The Real Thing: David Marcus, Evermore Global and the Question of Trust

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One of the high points for me over the last month was the opportunity to attend a dinner hosted by David Marcus, of Evermore Global Value, in Boston, at the time of the Schwab Conference. I would like to say that David Snowball and I attended the Schwab Conference, but Schwab does not consider MFO to be a real financial publication. They did not consider David Snowball to be a financial journalist.

David Marcus

I have known of David Marcus for some years, as one of the original apostles under Max Heine and Michael Price at Mutual Shares. I am unfortunately old enough to remember that the old Mutual Shares organization was something special, perhaps akin to the Brooklyn Dodgers team of 1955 that beat the Yankees in the World Series (yes, children, the Dodgers were once in Brooklyn). Mutual Shares nurtured a lot of value investing talent, many of whom you know and others, like Seth Klarman of Baupost and my friend Bruce Crystal, whom you may not.

David Snowball and I subsequently interviewed David Marcus for a profile of his fund. I remember being struck by his advice to managers thinking of starting another 1940 Act mutual fund— "Don't start another large cap value fund just like every other large cap value fund." And Evermore Global is not like any other fund out there that I can see. How do I know? Well, I have now listened to David Marcus at length in person, explaining what he and his analysts do in his special situation fund. And I have done what I always do to see whether what I am hearing is a marketing spiel or not. I have looked at the portfolio. And it is unlike any other fund out there that I can see in terms of holdings. Its composition tells me that they are doing what they say they are doing. And, David can articulate clearly, at length, about why he owns each holding.

What makes me comfortable? Because I don't think David is going to morph into something different than what he is and has been. Apparently Michael Price, not known for suffering fools gladly, said that if the rationale for making an investment changed or was not what you thought it was, get rid of the investment. Don't try and come up with a new rationale. I will not ruin your day by telling you that in many firms today the analysts and portfolio managers regularly reinvent a new rational, especially when compensation is tied to invested assets under management. I also believe Marcus when he says the number of stocks will stay at a certain level, to make sure they are the best ideas. You will not have to look back at prior semi-annual reports to wonder why the relatively concentrated fund of forty stocks became the concentrated fund of eighty stocks (well it's active share because there are not as many as Fidelity has in their similar fund). So, I think this is a fund worth looking at, for those who have long time horizons. By way of disclosure, I am an investor in the fund.