

# IRVING KAHN



Courtesy of Andrew Kahn

## VALUE INVESTOR FOR THE AGES

By James Russell Kelly

IF YOU LIVE to be 109 years old, you can become very wise. That observation certainly applies to Irving Kahn (1905–2015), one of the founding fathers of value investing.

Kahn was born on December 19, 1905 and lived his entire life in New York City. His father, Saul Kahn, immigrated from Russia in 1880 and became a naturalized citizen in 1900. He worked as a salesman

for the City Gas Supply Company and sold electrical supplies. His mother, Mamie Friedman, immigrated from Russia in 1895 and became a naturalized citizen in 1905. She founded a women's dress company, and Saul later joined her in managing the company.

Their children—Helen, Leonora, Irving and Melvin—lived to become the world's oldest living quartet of siblings. Irving's sister, Helen "Happy" Reichert (1901–2011), died just before her 110th birthday. His younger brother, Peter (Melvin) Keane (1910–2014), lived to 103, while his other sister, Lee (1903–2005), lived to 101. Irving, as noted, lived to 109.

Irving Kahn, 1994.

### Personal History

During Irving's childhood, the family lived on the Upper East Side of Manhattan, first at 14 E. 108th Street and later at 5 E. 106th Street. He was adventurous in his youth: as a Boy Scout, he hitchhiked across the country in his uniform with several of his friends. He attended De Witt Clinton High School on the far West Side of Manhattan in the neighborhood known as Hell's Kitchen.

As a student, he traveled back and forth to school each day by a variety of means, including riding the subway, walking and hitching rides on the backs of trucks and buses. After graduation, he enrolled at City College of New York (CCNY). He left after two years to pursue a career on Wall Street, frustrated by the lack of any practical courses on investments.

In 1931, Irving married Ruth Eastwood Perl, whom he met at Columbia University where she was studying for her doctorate in psychology. After earning her PhD, Ruth was active in several charities, including the Jewish Board of Guardians, the First Hebrew Day Nursery and the Ackerman Institute for the Family. The couple had three children: Donald, Alan and Thomas, who was given the middle name Graham in tribute to Ben Graham.

The young family lived at 413 Beach 137th Street in the Belle Harbor area of Rockaway, on the south shore of Long Island. He expanded the property by purchasing the lot in the rear and installed a tennis court there so he could enjoy his favorite sport. According to his son, Tom, the kids enjoyed ice skating on the frozen court in the winter. The family lived in Belle Harbor until 1960, when they moved to 14 W. 75th Street in Manhattan. They kept the Rockaway home as a summer beach house.

Both Irving and Ruth were avid readers and members of a weekly book club called the Book Worms. They were also active members in the New York Society Library. Ruth liked fiction, but Irving primarily read nonfiction: each week, he would stop by the Wall Street bookstore located just south of Trinity Church and purchase several nonfiction books on a wide variety of subjects. By the time they moved to Manhattan in 1960, many of the rooms in their house were stacked with books.

Irving was also an avid reader of the *Financial Times*. He was fascinated by the

financial markets in Europe long before it was fashionable in New York. In the early 1950s, getting a copy of the paper was both difficult and very expensive. During a trip to London with Ruth in 1953, he visited the office of the *FT* and pointed out that they were overlooking a sizeable subscriber base in the United States. Kahn recalls, “When I suggested they publish the paper in America, they laughed. Less than a year later, they sent their circulation manager to the US to investigate... Now, one of their largest circulations is in the US.”

Irving always lived within his means. His son, Tom, recalls that he was “frugal and comfortable in his own skin. He drove an old car when others moved on to Cadillacs.” He was an intellectual especially interested in new technologies. He visited Brookhaven National Labs in Stony Brook, Long Island, and was fascinated by their research work in nuclear and high energy physics.

### Professional Career

After leaving CCNY in 1928—one year before the outbreak of the Great Depression—Kahn landed a job as a courier (runner) at a stock brokerage company, Hammerschlag Borg. He requested reassignment to the research and analysis department, which was more suited to his personality.

In June 1929, he began his investing career by shorting 50 shares of Magma Copper, a hot stock at the time. When the market crashed on October 29, his \$300 investment soared. “I wasn’t smart,” Kahn recalled in a 2006 interview with NPR, “but even a dumb young kid could see these guys were gambling. They were all borrowing money and having a good time and being right for a few months and, after that, you know what happened.”

