# Dean Francis LeBaron

## Investment Adventures

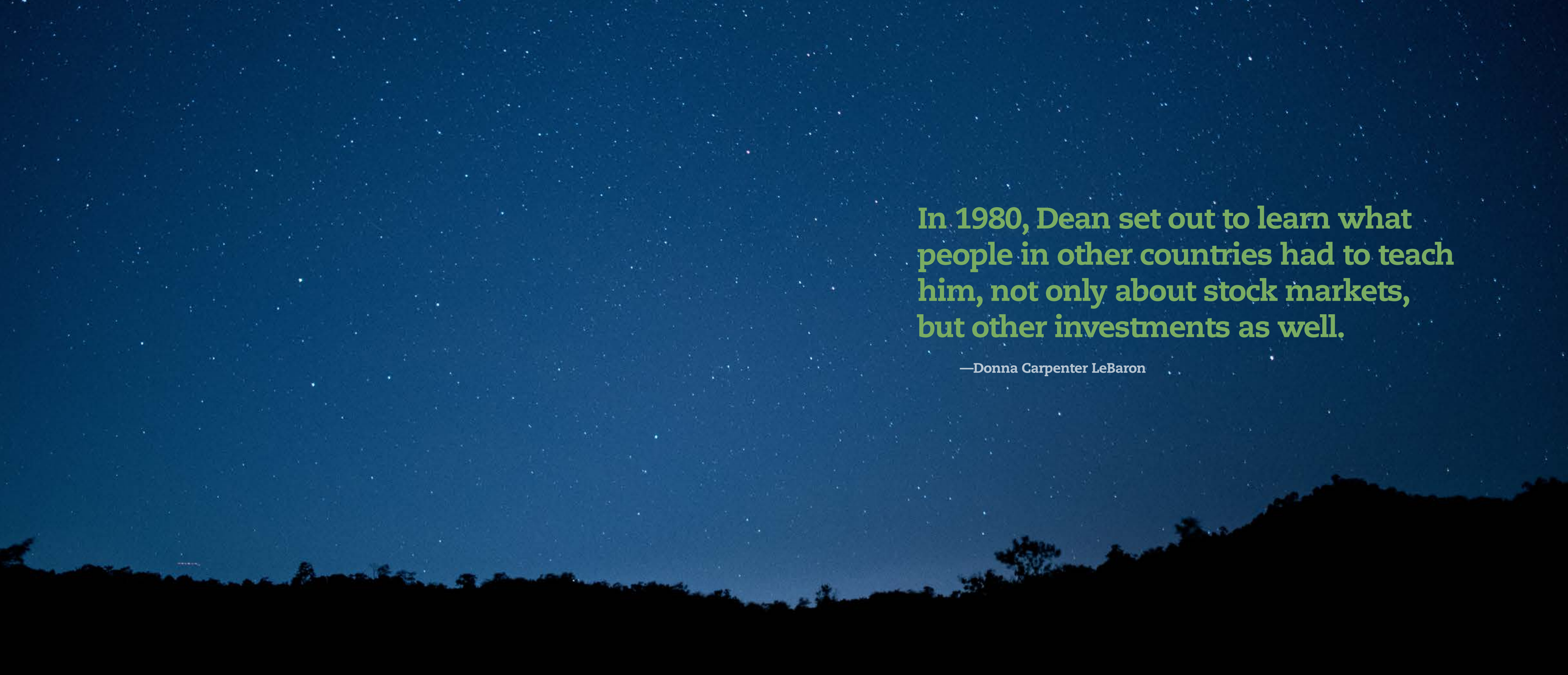
**Contributors**

Dean LeBaron
Donna Carpenter LeBaron, Dean’s wife
Blake LeBaron, Dean’s son
Elaine LeBaron Gilpin, Dean’s sister
C. David Sammons, Dean’s brother-in-law
Paul Rugo, Dean’s friend since 1949
Stephen B. Swensrud, Dean’s friend since 1959
David Gill, Batterymarch trustee
Rich Gula, Batterymarch trustee
Larry S. Speidell, Batterymarch trustee

Matthew Pollock, Design Director
Maurice Coyle, Editorial Director
Valerie Pendergrast, Editor
Jovana Shirley, Proofreader

Moments, memories, and pictures presented with love
and a lot of help from Donna Carpenter LeBaron.





**In 1980, Dean set out to learn what people in other countries had to teach him, not only about stock markets, but other investments as well.**

—Donna Carpenter LeBaron

As a contrarian, my actions are not dictated by conventional wisdom. When other investors are buying real estate, we look elsewhere. Contrarians believe—as Humphrey Neill noted in his seminal book, *The Art of Contrary Thinking*—that when "everyone thinks alike, everyone is likely to be wrong."

My contrarian approach germinated while I was at the Harvard Business School, which pioneered the case-study method of teaching. Students analyzing a case often came to the wrong conclusions because they had missed the crucial focal points. I was surprised at how often this happened—a pattern, I soon observed, as common in the real world as it was at Harvard. People frequently went along with the majority even if it meant ignoring what they had seen and heard or abandoning their values.

Contrarianism is unique because it doesn't tell people what to do, only what not to do. If everyone is buying biotech stocks, contrarians know to leave those stocks alone or to sell them and buy something else. But contrarian thought does not supply the alternative. Investors must figure that out for themselves.

At Batterymarch, we looked for techniques the markets had not applied—indexing and computerized trading in the '70s, for example. Now, I turned my attention to regions—and later, to assets like farms and water rights—that American investors had not yet explored.

In doing our homework, we discovered that public companies in emerging nations—like Argentina, Chile, and India—were collectively producing 12 percent of the world's gross domestic product. But global equity markets accorded them less than 5 percent of the world's total corporate valuation.

To a contrarian, this kind of disparity represents opportunity. We knew that when other investors discovered that discrepancy and bid up the market prices of undervalued companies, early investors would reap the rewards.

## I intended to be one of those investors.

**—Dean LeBaron**

As a boy, I dreamed of becoming an Egyptologist. Although my parents never tried to dissuade me, several of my relatives pointed out that a fascination with ancient Egypt couldn't possibly lead to a well-paying job. Better to become a doctor like your father, they said.

**Still, in 1981, I satisfied my youthful curiosity by traveling to Cairo, Egypt's capital, and Luxor, the modern town on the east bank of the Nile, built on top of ancient Thebes.**

**—Dean LeBaron**



The prosperity of ancient Egypt, Dean learned, depended on the annual inundation of the Nile. The calendar was divided into three seasons linked to the river and its corresponding agricultural cycle: *Akhet*, the flood itself; *Peret*, the growing season; and *Shemu*, the harvest.

The bounty of the harvest varied with the floodwaters: too little and famine would follow; too much and the crops would rot.

Every aspect of Egyptian life was dictated by the flooding of the Nile—even the tax system, which was based on how successful the government thought farmers would be the next season.

Priests performed the complicated rituals necessary to approximate the coming year's floodwaters and predict the resulting harvest, using devices called nilometers. These permanent measuring stations, located in temples to which only priests and rulers had access, gave them and the ruling class their authority because—then as now—information was power.

**As an investor, Dean wanted to find his own nilometer to measure the ebb and flow of the world's stock markets, as information also brought profits.**

**—Donna Carpenter LeBaron**

Cairo—population 8 million in those days—bristled with activity.

Early one morning, I walked the narrow, winding streets of its old quarter, where I saw a young man on a bicycle with a tray the size of a surfboard on his head. By mid-morning, cars jammed the streets. Men and women with other incredible balancing acts on their heads—in one case, 47 boxes—darted and dodged.

More than any other manifestation, Cairo's streets reflected its origins. The city remained a collage of influences brought by a succession of conquerors, but now, the culture of the East dominated. After decades of conflict with Israel, it was also preoccupied with defense.

At the Egyptian Museum, I bought several postcards—reminders of the country's ancient past—when a man approached me, offering to serve as my guide. I accepted.

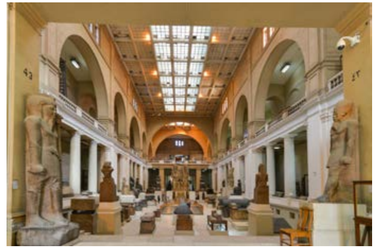
As other men moved toward us, he tugged at my sleeve and cautioned, "Careful. Pickpockets."

In 1902, the Egyptian government filled the museum in Tahrir Square with the discoveries of 19th-century archeologists and more—125,000 pieces in all.

