



Seth Klarman wrote the book on value investing. Literally. His 1991 *Margin of Safety: Risk-Averse Value Investing Strategies for the Thoughtful Investor*, now out of print, is so sought-after that it is available for rent on eBay. Klarman’s legendary success as both an investor and a philanthropist belies another aspect of his personality: he enjoys living his life out of the spotlight.

At Baupost’s Boston headquarters, Klarman spends most of his time on the trading floor — not making trades per se, but taking in what’s going on in the 165-person company he helped launch shortly after earning his MBA. Rarely using his private office, he begins each day reading four to six newspapers, surrounded by colleagues. The atmosphere at Baupost is serious but also kind-hearted. “We pride ourselves on mutual respect,” he says. “If someone comes in and is on their Blackberry and is too busy to say hello to the receptionist, that’s not okay.”

That level of compassion can be seen in all aspects of Klarman’s life. A devoted father of three, he has made family a top priority over the years, taking time to coach his daughters’ soccer teams and attend his son’s piano recitals. Together with his wife, Beth, he has also given generously to causes they believe in. “Giving back has been a theme for us from a very early stage,” says Beth, who met Seth on a cruise around Boston Harbor in 1982. “We care about the urgent needs of our local community.” The foundation bearing the family name, run by Beth, has supported medical, educational, religious, and social service organizations, including McLean and Beth Israel Deaconess hospitals and Combined Jewish Philanthropies.

“There comes a responsibility with success, and that is leaving the world better than you found it,” says Seth Klarman, who sees giving back as one of the key metrics to consider when gauging success. Another is whether one has created value for others. At Baupost, he says, “We’ve managed to do really well for ourselves

MBA 1982

SETH
KLARMAN

PRESIDENT,
THE
BAUPOST
GROUP

“IT’S IMPORTANT TO KNOW WHEN TO STAND BACK AND EMPOWER OTHERS.”

by putting clients first, by charging a fair fee, and by focusing on their best interests. I’m proud of the fact that virtually everybody who has been connected with the firm — employees, clients, advisers, business partners — has benefited from that experience.”

Klarman’s long-term outlook has served him — and others — well. His approach relies primarily on research and discipline. “Value investing, the strategy of buying stocks at an appreciable discount from the value of the underlying businesses, is one strategy that provides a road map to successfully navigate not only through good times, but also through turmoil,” he observes. “It requires deep reservoirs of patience and discipline.”

Seth Klarman was born in New York City and grew up in Baltimore. His father, a health economist, taught at Johns Hopkins and NYU; his mother began her career as an English teacher and then became a psychiatric social worker. His own interest in business started early: family lore has it that four-year-old Klarman organized his room into a commercial space, putting price tags on his belongings. At 10, he was intrigued by the stock listings in the newspaper and bought his first stock, in Johnson & Johnson. As a teenager, he delivered the weekday afternoon and Sunday Baltimore *Sun* and ran a snow removal/lawn mowing business. In high school, he took an interest in coin and stamp collecting, horse racing, and baseball, and he remains passionate about the latter two activities to this day.

After studying economics at Cornell, Klarman headed to Wall Street to join Mutual Shares Corporation, where he worked closely with Max Heine and Mike Price, two legendary figures in the area of value investing. The position was a good fit, so the decision to leave to attend HBS was not an easy one. Doing so, however, changed the course of Klarman’s life. “HBS teaches you about leadership. It immerses you in a series of real-life business situations. Even now, 30 years later, I draw on my experiences from business school to handle complicated managerial situations,” says Klarman.

Also at HBS, Klarman met Professor William Poorvu, who recruited him to manage a pool of capital in the newly formed Baupost Group. While the job initially didn’t pay particularly well, it gave him a platform on which to put his value investing strategy



TIMELINE

1957 BORN, NEW YORK CITY

1979 JOINS MUTUAL SHARES FULL TIME

1982 BAUPOST IS LAUNCHED

1990 CREATES KLARMAN FAMILY FOUNDATION

1991 PUBLISHES *MARGIN OF SAFETY*

1995 BECOMES CHAIR OF FACING HISTORY AND OURSELVES

2008 SELECTED LEAD EDITOR OF GRAHAM AND DODD’S CLASSIC *SECURITY ANALYSIS*, 6TH EDITION

to work. Over three decades, Klarman has built one of the most successful hedge fund companies in the world. While such accolades are important to Klarman, he is equally proud of the culture at Baupost. “We have a very collaborative environment where people support each other,” he says. “We reward people for being team players. I’ve always viewed my employees as partners of the business.” For Klarman, success is clearly a team effort. ♡

FROM TOP LEFT: KLARMAN TAKES KUGEL FOR A STROLL AROUND HIS CHESTNUT HILL NEIGHBORHOOD; REVIEWING HIS CALENDAR AT HOME (WITH A BASKETBALL GAME ON IN THE BACKGROUND); KLARMAN AND HIS DAUGHTERS ATTEND A RED SOX GAME.