed as an endless source of insight when it comes to investing. Written by two gurus- Benjamin Graham and David Dood this book will awaken the sleeping investor in anyone. Knowing that they taught Warren Buffet his technique has made them famous in the financial world. The book was written in 1934 just 5 years after the collapse of the stock market in 1929, and right about the time of the Glass-Steagel Act which changed the ethics of the stock market and how they were regulated. Benjamin's idea was to teach people about the basics of investment by providing insights of what one should look out for in a business that they wish to invest in. Can you get through all these 725 pages? Yes you can, but it will not be an easy read like the Hunger Games. If you do get through it, you will possess a book written nearly 8 decades ago that has sage insights. You will learn of a framework to follow before rushing into any investment. Also, you will be able to discern a business that looks profitable but in hindsight it is clutching on straws and in the verge of bankruptcy. After reading this book, you will have learned the basic philosophy and principles of investment in the stock market. You will be equally equipped with the tools (mostly analytical and philosophical) that will help you make decisions regarding investments. The difference between investment and speculation, discussion and analysis are all outlined. The reason it is important to know these differences is because the business segment during news time never explain them and so is school. Benjamin will make you understand the meaning of these and other terms his book in a very practical manner. Warren Buffet was Benjamin's student and if not for anything else, this alone should serve as a motivation for anyone to take up this book and read it. Be warned though, the book has no single picture and it's a big book. Luckily for us the book has no filler words and everything written in the book makes a lot of sense which is interesting. There are also other editions of this book, but this particular edition retains all the Old Ben's teachings which is why it is worth every dime. The book is also not a get rich quick scheme. The book only provides insight on what the real investment market looks like and the decisions you should make before making an investment and hence the name of the book- Security Analysis. If you have ever been duped into making an investment or sheepishly following the crowd to make an investment that turned out to be

fake, then grab a cup of coffee and be educated by this man Benjamin Graham and his co-author David Dodd, all who seem to have travelled to the future as this book is still very relevant.

Outstanding book by the greatest teacher of investment analysis in history. What's not to like? Warren Buffett says this edition, that is the 1940 edition, is best, so this is the one to get. Only quibble is that it's a bit long and sometimes ponderous. If you haven't read "The Intelligent Investor" by Benjamin Graham, get that one first; but after you read that, you'll probably want to read this one.

I have read this book twice now - one time is certainly not sufficient to absorb all of its wisdom - ten times probably would not suffice. There are some people who question whether this book is still relevant because it was published over half a century ago. I doubt they ever took the time to read it, or if they read it, I doubt that they really thought about it. The book's central point is that an investment should be made based upon a thorough investigation of the investment's merits - not on the market generally, or interest rates, etc. It does not promise an easy path to riches - the techniques take work. However, Graham and Dodd's theory of focusing on safety of principal plus satisfactory return has been time-tested, and no one can question the success that Graham's disciples such as Warren Buffett have enjoyed. A few interesting points: the book is not limited to equity investments. As Security Analysis highlights, equity investments and debt investments are similar insofar as both lay claim to the underlying assets of a company (they are different in the priority they have if the company does not make money). The book also contains an excellent section on analyzing financial statements. Many of the accounting concerns that this book raised in 1951 occurred during the Internet bubble (such as the effect of stock options on a company's value and the use of write-offs to manage earnings). So much for the book being dated! Even though the book does spend some time analyzing utilities and railroads, the underlying approach used there does have some relevance to other companies. Although many people simply associate Benjamin Graham with low p/e ratio investing, Security Analysis discusses various means to review and understand an entire company. Thus, although p/e ratio is one factor Security Analysis considers, it is far from the only one. The book also contains a great discussion of how dividends may affect a company's value (largely based, it appears, on the work of John Burr Williams, author of "The Theory of Investment Value"), as well as an insightful overview of stockholder/management issues. If I have any criticisms of this book, it is that it pre-dates the use of cash flow statements and that the writing is at times a bit slow-going. That being said, the book itself is invaluable, and I can definitely trace its effects upon any number of other works, all of which become more relevant when read in

conjunction with Security Analysis. Examples include: David Dreman - "Contrarian Investing: the Next Generation" Martin Whitman - "The Aggressive Conservative Investor" Mary Buffett - "Buffettology" Rappaport, Mauboussin - "Expectations Investing: Reading Stock Prices for Better Returns" Although these books may use different approaches than Security Analysis, it is obvious that the methods set forth therein stem, at least in part, from the theories set forth in Security Analysis. Given that this book can be heavy, it might be useful to read Chris Browne's "Little Book of Value Investing" or Graham's "Intelligent Investor" first. In many respects, those books are really less intensive versions of Security Analysis. However, ultimately, Security Analysis is a more useful work because of its in-depth nature.

With nearly a million copies sold, "Security Analysis" has been continuously in print for more than sixty years. No investment book in history had either the immediate impact, or the long-term relevance and value, of its first edition in 1934. The prescient thinking and insight displayed by Graham and Dodd in the first editions of "Security Analysis" reached new heights in the second edition. In words that could just as easily have been written today as fifty years ago, they detail techniques and strategies for attaining success as individual investors, as well as the responsibilities of corporate decision makers to build shareholder value and transparency for those investors. The focus of the book, however, remains its timeless guidance and advice--that careful analysis of balance sheets is the primary road to investment success, with all other considerations little more than distractions. "Security Analysis: The Classic 1940 Edition" marks the return of this long-out-of-print work to the investment canon. It will reacquaint you with the foundations of value investing--more relevant than ever in tumultuous twenty-first century markets--and allow you to own the second installment in what has come to be regarded as the most accessible and usable title in the history of investment publishing.

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