I wanted to see the mummified remains of Egypt's pharaohs, but my guide demurred. "These are the heroes of my country," he said. "You may go, but I will not."

**—Dean LeBaron**









## The highlight of Dean's trip was a visit to the temples of Luxor and Karnak.

The largest religious complex in the world, the structures honor a plethora of gods as well as a succession of Egyptian and Roman rulers.

—Tania Zouikin



As the Karnak staff left for the day, Dean decided to spend the night. He hid in a corner and slept sitting up, his back against the base of a statue.

**—Tania Zouikin**



As the sky grew dark and the stars silhouetted the temples, I felt awed by the people who had built such enormous structures thousands of years ago.

**—Dean LeBaron**

## Dean came away from Karnak itching for a new adventure, and he soon found one.

**—Donna Carpenter LeBaron**



In the early '80s, I came across a listing for three plantations in

# Papua New Guinea.

The ad described Asarumba, the largest of the farms, as "the nicest house in the entire country" with an isolated beach and harbor and thousands of acres of coconut-laden palms, all for the modest sum of $250,000.

*Why not?* I thought, and called my friend Paul Rugo.

"Want to go with me to Papua New Guinea?"

**—Dean LeBaron**

Dean and I flew to Sydney, Australia, and then caught a commercial flight to Port Moresby, where we hired a small plane to take us to Madang, a city of 27,000 on the north coast of Papua New Guinea.

The country was young. Nearly a century of colonial rule—first by Germany, then Great Britain, and finally Australia—had ended in 1975.

**—Paul Rugo**

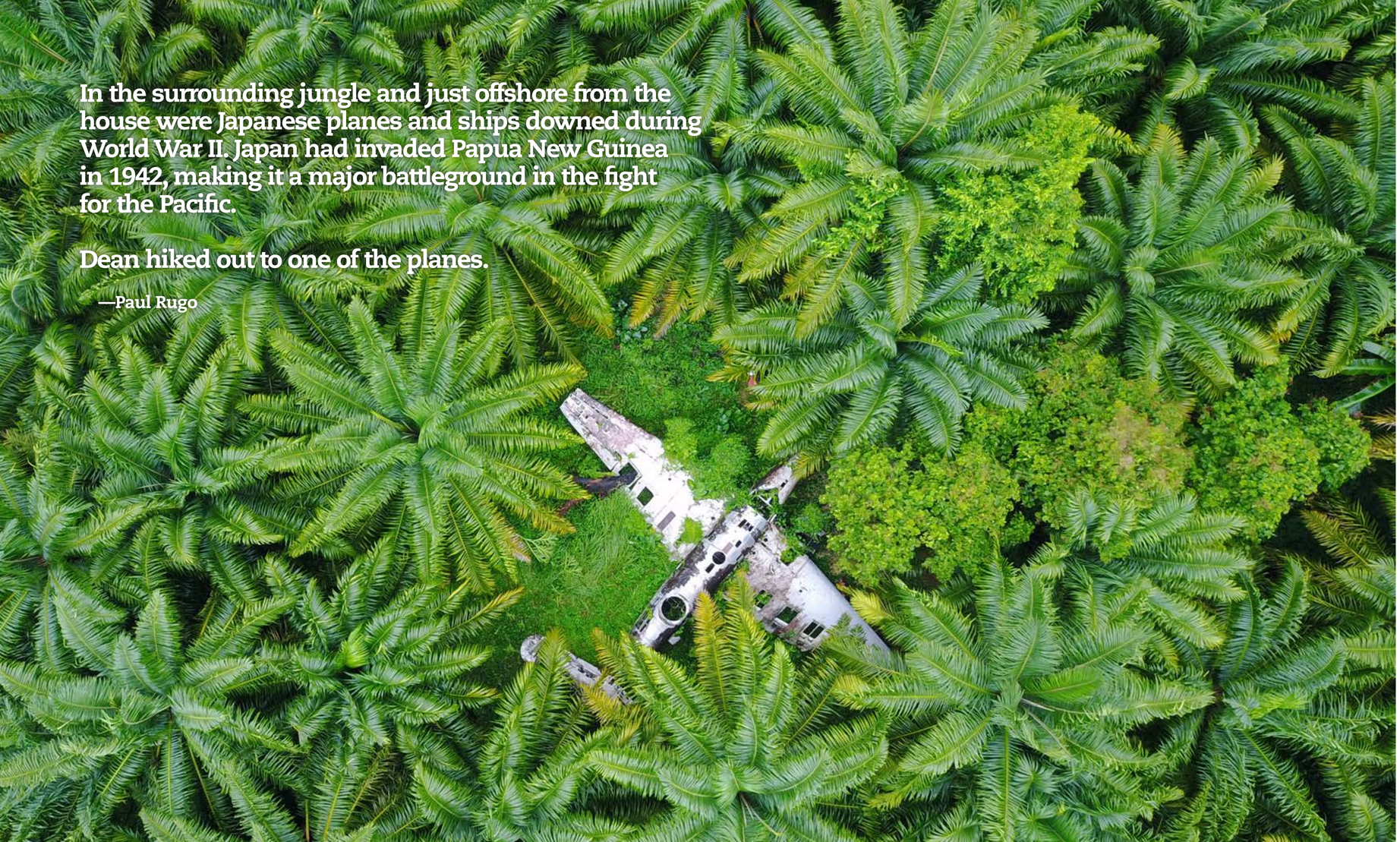
Tim Ward, the owner of the plantations, picked us up at the airport in his Toyota Land Cruiser. For the next four hours, we bounced along dirt roads to Asarumba, where we met Tim's wife, Beverly, and their children.

**—Dean LeBaron**









In the surrounding jungle and just offshore from the house were Japanese planes and ships downed during World War II. Japan had invaded Papua New Guinea in 1942, making it a major battleground in the fight for the Pacific.

Dean hiked out to one of the planes.

—Paul Rugo

**The plantations weren't making any money, but they weren't losing much either.**

—Dean LeBaron

Tim raised a variety of crops—coconuts, orchids, cocoa, coffee, and more.






## "How big is this place?" I asked him.

"Five thousand acres, more or less," he said. "But if you want more, just put up some markers and claim it."

—Dean LeBaron

After three days, I offered Tim a deal. I'd pay full price but for only half a stake.



## "You're crazy,"

he said.

"No, I'm not," I replied. "I want you to stay here and manage the plantations. You run them, and I'll visit from time to time."

## "Okay," he said, shaking his head and then my hand.

—Dean LeBaron

At Asarumba, Dean put up a sign listing the names of all the workers and hoisted a United Nations flag to signal that the plantation was an international business.

He also bought new shirts and shorts for the men.

Early on, he met the workers, sitting with them in a circle on the ground. He asked about their grievances.

Their biggest complaint was the plantation store, the only place available to shop. The prices were too high, they said, and the selection too limited. Dean improved the lighting and merchandising in the store and dramatically lowered prices. He wanted the store to be a fringe benefit for the workers, not a profit center for him. He also added more clothing, as the workers' wives had requested.

Finally, Dean started a soccer league with a team for each plantation. The workers had all completed the eighth grade in missionary schools, so they could read and speak English, and they had all played soccer there. But once they were out of school, they had ceased to play and ceased to speak English.

Dean intended for the soccer league to foster teamwork, but also to encourage the workers to speak English on the soccer field.

**—Donna Carpenter LeBaron**





**A brouhaha began when my father tried to improve the lot of the people who worked on the plantations. He thought he could boost productivity by improving their living conditions.**

—Blake LeBaron

Some 50 to 100 laborers lived in the so-called Boys' House, which was run-down and decrepit. But at night, they would sneak out to visit their families, who lived nearby in the bush. It was a terrible situation.

So, I called another meeting with the men.

They told me they would appreciate housing for their families, so I offered them $500 each to buy materials to build homes for themselves.

**When I came back a few months later, Tim told me, to my disappointment, that—at his urging—the men had spent the money on beer. Tim only favored change that benefited him.**

—Dean LeBaron



But one setback wouldn't stop me. I was still determined to introduce Western management methods to the plantations.

I asked Tim to reward people for their productivity.

## But that idea backfired. Literally.

Currently, we were knocking coconuts off the trees and taking them to a smokehouse, where the heat separated the meat from the shells, which became fuel for the second batch.

The men—embracing the new incentive system—quickly figured out that the more coconuts they ran through the smokehouse, the more money they would make. Correspondingly, the hotter the fire, the faster the coconuts would cook. The result was that they stoked the fire with so many shells that they burned down the smokehouse.