From 1930 to 1945, Kahn worked as a broker for Wertheim & Co. and Loeb Rhoades & Co. During the war years, he mentored German Jewish refugees when they came to work at Loeb Rhoades.

In 1945, he became a partner of J.R. Williston & Beane and later he became a partner at Abraham & Co., where he ran the Kahn investment team for many years. Abraham & Co. was known as an expert in risk arbitrage, especially time arbitrage trading between New York and Europe, and subsequently merger & acquisition arbitrage.



Irving Kahn as a young man with his parents in the late 1930s.

Courtesy of Andrew Kahn

Kahn’s sons, Alan and Tom, joined him in the 1960s after completing their educations. In 1975, Lehman Brothers purchased Abraham & Co., and over the next few years conflicts developed about customer account coverage within the expanded organization. By 1978, Alan and Tom decided to leave and establish their own firm, Kahn Brothers.

The company purchased a seat on the New York Stock Exchange and maintained their relationship with Lehman Brothers by signing an agreement with Lehman to handle their brokerage clients.

### Relationship with Ben Graham (1928–1976)

At the start of his career in 1928, Kahn worked for Hammerschlag Borg during the day and for a larger company, H. Hentz & Co., at night. One evening, the bookkeeper of H. Hentz showed him the Benjamin Graham Joint Account, which

had almost all profitable trades. Soon after that meeting, Kahn discovered that Graham worked in the same building as H. Hentz. He approached Graham, who invited him to sit in on his course during its first semester in 1928 at Columbia University.

Thus began a lifelong friendship and mentorship with the founder of value-based security analysis. After two years, Kahn became Graham’s teaching assistant, helping him to prepare and teach his security analysis class each week. On Thursday afternoons, he and Graham took the subway up from Wall Street to Columbia Business School on the Upper West Side of Manhattan for a two-hour class in the evening. Graham would read financial publications and suggest ideas for Kahn to research.

Kahn recalled that Graham “always believed in the Socratic approach. He never provided students with a ready answer, believing that through thorough discussions and rational deductions, solid

conclusions would be reached.” Kahn also noted that “many students took [Graham’s] class year after year because they got many stock ideas from him and profited from them... Ben didn’t care if students made money from his ideas because he was more into analysis as an intellectual exercise than for financial reward.”

### **Security Analysis (1934) and Storage & Stability (1937)**

Kahn assisted Graham and David Dodd in the research for their classic textbook, *Security Analysis*, which has sold more than 750,000 copies and is still in publication. He also assisted Graham in research for his second book, *Storage & Stability*. He wrote the foreword for the second publication of the book in 1997 and stated several times in interviews that he believed this was Graham’s finest book.

In the foreword, Kahn wrote:

Those who have lived through the Depression years of the 1930s can recall the heavy costs both financial and in human terms that our nation suffered. *Storage and Stability* was the result of the indelible impression made on the young Benjamin Graham. He lived through the wild swings in prices and currencies following World War I and their dramatic effects on the state of the world... Graham sought to make governments behave more consistently by building reserves (based on a basket of commodities) rather than deficits. He showed how he can increase demand beyond current needs by producing for storage and ultimate use, thus accomplishing two substantial benefits. These benefits include a cut in unemployment and a substantial accumulation of tangible goods for domestic or international use.

### **New York Society of Security Analysts (1937)**

In 1937, a small group of security analysts decided to turn their casual lunch gatherings into a series of regular meetings. They held an organizational luncheon in a private dining room of the New York Chamber of Commerce. It was there that the New York Society of Security Analysts

(now known as the CFA Society New York) was conceived, with a membership of approximately 20 analysts.

Kahn and Graham were founding members of the society, which is now the largest CFA society worldwide, with a membership of over 10,000. Kahn took the CFA exam in its first year, earning Charter #240.

### **Financial Analysts Journal (1944–1971)**

Kahn was also a founding member of the *Financial Analysts Journal*, the CFA Institute’s investment research publication. In 2005, he wrote a letter to the editor of the *Journal* entitled “Early Days at the *Financial Analysts Journal*.” He recalled that in the beginning, the founders saw it as a way to communicate ideas: “Everybody that worked on the *Journal* was an unpaid volunteer; we did it because we wanted to make security analysis a serious profession.”

He admitted that “many of us were interested in hands-on fundamental analysis of actual companies and actual industries” rather than the theory and methodology pursued by academic analysis. “The challenge,” he wrote, “was then and continues today: how to bridge that gap between theory and practice.”

