"A free, open-market society spawns entrepreneurship and increases the rights and responsibilities of each citizen. Perpetuating an entrepreneurial environment is one of America’s greatest challenges as well as our brightest hope. The collective welfare of our workers, savers (investors) and successors depends upon successful new business formations. Without the revenue from these dynamic, rapidly growing enterprises, the regnant demands of our body politic will clearly go unfunded..."- Mason Hawkins

**Biography**

- Age: 64 (as of 2012)
- Education: Bachelor in Finance, University of Florida (1970) and Masters in Finance, University of Georgia (1971)
- Marital Status: Married

**Introduction**

Mason Hawkins is the founding member and the chairman of Southeastern Asset Management Incorporation, which was established in 1975.

Hawkins had a relatively short career before starting is own firm. From 1972 to 1973, he was the Director of Research Atlantic National Bank and then from 1974 to 1975 he held the same position at the First Tennessee Investment Management.
In 1975, Hawkins was one of the three partners who founded Southeastern Asset Management Inc. The company has a value of $23, 594 million (as of 2012). In 2009, the fund showed an incredible performance with an annual return of about 54 percent.

According to Hawkins, his father gave him the first edition of the Intelligent Investor and the second edition of Security Analysis while he was still in school; however, investment was never his prime focus. The same books were a part of his higher education and thus, early groundwork helped him achieve success in the form of his firm, Southeastern Asset Management Inc.

Hawkins was ranked as the fourth wealthiest person in Tennessee, with a net worth of about $1.8 billion.

**Southeastern Asset Management Inc.**

Southeastern Asset Management Inc. is an independently owned business that serves as an adviser to the Longleaf Partners Group, including Longleaf Partners Fund, Longleaf Partners International Fund and Longleaf Partners Small Cap Fund.

The firm also guides institutional accounts including endowments, foundations, and public and private retirement funds. Southeastern Asset Management has a competitive edge over its competitors due to the following reasons:

- **Investment Record** - Southeastern Asset Management has managed to record positive returns for its investors for the last 36 years in the industry. The management attributes these successes to its hard-core discipline, unending research and quality personnel that strives to over deliver in every aspect.

- **Long-Term Scope** - It is nature of the market to go up and down on a periodic basis. This results in profits as well as losses for investors. The managers at Southeastern do not dwell over the negative returns for a long time, even though the causes are investigated thoroughly. As a result, investment managers focus on a long term view that that drives them towards the bottom line.

- **Management Insight** - The powerhouse top management at the company is well-connected and boasts of many profitable deals that have arisen as a result of personal nature of those connections. The fact that the company is established on a very large scale only aids this means of capturing successful ventures.

- **Organized Investment Team** - The biggest strength of the investment managers at the Southeastern Asset Management Company is the level of discipline practiced by the managers. The model has been in existence since over three decades and it has only been improved since then.

- **Interest Alignment** - Investment managers are expected to own a certain number of units in their portfolios which aligns their interests with other investors. This enables them to take a long term view on their stock picks instead of concentrating on short term gains. Southeastern Asset Management trusts that it can distribute greater long-standing total returns and reduce the threat of investment failure by possessing equity
securities in a portfolio of 18-22 competitive and well-managed businesses acquired at massive discounts to their book values. Southeastern Asset Management’s top 10 equity holdings (as of 2011-2012) include:

- Travelers Companies Inc.
- AON Corp
- Consol Energy
- Level 3 Communications Inc.
- Fedex Corp.
- Quicksilver Res
- Murphy Oil
- Berkshire Hth-b
- Republic Svcs
- Amer International Group

**Investment Philosophy of Mason Hawkins**

“We’ve averaged less than 20% turnover over the long-run, which means our average holding period is 5 years. We sell businesses when they approach their intrinsic value and there is no longer a margin of safety. We also might sell a company if we can improve our position by 100%” -Mason Hawkins

Mason Hawkins, along with his partners, is a value investor. When considering prospective investments, he looks for three things, "good business, good people, and a good price."

Like many successful investors, Hawkins achieves a superior business performance by investing in businesses with solid balance sheets. He believes that trading at intrinsic value and having a capable management are important factors for long-term success.

Hawkins believes that it is best to have a concentrated portfolio with only the finest securities as his firm holds less than 25 stocks in each portfolio. According to Hawkins, if you could acquire a business for half of its assets, it is a safe investment and should definitely be pursued.