With nowhere to buy replacement parts, it took months to rebuild and get us back in operation.

—Dean LeBaron



## Dean hoped to inspire the workers to start their own businesses.

—Donna Carpenter LeBaron



Papua New Guinea abounded with opportunity. If people just copied the ways of the West, my father thought, they would succeed.

## Which got him thinking about popcorn.

—Blake LeBaron





**For entertainment, people in Papua New Guinea gathered around fires every evening to tell stories. It reminded me of people in the States going to the movies. Same basic premise, I thought. In those days, movie theaters made their money off popcorn, not films.**

## Why not sell popcorn at these fireside gatherings?

On my next visit, I brought a huge bag of popcorn, divvied it up into baggies, and wrote *tokkorn*—pidgin for popcorn—on the outside of each. I took those bags of corn and walked to a nearby village one night.

As we sat around the campfire, I asked for a pan and I cooked the popcorn over the fire. They were delighted. I sold 31 bags at 10 cents each that night—total revenue: $3.10. It was one of the most satisfying sales I'd ever made.

—Dean LeBaron

**Dean started a trend. Popcorn became one of the country's most popular snack foods.**

—Stephen B. Swensrud

**At the same time, on the other end of the world, I was also thinking about buying Grandson Castle in the Swiss canton of Vaud.**

—Dean LeBaron

Grandson is enormous—the second-largest castle in Switzerland and one of the best preserved. Overlooking Lake Neuchâtel, the medieval fortress also houses an exceptional collection of arms and armor.

—Donna Carpenter LeBaron

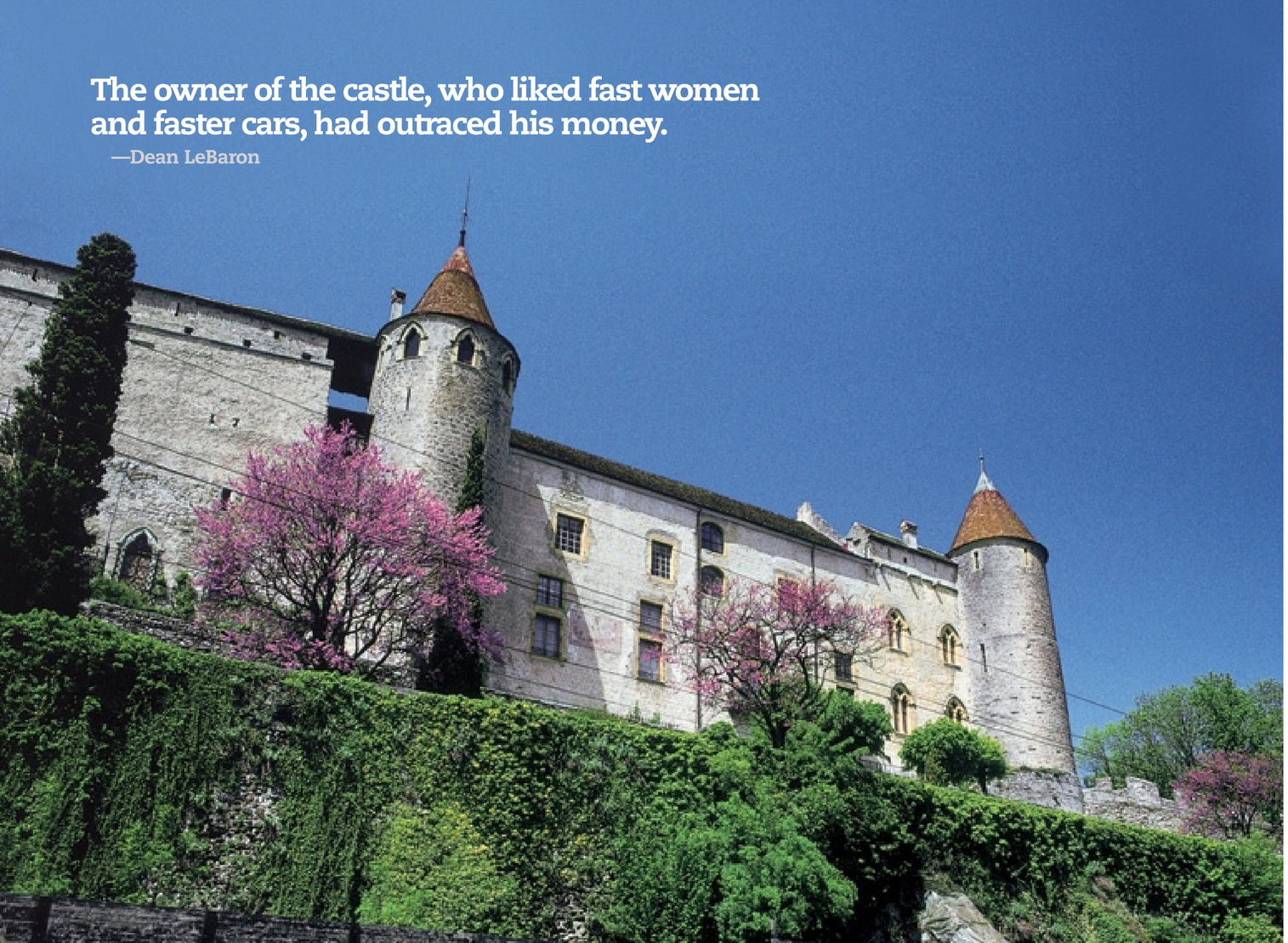
**I decided to take a look.**

—Dean LeBaron



**The owner of the castle, who liked fast women and faster cars, had outraced his money.**

—Dean LeBaron



Before I made an offer, however, I asked if I could spend a night in the castle. The owner agreed. I invited my friends Paul Rugo and Alan Strassman to go with me. We stayed in the main living quarters—a huge apartment with overstuffed furniture. I felt like we'd walked onto the set of a Greta Garbo movie.

—Dean LeBaron



Touring the castle the next day, Dean was fascinated by every cornice, turret, and dumbwaiter, imagining life in the 15th century.

—Donna Carpenter LeBaron

**In fact, Garbo had been a guest there numerous times.**

—Dean LeBaron



**In the end, despite the Garbo connection, I decided to pass on the castle. The upkeep was just too daunting.**

—Dean LeBaron



I needed to turn my attention elsewhere.
**But where?**

—Dean LeBaron

In the early '80s, the investment climate shifted, and we began looking at assets that most investors were ignoring. Underutilized debt capacity was one, as were companies in trouble.

—Dean LeBaron

In this case, it was Braniff International Corporation, which had declared bankruptcy in May 1982. That got me thinking that companies in distress might present a prime opportunity for us.

So, after the appropriate due diligence, I started buying stock in Braniff, International Harvester Company, and other businesses suffering widely publicized financial strains that other investors were unloading as quickly as possible. I was betting that most of them would bounce back when the economy recovered, yielding big profits for my clients.

**I was right. My bankrupt-companies strategy was among the most profitable of my career.**

—Dean LeBaron







**If we had to choose between value investing and discomfort, we chose discomfort.**

—Dean LeBaron





Batterymarch doubled down on its contrarian credo. Dean also invested in industries that got a lot of negative press, like nuclear power and farm machinery, or those suffering a dip in earnings.

—Larry S. Speidell





**My contrarian approach attracted the attention of Credit Suisse's investment chief, William Wirth, who, in 1982, flew to Boston to size us up.**

**—Dean LeBaron**

Switzerland is a small country—population 7 million—and banking is its largest business, generating 11 percent of its GDP, twice that of the United States. Its two biggest financial institutions, Credit Suisse and the Union Bank of Switzerland (UBS), account for almost two-thirds of Swiss banking assets.

**—Donna Carpenter LeBaron**

The conservative Swiss are cautious people who have a saying that sums up their inherent restraint: *Think first, start later.* A few months after William's visit, he sent us $5 million to manage, and much more would follow. It was the beginning of a long and fruitful relationship with Credit Suisse, and William and I became close friends.

**—Dean LeBaron**

In February 1983, US Securities and Exchange Commission Chairman John S.R. Shad appointed Dean to a panel to study the agency's rules governing corporate mergers and acquisitions. Other members of the committee included former US Supreme Court Justice Arthur Goldberg, Goldman Sachs partner (and later treasury secretary) Robert Rubin, and investment banker Bruce Wasserstein.

