David Dreman

*Bio from Wikipedia*

David Dreman is a noted investor, who founded and is Chairman and Chief Investment Officer of Dreman Value Management, an investment company. The company focuses on the assets of mutual funds, pension, foundation, and endowment funds, as well as high net-worth individuals.

Dreman has published many scholarly articles and he has written three books. Dreman also writes a column for Forbes Magazine. Dreman is on the board of directors of the Institute of Behavioral Finance, publisher of the Journal of Behavioral Finance.

Previously, Dreman was Director of New York Research for Rauscher Pierce Refsnes Securities Corp., Senior Investment Officer with J & W Seligman, and Senior Editor with the Value Line Investment Service.

Mr. Dreman is also the co-editor of the academic journal, The Journal of Psychology and Financial Markets, a Director of the IFREE Foundation, whose founder Vernon Smith was awarded the Nobel Prize in Economics, and President of the Dreman Foundation. Dreman was awarded a Doctor of Laws Degree from the University of Manitoba in 1999 and is a member of the Board of Trustees of the university.

More From GuruFocus.com:

David Dreman is the founder and Chairman of Dreman Value Management, LLC and also serves as the firms Chief Investment Officer. His Large Cap Value Fund has returned average 17% annually, and Small Cap Value Fund average 16.5% annually since inception in 1991. A regular columnist for Forbes for 25 years, Mr. Dreman's recent best-selling book, "Contrarian Investment Strategies: The Next Generation?" was published in the spring of 1998.

Investing Philosophy:

The Contrarian and the value guru, Dreman's investment philosophy is based on low P/E approach to stock selection. The philosophy at Dreman Value Management: "We invest in undervalued companies that exhibit strong fundamentals, above-market dividend yields and historic earnings growth, which our analysis indicates will persist. Our strategy is to own strong,
fundamentally sound companies and to avoid speculative stocks or potential bankruptcies." They believe that the markets are not perfectly efficient, and that behavioral psychology influences investor actions and reactions.

David Dreman uses metrics such as low P/S, P/B, P/E, and P/D to identify undervalued stocks

Some of the more specific criteria David Dreman used to evaluate stocks:

- P/E bottom 20% of market
- P/CF bottom 20% of market
- P/B bottom 20% of market
- P/D bottom 20% of market
- For cyclical companies David Dreman prefers P/CF
- Market cap top 1,500 largest companies
- Earnings in the most recent quarter should be higher than previous quarter
- For non-cyclical companies past six months of EPS greater than S&P
- for non-cyclical companies projected EPS growth should be higher than S&P projections
- Payout ratio between 40-80 percent
- ROE in the top third of large cap stocks
- Pre-Tax Margin above 8% and a very good company should have above a 22% ratio
- Debt to Equity ratio of 0
- Current ratio higher than 2

David Dreman Current Portfolio and recent Stock Picks

David Dreman Stock Screener

Quotes from David Dreman

“There’s no question that people saw the excitement of the Internet, ... how important it would be. There was absolutely no question they caught it right in the late 1990s. But they paid far too much.”

“I want to take a little bit more time now that the market has closed and take a good look. Is there anything really new here? I really don’t know.”

“There’s a lot of nervousness with what interest rates are doing, ... Financial stocks are up 3 percent one day and down 3 percent the next.”

“When people are frightened, they cut their time horizon dramatically, ... Even advisors will say to sell because they see portfolios crumble and they fear people will have nothing left. It’s really not rational, but it does happen.”

“Whenever you get some kind of natural disaster, the best thing is to stay on the sidelines for the first couple days. We’ll see higher oil prices from here on in. Demand is simply outstripping
supply.”

“Analysts have always been overly optimistic.”

“If you play it out long enough it blows up,”

David Dreman: Books

Contrarian Investment Strategies - The Next Generation

The New Contrarian Investment Strategy

Psychology and the Stock Market: Investment Strategy Beyond Random Walk

Psychology and the Stock Market: Why the Pros Go Wrong and How to Profit

Contrarian Investment Strategies: The New Psychological Breakthrough

David Dreman: Articles

Sign of market bottom? A star manager is fired.
David Dreman Sees 'Major Opportunity' in Financials
Contrarian Buys David Dreman Might Love
Strategy for a Weak Market
Investors Urge More Reforms at NYSE
USA TODAY Investment Roundtable: What will 2003 bring?

David Dreman: Videos/podcasts

David Dreman on WealthTrack episode 417
David Dreman on WealthTrack episode 341
David Dreman on WealthTrack episode 311
David Dreman On CNBC
David Dreman on Value
Market Expert: Inflation Will Rise 8-10%
David Dreman and Donald Yacktman on Finding Value
A Long-Time Contrarian Learns Some New Tricks
Value investing guru reveals his secrets - David Dreman Interview
Stansberry Radio Interviews Investing Legend David Dreman