### **Recollections of Benjamin Graham (1977)**

Kahn co-authored a research paper with Robert Milne entitled “Benjamin Graham: The Father of Financial Analysis.” He wrote the section entitled “Some Reflections on Ben Graham’s Personality,” explaining that “most people knew Ben through his writings. Those who were his students or worked with him got to know the man as well as the legend. Physically, Ben was quite short, but his massive head and penetrating blue eyes made people forget his diminutive stature.”

Kahn recalled that Graham’s “speed of thought was so great that most people were puzzled at how he could resolve a complicated question directly after having heard it.” He attributed this quick-wittedness to Graham’s study of mathematics and geometry, including “a private, but serious hobby of making improvements in the field of plane geometry”—even holding a few patents for geometrical instruments. His mathematical studies required “close and exact reasoning before



Irving Kahn, 1958.

Courtesy of Andrew Kahn

accepting or rejecting either a premise or a conclusion.” Graham also fluently read and translated Greek, Latin, Spanish and German, and he “loved music, especially the major operas, for the wisdom of their lyrics, as well as their melodies.” Indeed, Kahn suggested that his “real pleasure was to exercise his mind over a wide range of subjects far beyond his specialties in the world of finance.”

Graham’s extraordinary memory and his “tremendous range of interests and talents” was matched only by his personal warmth. Kahn wrote:

A needy colleague would always be helped—and always anonymously. He loved to make others laugh by means of his quick wit and large inventory of puns... Ben Graham was such a rare combination of qualities, only those who knew him well over the years can do full justice to presenting the whole man. In the world of finance Ben’s epitaph will be, as was Christopher Wren’s in St. Paul’s, “If you seek his monument—look about you.”

Kahn remembers Graham’s “very fair mind, entirely objective, in distinguishing between what was fair rather than what was self-serving.” It is also very clear that Graham had a huge influence on Kahn’s investment style and methodology. Like Graham, Kahn was focused



Three generations of Kahns, 2012. Clockwise from back left: Thomas, Andrew and Irving Kahn.

on determining the intrinsic value of a company through rigorous fundamental research. Kahn was a contrarian who searched for out-of-favor, undervalued stocks trading with a large margin of safety to their intrinsic value. He was also a very patient long-term investor.

Both men also shared a common bond: they were both intellectuals who were more interested in being correct in their analysis than in the monetary reward.

### Kahn Brothers (1978–Present)

Kahn Brothers is both a registered investment advisor and a broker-dealer offering investment advisory and management services, primarily to wealthy individuals. Irving Kahn was actively involved in the firm as chairman, and then as chairman *emeritus*, until his passing in 2015. As president, his son, Thomas Graham Kahn, manages the company and client portfolios in the tradition of his father and Graham. He is assisted by his own son, Andrew, who is vice president of the company.

Graham's legacy is physically present in the company's offices in the form of his original desk, which Tom describes as a rather utilitarian, L-shaped desk with many small drawers. While lacking in grandeur, the desk is rich in tradition.

### 100th Anniversary Celebration (2005)

Kahn turned 100 on December 19, 2005. The New York Society of Security Analysts (NYSSA) honored him, as one of its founding members, by inviting his family members, friends, colleagues and many preeminent value investors including Jean-Marie Eveillard, Mario Gabelli, Chuck Royce, Walter Schloss and Marty Whitman, to celebrate his birthday and share stories. The dinner's proceeds established the NYSSA Value Investing Archive, which replaced the library that was lost on 9/11. Louis Lowenstein, the Simon H. Rifkind Professor of Finance and Law at Columbia University, gave the keynote address, describing Kahn as a “model of wisdom and sanity,” a figure epitomizing “the very concept of value investing.”

### Value Investor for the Ages

In Kahn's obituary in *The New York Times*, his son Tom stated that “studies of centenarians, including [Kahn]...conclude that the secret to longevity is a mix of DNA, healthy living and luck. My father smoked until he was 50, and he didn't watch what he ate. So, the preponderance in his case was DNA and luck.”

Shortly after his father's death, Tom received an email from Dr. Nir Barzilai

at the Institute for Aging Research at the Albert Einstein College of Medicine in the Bronx suggesting that his father would “remain forever young.” “Irving's not dead,” the doctor said, “because we have his cells and his DNA, and they're working every day in our laboratory.” \$

James Russell Kelly is the Director of Fordham University's Gabelli Center for Global Security Analysis and a Senior Lecturer in Finance.

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