—Rich Gula

**Of all the people on the panel, I was the only one who didn't want to be chairman. So, naturally, I was named chairman.**

—Dean LeBaron







On July 8, 1983, Dean's committee issued its final recommendations, which were reported in *The New York Times.*

The New York Times

A special panel of the Securities and Exchange Commission that has been studying takeover regulations today endorsed wide-ranging revisions that could lead to new government curbs on many of the tactics used in recent takeover battles. . . .

Several members of the panel as well as commission officials emphasized, however, that the proposed rules would not significantly change the existing regulations governing takeovers and mergers.

"Basically, the existing system is pretty good, and they couldn't come up with a better one," said Barbara S. Thomas, a member of the commission. "What they did was leave the structure intact but made it more workable and fairer to small shareholders in the target company."

There were indications, however, that adopting the panel's recommendations might prove a difficult and time-consuming process. The next step, SEC officials said, will be for the agency's staff to study the report and determine which proposals could be adopted administratively and which would require Congressional action.

**Serving on the SEC committee was not my idea of fun. As a young man, I had thought I would spend a third of my career in business, a third in government, and a third in academia. I changed my mind after experiencing government bureaucracy firsthand.**

**—Dean LeBaron**

In January 1984, at the urging of a friend at the World Bank, I attended the annual meeting of the European Management Forum—later renamed the World Economic Forum—held in a building that had previously served as a nuclear bomb shelter in Davos, Switzerland.

The nonprofit forum—which had been founded in 1971 by Klaus Schwab, another Harvard Business School graduate—was now the most prestigious business conference in the world.

For some 550 captains of industry, it was a chance to hobnob with leading academics, politicians, and government officials. But for most of us, it was a search for new ideas and a chance to catch up with what other businessmen—there were few women in those days—were thinking, doing, and saying.

In matching wool scarves that proclaimed we were

## Warming Up for Economic Recovery,

we lined up to participate in formal and informal sessions alike, nodding enthusiastically as the managing director of Nestlé and the CEO of Hewlett-Packard shared their thoughts on succeeding in business.

The buzzword of the eight-day forum was *retrofitting*, updating plants and equipment bit by bit to avoid a significant investment in new facilities and machinery.

Henry Kissinger delivered the keynote address, and we exchanged pleasantries later. I was pleased to learn that he had heard I had founded Batterymarch.

—Dean LeBaron





In 1984, I interviewed for a job at Batterymarch. I was surprised that Dean was more interested in what was on my mind than what was on my résumé.

Dean showed me around the office. When

**we came to a room with a closed door,**

he said, "That's where Alice and Fred work. They get a private office."

"Why?" I asked.

"Because they work long hours, never ask for a bonus, never complain, and rarely make a mistake. And when they do, they never blame anyone else," Dean explained.

Then, he opened the door.

Inside were Alice and Fred—two computers.

**—Rich Gula**





"There's one thing I want to warn you about working here," Dean said as we continued the tour.

"Yes?"

"You'll never be able to work anywhere else because we offer complete freedom. If you want to show up at 11 a.m. and stay until midnight, that's fine. As long as you deliver, you've got carte blanche."

There was no training at Batterymarch. You hit the ground running.

And I was charmed by Batterymarch's egalitarian nature. There was a kitchen-duty list, and everyone was on it, including Dean.

One day, I was in the kitchen with him when

**he started emptying the dishwasher.**

Instead of taking out the utensils in handfuls and putting them in the appropriate drawer, he grabbed the rack, dumped the silverware on the counter, and started to sort it.

"I don't understand why everybody doesn't do it this way," he said.

It took Dean about a third of the time it took the rest of us to empty the dishwasher. I thought it perfectly captured his approach to life—always drawn to the unconventional.

**—Rich Gula**

**When the market was in a slump, we got on the phones and called our clients. Dean would always call the toughest accounts himself, even if they weren't his. He told them we were a team. Like Alice and Fred, he never laid blame or passed the buck.**

**—Rich Gula**

Every so often, Dean would shuffle the office cubicles. He understood better than most sociologists that set patterns dulled creativity.

**—Rich Gula**



But I never shifted my cubicle, which was near the front door. I wanted people to see that I was the first to arrive and the last to leave each day.

**—Dean LeBaron**



# Success brought its rewards.

—Paul Rugo



To entertain clients—and for fun—I purchased a 72-foot yacht I named *Hathor,* after the Egyptian goddess of joy and love.

—Dean LeBaron



I was proud of that boat—she was a beauty—but she had competition. One summer morning in Bar Harbor, Maine, the captain put our two mopeds on deck, so we could do some exploring. As we docked, I saw another boat heading into the harbor.

The 151-footer pulled up close to us, dwarfing us in both size and luxury. I watched as two matching Harley-Davidsons were brought on deck. When the woman on the bridge turned to face us,

## I was stunned to see Elizabeth Taylor.

Malcolm Forbes appeared next.

Feeling intimidated, we packed up our mopeds and headed back to sea.

**—Dean LeBaron**



## From mopeds, I graduated to motorcycles, using them to commute to the Boston office in warm weather.

Mine was the only motorcycle in the Federal Reserve parking garage.
First came a green Yamaha 125, followed by a red Yamaha 250.

—Dean LeBaron



# In November 1984, Dean purchased a twin-engine Grumman Gulfstream II, designed to fly fast and go far.

—Stephen B. Swensrud

The plane, owned by Grumman's chairman, had been well-maintained, and its technology was up-to-date.

## "Why do you want to buy a plane now?" Paul Rugo asked me.

It was a good question. The stock market had crashed, and buyers for expensive airplanes were few. But an airplane with long-range capabilities was key to my vision of my company as the world's leading global investment firm.

I snapped it up at almost half price.

—Dean LeBaron





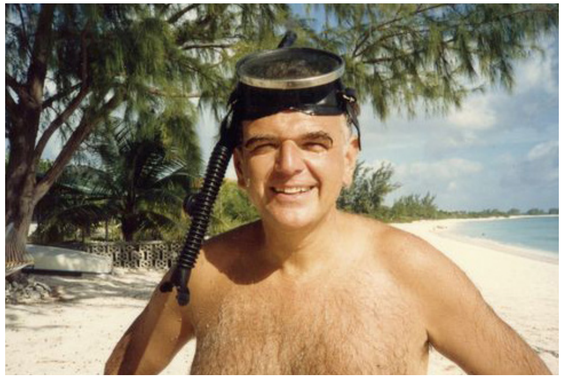

Dean also bought a home outside Boston in Brookline a couple of blocks from The Country Club and near the reservoir, where he ran every day.

—Elaine LeBaron Gilpin



The chairman of Data General had spent three years creating a smart house. The bedroom even turned into a safe room. The house came with no instructions, which intimidated most buyers. I was sold in five minutes.

—Dean LeBaron



My first flight was not for business, but for fun. For six months, I had taken scuba lessons from a Boston instructor, who had taught me in my swimming pool. But to get my certification, I had to dive in open water. With snow already falling in New England, I flew to sunny Key West, Florida.

I had a wonderful time diving in the clear, warm waters, rich in color with exotic fish and alluring undersea reefs. I swam through an explosion of damselfish and admired the jawfish as they stood on their tails, guarding their holes—they would pop back in when I got close—and an octopus, which insinuated its way through the fingers of yellow tube sponge and staghorn coral.

At 60 feet, an alarm on my wrist warned me not to go any deeper.

And yes, I passed the test.

—Dean LeBaron

Next, I dashed off to see clients in Georgia, Illinois, New Jersey, and Ohio before taking off for Europe to give a series of speeches on a new way to diversify a portfolio by purchasing stocks of public companies in emerging-market countries.

We stopped in Gander, Newfoundland—the last place in North America for flights to Europe to refuel—and I went to the gift shop, where I bought a copy of *Iacocca: An Autobiography.* Lee Iacocca was the former chairman and CEO of Chrysler Corporation, one of our distressed companies. I'd had a soft spot for Chrysler since 1953, when it had introduced its Chrysler LeBaron.

He'd put a few bucks in my pocket, so I put a few in his.

I arrived in London just as the miners' strike came to an end, and British Telecom—as part of Margaret Thatcher's privatization efforts—was preparing to go public.

**—Dean LeBaron**

In Munich, Bavaria's capital and Germany's third-largest city, I described how Batterymarch compared stocks in 18 markets around the world: Australia, Austria, Belgium, Canada, Denmark, France, Germany, Hong Kong, Italy, Japan, Mexico, the Netherlands, Norway, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. I took a few questions before the audience rewarded my remarks with polite applause.