**Mason Hawkin’s Investment Principles**

- Investment scope is for the long term which allows strategy development and profit opportunities.
- Unpredictability in stock prices allows for growth prospects and buy/sell opportunities. In short, it is crucial for portfolio growth.
- A margin of safety is set into place according to the Price to Value ratio.
- Securities are not picked just because they are available at discount. They should be supported with acceptable rates of returns.
- Investments also need to be justified by a qualified management that is crucial for the success of its securities.
- Portfolios are concentrated in 18-22 securities which gradually expands with higher
returns.
- Bottom-up type of company analysis guarantees higher returns by investing only into top class companies and businesses.

**Mason Hawkins' Mentors:**

In his interview with Graham and Dodd, Hawkins said that his dad, Ben Graham, John Templeton, Warren Buffet, and his partner at Southeastern Asset Management, Staley Cates honed his investment style and taught him everything he knows.

**Performance of Southeastern Asset Management Inc:**

The general performance of the fund has been chiefly upbeat with a swelling return of 1263.9 percent since the Partner’s fund commencement. For the same period, the S&P 500 index recorded returns of 686.9 percent during the same period.

When this figure is annualized, it yields an average return of 11.4 percent. This is almost 2.5 percent higher than the S&P 500 for the average annual yields are 8.88 percent. However, there were two years that were exceptions to this rule.

In 2007 and 2008, the Longleaf Partner fund recorded losses of 0.4 percent and 50.6 percent, respectively. During the same years the benchmark index returned a positive 5.61 percent but recorded a huge loss of 37 percent in 2008, which as everyone knows was also the year of the Financial Collapse.

However, it was able to recover from its losses in the two subsequent years in 2009 and 2010 by outperforming the index by 27.1 percent and 2.8 percent, respectively. In totality, the Partner fund has yielded 10.2 percent while the S&P 500 has returned 6 percent to date. The bulk of Southeastern Asset Management’s holdings are in consumer, financial and industrial services.

**Some Examples of Southeastern’s Investments**

Chesapeake Energy Corporation is a leading producer and distributor of natural gas. Southeastern has a huge stake in this company and holds almost 11 percent of its equities portfolio in this company. And it hasn’t been without reward. This stock was picked up by the investment fund at $27 per share and has since gained up to 12 percent of its value. Over the last decade, the Chesapeake Energy Corp has also increased its share capitalization by almost 20 percent.

Dell Inc. has a market capitalization of $25.49 billion, and Hawkins' firm managed to pick up stocks at an average price of $20.13. Unfortunately, the price declined afterward resulting in a capital loss of about 30.6 percent for the investors.

During the next year however, Dell’s stock climbed up by almost 9 percent. Dell is also the second highest holding of Southeastern Asset Management at 9.77 percent. Historical analysis
reveals that Dell has grown its profits by almost 12 percent over the last decade.

The third largest holding of Southeastern Asset Management is DirecTV with an exposure of 7.28 percent of its entire equities portfolio. The shares were acquired for $25.20 per share. A capital gains of 64.3 percent was anticipated and DirecTV has recorded earnings increase of almost 40.1 percent over the last 5 years.

Yum! Brands is an operator of world famous franchises around the world that include big names such as KFC, Taco Bell, Pizza Hut, Long John Silver’s etc amongst others. The investment company has an exposure of 7.5 million shares in this company, considerably lower than what it started with.

The price paid for this share was close to $35, resulting in massive capital gains of almost 50 percent. Southeastern holds a considerable size of its portfolio in Loews Corp, but suffered a loss of almost 5% on the share price.

Despite this movement, the fund managers have shown their confidence in the company and continued to increase their exposure to this company on a quarterly basis. Loews Corp has managed to increase its earnings by 4.5 percent annually for the last 5 years.

Southeastern Asset Management – The Social Perspective

Hawkins is also a part-time social entrepreneur. In his interview with Graham and Dodd, Hawkins mentioned that “Most of our partners at Southeastern come in daily for altruistic reasons, not only to help retirees and college students, but to produce the free cash flow coupon at Southeastern that can be reinvested to help those who are less fortunate.”

Hawkins helped to establish the Alzar Foundation which means “to lift” in Spanish. He said that the aim of the foundation was that “all our children have the finest education possible and to give women resources to better manage their lives and to support their families.” Hawkins hired an old friend named Jim Boyd, aged 64, to run the foundation.

Mason Hawkins Advice

When asked about investing as a career in his interview with Graham and Dodd, Hawkins said, “You want to pursue it for the intellectual challenge, for the reward of being correct about your investment decisions, and for the opportunity to help others. Those would be the three primary reasons I would council you to pursue a career in investing. If you start out just doing it because you want to make a lot of money, I doubt that you will be as successful.”

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