**—Dean LeBaron**



## I found Munich at once medieval—it was founded in 1158—and modern.

"Munich is for strolling," a friend had once told me, so that was what I did, coming every so often upon one of its 600 fountains. I had coffee at a small sidewalk café on the river and then walked through the Marienplatz—the city's central square—before checking into Hotel Bayerischer Hof. The sky was the dull silver of old coins, the beautiful blue Danube no longer blue but brownish. With my dinner, I ordered a local beer—*liquid bread*, as Bavarians call their favorite beverage.

The next day, I hired a driver to take me to Neuschwanstein, the storybook castle that rose above the forest near Füssen. The extravagant cost of the structure had earned the builder, Ludwig II, the epithet Mad King Ludwig. Ludwig had ruled Bavaria until 1871 when Prussian Chancellor Otto von Bismarck claimed it for the German empire.

Ludwig had adored Richard Wagner's opera *Lohengrin* from the time he was 15, and for the rest of his life, he had Lohengrin's swans embroidered on his cushions, painted on his china, and carved on his bedsteads. In Neuschwanstein, Ludwig had installed swan tapestries, swan doorknobs, and swan faucets.

I returned to Hotel Bayerischer Hof for the night, and the next morning, treated myself to a traditional Bavarian breakfast of veal sausage and a pretzel with sweet mustard before flying to Zurich, Switzerland.

**—Dean LeBaron**








**In Zurich,** I checked into Baur au Lac and then went to Credit Suisse for meetings. That evening, William Wirth took me out to dinner.

We walked down the Niederdorfstrasse—the cobbled, pedestrian-only street that winds through the Old City—and stopped for a drink at one of the many restaurants.

We ate dinner at Zeughauskeller, a beer hall at the end of the Bahnhofstrasse, which had once served as an arsenal, as indicated by the cannon mounted above its entrance. The food was traditional Swiss-German, and I had grown fond of bratwurst and rösti.

After my speech the next morning, I stopped—at William's suggestion—at a quaint, old confection shop, Confiserie Sprüngli, to have coffee and a pastry and buy chocolates.

—Dean LeBaron





**I flew to Rome,** where I gave a speech. "Batterymarch," I said, "was a firm that profited from ideas. We invested in the best people and, equally important, the best machines."

I met the father of a friend, who edited an English newspaper in Rome. According to my friend, he also worked for the CIA.

He took me to see the Baroque Trevi Fountain at the end of one of the aqueducts that supplied ancient Rome with water. I tossed a coin into it, ensuring, according to legend, that I would one day return to the city.

He told me to visit all Seven Pilgrim Churches of Rome—Saint Peter's Basilica, San Giovanni Laterano, San Paolo fuori le Mura, Santa Maria Maggiore, San Lorenzo fuori le Mura, Santa Croce in Gerusalemme, and San Sebastiano—and I did, starting with St. Peter's.

In 1508, Pope Sixtus IV had commissioned Michelangelo to paint the ceiling of the Sistine Chapel. Despite his protests that painting "isn't my art," the artist spent the next four years on his back re-creating stories told in the Bible, beginning with the creation in Genesis and including scenes from the life of Moses, the life of Jesus, and other Biblical characters.

In 1564, only weeks before his death at the age of 88, Michelangelo destroyed hundreds—perhaps thousands—of his drawings. He did this not because the pictures were unimportant, but because they revealed too much about him, and he preferred that posterity see only his finished work—tangible proof of his genius.

**—Dean LeBaron**

January 1985 found me at the European Management Forum meeting in

# Davos, Switzerland.

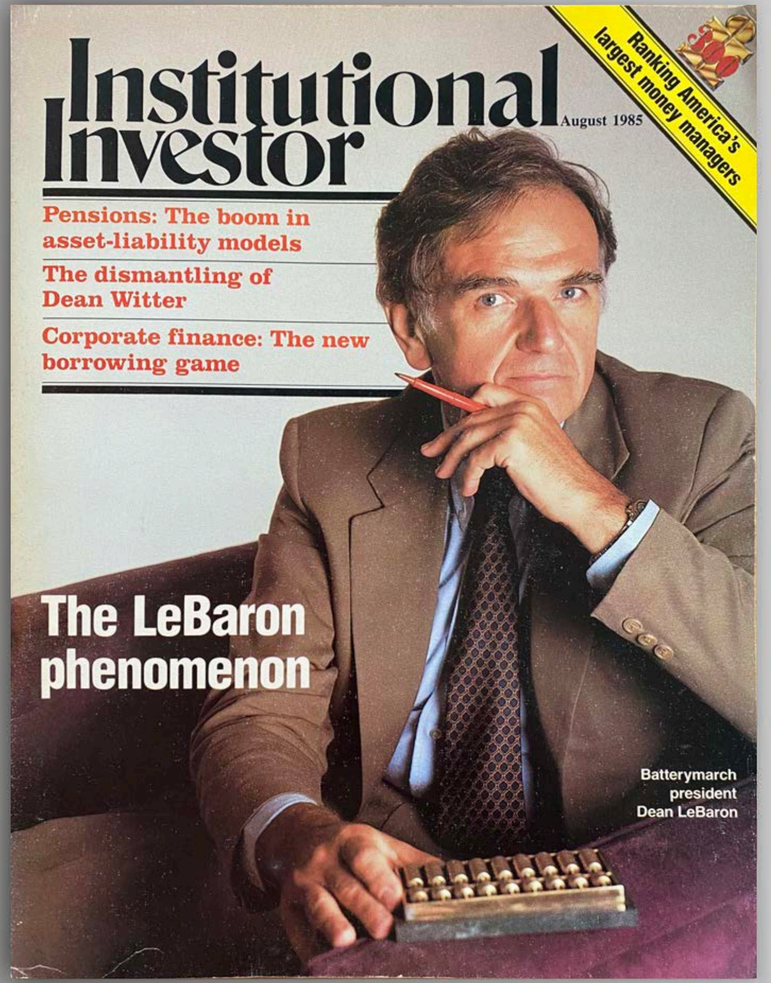
The crowd-pullers that year were American politicians and pundits—anyone who could explain how the Reagan administration and the United States had staged such a robust economic recovery.

—Dean LeBaron



**Dean's success brought a spate of newspaper and magazine profiles. The most astute was written by Cary Reich, who would later pen biographies of Andre Meyer and Nelson A. Rockefeller. Here's his cover story on Dean in *Institutional Investor*.**

—Donna Carpenter LeBaron



It is 7:00 in the evening, and Batterymarch Financial Management president Dean LeBaron is in the kitchen of his Brookline, Massachusetts, home preparing dinner. Well, *preparing* might be too strong a word. What LeBaron, who is a bachelor, is actually doing is removing carefully labeled containers from his refrigerator and following instructions left by the housekeeper-cook. The 52-year-old LeBaron's meals, it seems, are as artfully programmed as Batterymarch's vaunted computers. Each week the cook leaves an itemized list of which containers will serve as LeBaron's supper on which day - as well as directions on where in LeBaron's house the meal is to be consumed.

That evening, LeBaron is instructed to take out the crab legs, scampi, snow peas, and garlic bread and sup at the Japanese table in the dining room. The next evening, he is informed, he will eat the moussaka and salad on the sun porch overlooking his Jacuzzi and kidney-shaped swimming pool. The cook's note has a plaintive postscript: "Did you like the vegetable lasagna?"

Freed from mundane evening chores, LeBaron fills a glass with champagne (an inexpensive Spanish import, not the fancy French kind) and retires to his living room, while the scampi are in the oven, to do one of the things he does best: muse. He muses on the economic plight of the third world. On the sad state of Newburgh, New York, which he recently visited during a weekend sail up the Hudson River. And, most of all, on how the world views Dean LeBaron.

"I always thought there was an article that could be written about the personality of Dean LeBaron that has a very strong negative twist," says Dean LeBaron. "You could start with the excess of riches - the concern with consumption at the sacrifice of the early, hungry intellectual drive. You could play that up, with lots of manifestations of that. He stops reading and starts spending: fancy restaurants, Jacuzzis, kidney-shaped pools. There's the pattern of great success - and then the pattern breaks. There are several years of terrible investment results, because of some incredible stupidity. LeBaron is great, and all of a sudden he's terrible.

"It would be an article about the downfall of Dean LeBaron and Batterymarch," says LeBaron, rolling the idea around in his mind as he sips the champagne. "You can almost write it now."



Not quite - or, at least, not yet. To be sure, some of the elements of that portrait are there. LeBaron is very rich; as the sole proprietor of one of the biggest independent money management firms in America (that is, a firm not affiliated with or owned by a bank or insurance company), LeBaron takes home an estimated $20 million a year. And he does live pretty well. Aside from the cooks and pools and Jacuzzis, LeBaron indulges in such other minor extravagances as three plantations in Papua New Guinea and a 72-foot yacht. On the other hand, the Brookline house is more of suburban split-level than mansion, the two cars in his garage are an Isuzu and a Saab, and his suits still come from the unchic Boston department store Filene's. Spending, for LeBaron, is still mostly an afterthought.

And, yes, after 10 years of stunning performance, Batterymarch is stumbling. Last year, the average Batterymarch account was down 1.4 percent, compared with a 6 percent rise in the Standard & Poor's 500. So far this year it is still lagging behind the S&P, posting a 13.9 percent gain in the first six months versus a 17.3 percent rise in the S&P. Nevertheless, only a handful of accounts have deserted the firm. Batterymarch lost $2.5 billion in assets when it folded its indexing operation earlier this month, but its $10.5 billion of assets under active management seems secure - at least for the time being. "I'm not sure I'd want to bet against Dean LeBaron," says one pension consultant.

Which isn't to say an article couldn't be written about LeBaron. This article would explore the LeBaron phenomenon: how a seemingly rambling, Zen-spouting, professional type could craft one of the most ingenious and lucrative business concepts in the history of money management. How he outlasted and outmaneuvered his early partners to take sole possession of the Batterymarch bonanza. How he struggles with the wages of success. And how the slide of the last year and a half might yet be a dire augury of things to come.

Such an article would start with the acknowledgment that LeBaron and Batterymarch have enjoyed very good press. Too good, in the view of some of LeBaron's detractors. "Everything written about him has been a total whitewash, almost hagiographic," asserts one of his former partners. It isn't hard to see why: LeBaron has long been among the most quotable of American money managers, freely sharing his opinions on everything from the sheepishness of pension fund officers to the evils of antitakeover provisions. Jeremy Grantham, a founding partner of Batterymarch who left the firm in 1977, notes that "Dean is one of the very few people in money management who understand the media. He understands this is a very boring business, in some ways an exquisitely boring business. And so he provides outrageous copy."

LeBaron's positive notices are also a reflection of the esteem in which he is held by many of his contemporaries and competitors in the money-management world. Some, including Greenwich Associates president Charles Ellis, an old friend, are absolutely adulatory. "Dean is the most brilliant figure in investment management today," says Ellis. "I stand in awe of him as an investor, as a business designer and as an innovator. Getting to know Dean is like being introduced to spring flowers for the first time in your life." Others are a bit more restrained but still unabashedly admiring. "I think everybody in our field is trying to emulate his success," says Gerald Jordan, Jr., president of the Boston management firm of Hellman, Jordan. "It's a once-in-a-lifetime story."

What is most admired about LeBaron isn't his investment performance - as noteworthy as it's been - but his genius in shaping Batterymarch as a *business*. "LeBaron's primary skill is as a businessman rather than as an investment manager," says consultant Lawrence Davanzo, senior vice president of Wilshire Associates. "Harvard Business School shouldn't be doing case studies on Batterymarch as an investment strategist. It should be doing case studies of it as a business." Bernstein-Macaulay chairman emeritus Harold Ehrlich agrees: "Dean is a consummate businessman in that he figured out what the customer wanted and gave it to him. He's like Procter & Gamble. And he has developed a real business. It's not dependent on a bunch of people. It's dependent on the system.

"The way you measure success in our field," continues Ehrlich, "is by how much money you make for yourself. Isn't that what Wall Street's all about? And by that standard, Dean is the smartest guy in the business."

All this talk about his business acumen, however, makes LeBaron visi-

bly uncomfortable. Call him an investment theoretician. Call him a contrarian. But, please, don't call him a *businessman*.

"I tend not to think of Batterymarch as a business," says LeBaron. "I have no business plan, no budget. I'm not known for being methodical. And our investment styles don't seem very businesslike. Buying bankrupt companies is not a businesslike approach. And because of our computerized trading system, we never get a broker referral. Is that very businesslike? Probably not. And take the general atmosphere of openness here; I'm not sure that's businesslike. Most other managers would not want their clients and competitors sitting around their office. We do it, but it doesn't make good business sense. And voting against corporate boards on antitakeover measures probably isn't good business either."

Nevertheless, it is as a business creation that Batterymarch truly stands out. No investment management firm runs as much money with as few investment professionals: twelve, to be exact, including LeBaron. The Batterymarch staff numbers 35, including those investment professionals, all working on one floor of the Federal Reserve building in downtown Boston. Because Batterymarch eschews stock picking in favor of broad, strategic themes, it has no need for a corps of analysts. Because all trading is done by computer, it employs no traders. Because Batterymarch does not make sales calls, relying instead on its reputation to attract new clients, it has no need for salesmen. As a result, Batterymarch's average revenue per employee is a staggering $880,000, undoubtedly the highest in the business.



*Dean LeBaron as others see him: A hustling master salesman who has parlayed his high-tech mystique into a fortune*

What's more, Batterymarch has achieved all this by being a perfect organizational expression of its creator's twin passions: contrariness and computers. By concentrating on broad groups of out-of-favor stocks, such as near-bankrupt companies and depressed growth stocks, Batterymarch has both carved out a niche for itself and reaped substantial gains for its clients when the market wheel inevitably turned. And by having its portfolio managers concentrate on formulating and refining those broad themes - all the stock screening and selection is done by computer, once the theme's general characteristics are cranked in - Batterymarch has mastered the art of running a huge asset base with minimal staff. "For us," says Wilshire's Davanzo, "Batterymarch is always considered a potential recipient of dollars when a manager is fired because they can so easily digest large amounts of money."

Batterymarch, in short, is a near-ideal fulfillment of the vision LeBaron had 10 years ago, when he remarked, "My idea of the future money management organization is a few senior people and one big machine." And the atmosphere of the place is totally in keeping with its founder's style: quiet, informal, more like a college library in mid-summer than a bustling investment firm. Since LeBaron once observed that "all the really interesting conversations in an office occur in the corridors or in the men's room," he has fashioned an office layout that, in effect, is one big corridor. All the portfolio managers, including LeBaron, sit in cubicles open to whoever passes by. Throughout the day, small clusters of people gather, chat, peer at one another's computer terminals and then go their separate ways; this is about as close as Batterymarch ever gets to actually having meetings. LeBaron dips in and out of cubicles and conversations as the spirit moves him, describing himself as a "roving meddler." Much of the time, the only sound to be heard is the soft clatter of a computer keyboard. Once in a while, a phone actually rings.

LeBaron revels in the silence, taking particular pride in showing off the "trading room," which consists of a single computer terminal on a desk in the middle of the office. He loves to point out that the vice president in charge of trading goes out jogging every day between 3:00 and 4:00 p.m. and that she also covers about a dozen accounts in her copious spare time.

Aside from the tranquility and the cubicles, the other distinctive feature of the Batterymarch office is the microcomputer on each desk. What's distinctive about the micros is that they come in all sorts of shapes, sizes and brand names. "Anything they feel comfortable with, they can have," says LeBaron. "Sure, it's inefficient. It means you need more memory, and the programs don't work as smoothly. But this way, everyone does it their own way." Computers, in fact, are the one exception to LeBaron's rule of running a low-overhead shop; he believes in ordering first and then figuring out what to do with the stuff later. The result is a room full of equipment he and his colleagues used briefly and then discarded.

"So we have a room full of stuff we never should have bought," he remarks. "So what? Every once in a while, I make a speech at a computer conference and I take a bunch of this junk with me and I put it on a table with a very cheap price tag and I sell it off. Other people go through this business of justifying what jobs they're going to do with the machines. I think that's crazy. You don't know how you're going to use something until you actually have it around."

Anyone who wonders about the importance of computers at Batterymarch need only flip through last year's annual report: It is profusely illustrated with artsy black-and-white photos of computer nuts and bolts, including floppy discs and a stack of printouts. The high-tech tone is carried on in the text, which describes the "Batterymarch System" with the cold, clinical precision of a data processing manual. The staff, judging from the report, is less a group of money managers than a highly disciplined team of computer scientists using 'interactive programs' and 'market war games' to 'test hypotheses' before feeding their ideas into the great maw of the Batterymarch mainframe.

There are those who suggest that it is this high-tech imagery - more than the actual systems it means to describe - that is the real key to Batterymarch's success.

The head of another large Boston investment management firm puts it this way: "There are several ways of winning clients. First, having good numbers. Second, explaining how you got those numbers. And third, convincing them that you can't fail to produce those numbers. By running all those pictures of computers and computer tapes in the annual report, Batterymarch is telling clients that it can't fail because the computer can't fail. *But that's not how they do it.* They do it by picking sectors. My guess is the computers never had anything to do with Batterymarch's performance. The computers were simply a brilliant marketing ploy. It was like how we used to talk about how the 'control and review process' was the key to our results. I didn't know what that meant, and nobody else did either."

"Batterymarch is simply the most brilliantly marketed idea in the history of the money management business," this man asserts. "There's no better combination of businessman and salesman than Dean LeBaron." Bernstein-Macaulay's Ehrlich makes much the same point. "What Dean understood was that a plan sponsor would trust a system," he says. "These are people, after all, whose companies are largely manufacturing companies. They have greater confidence in systems than they do in people. Dean is a consummate marketer. He figured out what the customer wanted and gave it to him."

From this perspective, much of what LeBaron has done at Batterymarch would seem to fit a pattern. The computers. The client workshops, in which a dozen or so Batterymarch customers spend a week at the firm learning how the system operates and even trying their hand at developing their own strategic themes. And, not least of all, the LeBaron mystique: his carefully cultivated reputation as a thinker on the cutting edge of money management science. Taken together, they could be viewed as masterstrokes of a superb marketer.

LeBaron's No. 2, Alan Strassman, freely admits that such elements of salesmanship have played a major role in the Batterymarch success story. "Sure, we've had pretty good investment results, but we're not the only firm that's had good investment results," he says. "If an investment firm produces good results, it will get some business. If an investment firm produces good results and does so in a systematic, organized way, it will get even more. And if in addition it has good salesmen who are part of the process and tell the story well, it will pile in business on top of that. We started out with the indispensable ingredient, which is the investment record. But the business we have wouldn't exist without the other ingredients: good selling and a good story to tell."

And certainly, there are few better storytellers in the business than Dean LeBaron. "I'm sure half of what the clients like about Batterymarch is having Dean show up," says one competitor. With his knack for the outrageous comment - not long ago, for instance, he told a group of plan sponsors they could boost their rates of return by 1 percent a year by slashing the fees they paid their managers - LeBaron at the very least can be counted on not to put his audience to sleep. "There's no question that Dean enjoys the limelight," says Boston attorney Paul Rugo, probably LeBaron's oldest and closest friend. "The perfect thing for Dean is a

money management idea that will attract publicity."

But if LeBaron winces at the suggestion he might be a businessman, he positively cringes at the characterization of himself as a master marketer and showman. "I don't see in my background elements of showmanship," he insists. "And I did not start Batterymarch as a marketing concept. I did not get my associates together and say, 'Look, we're going to be open, write interesting articles, make outrageous statements, grab a lot of attention.' A couple of things turned out to be marketing plusses, but we did them by chance."

In fact, to hear LeBaron tell it, there was little that was calculated in his rise to the top of the money management heap. Certainly, that was true of his pre-Batterymarch days. The son of a prosperous Foxboro, Massachusetts, physician, LeBaron distinguished himself in his youth mainly by his defiance of authority. "Dean was always looking for something the rules didn't quite cover," recalls Rugo. When Phillips Exeter Academy told him he couldn't bring his car onto the campus, he arrived in his father's plane. His undergraduate years at Harvard were more of the same. "I was nearly thrown out for majoring in girls, bottles and planes," he once remarked. After a two-year postgraduate stint in the U.S. Army, he enrolled in Harvard Business School with the somewhat unlikely objective, for the Harvard B-School, of becoming a labor negotiator. But once at Harvard, he became captivated by the possibilities of finance. "I have always had a quantitative bent anyway," he once explained, "and this surely seemed more interesting than sitting down and haggling all day between labor and management."

Indexing had a certain intellectual appeal to LeBaron. And it had a definite economic appeal. The rush of funds into passive accounts would finally enable Batterymarch to establish its credibility in the pension marketplace. "It allowed us to leapfrog the size issue," says Richard Mayo, one of the original Batterymarch partners. "People could now say we were big enough to manage their money." And the controversy over indexing would at last force the world to sit up and take notice of the small Boston outfit. "Indexing was a way of getting attention," recalls Grantham. "You hooked the clients with the publicity, and then they discovered you were also an active manager and you signed them up for a good fee."

The publicity began to pay off. "I can remember Dean and me having a conversation in early 1976," says Strassman. "We had a good story, we were telling it well, we had a good structure, and we said to each other, What the hell is wrong? We're doing everything right, and nothing is happening. And then it was almost like we pulled a magic switch. Because almost within a month of having that conversation, the business started to come in." And just as LeBaron had hoped, it was drawing attention to the other, more lucrative side of Batterymarch, which by 1978 had quite a story of its own to tell: It had bested the S&P 500 by more than twenty percentage points for two years running.

In its early years Batterymarch had talked of limiting managed assets to $200 million. LeBaron, in fact, had told the American Telephone & Telegraph Co. pension fund that he couldn't run more than $10 million of its money and if it offered him $25 million he wouldn't accept it. But by the mid-1970s, such strictures had gone by the boards. "The original idea of a small firm doing small stocks for a small number of clients was not a very good business idea," explains LeBaron. "It seemed clear, at least to me, that if you wanted to be innovative, you had to have pieces of larger accounts." Some of his colleagues, however, suspected that more than just business judgment was involved. "For Dean," says one, "growing big was the ultimate ego trip."

LeBaron's first step in that direction was bringing in two men who were used to running large chunks of cash: Strassman, who had been president of Bernstein-Macaulay, and John Bennett, a member of the investment policy committee at Putnam Management Co. But the key event was the arrival of Batterymarch's first computer, a Prime 300, in 1975. For all his fascination with efficient markets, LeBaron was an utter ingénue with computers; in fact, the day the machine arrived, he spilled coffee all over the keyboard and had to clean the mess up with a hair dryer. But he appreciated what the machine could do for Batterymarch. For one thing, he could run his indexing product on it. For another, it could facilitate the quantitative stock screening that was fast becoming Batterymarch's main modus operandi. Until then, the screening had been done by running perforated paper masks over the stock tables in the Media General Financial Daily. Now data bases could be cranked in, and the computer could spew out lists of stocks.

The transformation of Batterymarch into the firm of LeBaron's dreams - a few senior people and one big machine - gave him the leeway to make other major changes in the way the firm operated. In the past Batterymarch had always done a certain amount of conventional research on the stocks the screens had generated. But now LeBaron and Strassman concluded that such research and the stock picking that stemmed from it could be eliminated entirely. "When we looked back at the stocks we rejected versus the ones we picked," explains Strassman, "we didn't see that we were adding a hell of a lot by that exercise. And all of us had a great deal of skepticism about the value of going out and calling on managements. We just didn't see it adding any value. We'd rather simply take all the stocks that had the set of major investment characteristics that we find appealing."


*Dean LeBaron as Dean LeBaron sees himself: A thoughtful contrarian who is too absorbed in the world of ideas to worry much about business*

But some suspected that LeBaron's aversion to stock picking was more a matter of business judgment than investment theory; in their view, stock picking stood in the way of LeBaron's goal of running large gobs of money with as minimal a staff and overhead as possible. Two of these skeptics were Grantham and Mayo. "If you're going to run billions of dollars, you can't pick stocks. You're forced into a broad strategy approach," notes Grantham. "The philosophy Dick and I had was to try to wed judgment to the new technology of the computer. But Dean was looking for a more mechanistic approach, one that could go on no matter who came and went." Unwilling to fall into line with the new approach, Grantham, Mayo and another early Batterymarch partner, Kingsley Durant, left in 1977 to start their own firm.

Their departure marked not only a philosophical turning point for Batterymarch and LeBaron but an ownership one as well. For the first time since LeBaron had started the firm, he had unquestioned control of the Batterymarch machine. When Batterymarch was founded, LeBaron owned 48 percent of the stock. But, as Grantham notes, "48 percent for Dean was like poison. He had no interest in being first among equals." In 1972, he bought out Swensrud, giving himself a majority interest. However, Grantham, Mayo and Durant still owned 40 percent of the stock.

Reflects Swensrud today: "Dean has a very strong ego, and it makes it difficult for him to deal with peers in a business sense. It wasn't a good setting for a partnership. Dean was a lot happier not having to be concerned with other stockholders. And let's face it, the success he's achieved to a large degree has been because he can make decisions by fiat." Even LeBaron's friend Rugo concedes that "there's no question about Dean's ego. It's enormous, outsize. And that's part of what drives him."

Even after the exit of Grantham and Mayo, however, some 15 percent of Batterymarch stock remained in the hands of a few key executives, including Strassman, Bennett and Schulman, and in the Batterymarch employee bonus plan. This minority interest, small as it was, still rankled LeBaron, and around Christmas 1979 he bought up the remaining shares, including those in the employee plan. The timing of the buyback proved to be especially fortuitous - for Dean LeBaron. According to one bitter ex-Batterymarch executive: "The value of the stock was tied by a formula to the gross revenues of the company, so if the revenues tripled, the stock tripled. And at the time, there were so many clients stacked up waiting to come in that we couldn't put them on the books. Just bringing in the existing applicants would have doubled the value of the stock. It was probably the most surefire investment in town. But Dean required everybody to sell their stock back, and took the Bat-

terymarch stock out of the bonus plan, before the clients were booked."

LeBaron, however, denies he timed the buyback to precede a major jump in revenues. "In the first place," he says, "I'm not a forecaster, so I can't believe that I had the skill to predict that, ah yes, this is the time for me to screw my friends and colleagues." Furthermore, he maintains that his maneuver was in the best interests of Batterymarch - that, in effect, he was saving the minority stockholders from themselves. "The advantage of owning something 100 percent rather than 85 percent," he says, "is the absolutely unconstrained opportunity of making business decisions without regard to any single individual's important minority position. One of the things that happens to people when a business succeeds is that their 5 percent or 10 percent becomes a very major factor in their financial planning. It becomes important, and they get uncomfortable when they are put at risk. My point of view is that you have to risk the viability of the business at all times, and if you can't risk it, it's not worthwhile."

Calculated or not, the move couldn't have come at a better moment. Although Batterymarch in 1980 was unable to beat the S&P for the first time since 1974, revenues continued to take off, rising to $14 million in 1980, $17 million in 1981 and $19 million in 1982. It had long since forsaken the second-tier stock strategy that was its early bread and butter; now it had a variety of old and new themes in play, ranging from high-yield stocks to "financial cannibals," or companies repurchasing their own shares. Best of all, LeBaron was demonstrating he could run $5 billion as effectively as he ran $1 billion - with fewer than 30 employees.

Ironically, the indexing business - the initial propellant of Batterymarch's rise - was rapidly waning. While the firm was piling on new clients on the active side, it was losing passive accounts. "Virtually the only business that moved from indexer to indexer moved away from Dean," recalls William Fouse, the architect of Wells Fargo's passive management program.

The main reason, strange as it may seem, was that Batterymarch's index program was chronically underperforming the S&P. The poor performance was rooted in the peculiar nature of the Batterymarch program: Unlike other indexers, who either bought the whole basket of S&P stocks or a sampling of them, LeBaron served up what his competitors called a "truncated index" - the 250 largest-capitalization stocks in the S&P. The apparent rationale for this was that the index program was meant to complement Batterymarch's active management; a typical Batterymarch client was supposed to buy both the indexing program, which covered him on the large-cap stocks, and the active program, which concentrated on smaller companies. Unfortunately, not all of the firm's accounts were so "typical." Those who bought only the passive side lost out when the market turned against large-cap stocks.




LeBaron, the onetime champion of the indexing approach, now railed against those who attempted slavishly to duplicate the indexes. "It turned into a monthly tracking game," he says today. But he was loath to give up indexing entirely. In 1981 he introduced Flexi-Tilt, a sort of do-it-yourself indexing program in which the client selected the portfolio characteristics and the computer did the rest. "It was not a marketing success," admits LeBaron. The old indexing program continued for those clients who wanted it, but it finally folded earlier this month.

In the last few years, other elements of the Batterymarch formula - elements that at one time defined the difference between the firm and the unenlightened rabble - have also come under competitive pressure. Computer-generated investments, the so-called black-box approach, are gaining increasing currency in the money management business. Dividend discount models, of which Batterymarch was an early user, are an investment staple. And value-oriented investing, long the firm's stock-in-trade, has descended virtually to the level of a cliché. In the words of one Boston money manager, "If everyone is a contrarian, then what is a contrarian?"

Batterymarch's response is to point out, as Strassman does, that "value investing and contrary investing are not the same thing. Value investing simply means crunching the numbers and buying things that look cheap. We would not deny that that has become a more difficult battlefield. Contrary investing means a willingness to buy stocks that are out of favor that may or may not be cheap."

LeBaron has risen to the challenge by pushing his firm to the outer limits of contrariness. He dropped the dividend discount model three years ago. "Once you get clients coming in and asking what kind of a discount rate you're using, and how you are adjusting for risk, and they understand that because they've just been to a conference on it, then it seems to me you have to leave it," he says. The firm's investment strategies have become, by most conventional standards, more and more off-the-wall. There was the "corporate recovery" strategy, which led to the much-talked-about acquisition of major blocks of Braniff and Continental Illinois. There is the "low expectation" strategy, which pinpoints companies with the lowest projected earnings growth over the next five years. And there is LeBaron's vaunted "hate group" - industries such as agricultural equipment and nuclear power that are the subject of universally negative media coverage. As far as LeBaron is concerned, "If we have to make a choice between value investing and discomfort, we will choose discomfort."

Not all these moves have gone down easily within the firm; LeBaron admits that some of them were "very traumatic." Rugo points out that "Alan Strassman is a conservative, don't-rock-the-boat person. He wants to sit on the lead. Dean knows there is a tendency to do this, and he's fighting it." It was Strassman's decision to go for extra heavy stock and top-quality photography in last year's annual report. It was LeBaron's to throw in, as he puts it, "the uncertainty, the chaos, the Zen associations" and a quote from the sixth-century Chinese philosopher Sengts'an (although Strassman was the one who actually dug up the quote).

LeBaron's public pronouncements also seem aimed at bolstering his reputation as the money management business's ranking renegade. His vocal opposition to antitakeover measures and his latest shareholder democracy scheme - the creation of a separate auction market for shareholder voting rights - are, as he points out, not exactly music to the ears of corporate America.

At the moment, though, LeBaron has more to worry about than conventionality. Six quarters of lagging performance have caused, if not tremors, then mild shudders among clients and pension consultants. "The client base seems relatively loyal," says one consultant, "but I think the concern is pretty great. A couple of more quarters of this kind of performance and I think you're going to see some switching." One of LeBaron's oldest and most loyal clients, Donald Early of the Sunday School Board of the Southern Baptist Convention, says: "There's a certain conflict between my great appreciation and personal feeling for them and the numbers as they fall out. I don't know that they have been able to find the new universes as effectively as they once did. On the other hand, you can never underestimate Dean LeBaron & Co."

He sips the champagne. The scampi are done. In fact, they might well be burnt. LeBaron has completely forgotten about them. He is drifting onto a higher plane.

**In 1985, *Forbes* listed Dean as one of the 400 wealthiest people in the United States. That same year, Morgan Stanley proposed to purchase Batterymarch.**

—Donna Carpenter LeBaron




A few weeks later, CEO Richard Fisher and some of his associates came to Boston to make me an offer. As we sat in one of Batterymarch's conference rooms, he opened his leather portfolio and wrote down a number: $450,000,000. It was a stunning sum, but I turned him down.

**"Are you sure?" he asked. "It's a lot of money."**

"It is," I said, "but what will I do with myself?"

—Dean LeBaron

The year 1986 brought more travel—to Arizona, Colorado, Florida, Kansas, North Dakota, Ohio, Oregon, New York, Tennessee, and Washington.

I flew to Nassau, Bahamas, at the invitation of a well-known banker, who had moved there to avoid paying US taxes. He was hoping to hire me as his successor.

"But you must live here in the Bahamas," he said, "and relinquish your American citizenship."

I politely declined. I had made my money in the United States, and I felt I owed it to my country to pay my taxes.

**—Dean LeBaron**





## In May 1986, drawn by the success of its businesses and its people, Dean turned his attention to Asia.

That year, Japan boasted a $50 billion trade surplus. Also in 1986, almost half of the Phi Beta Kappas at Harvard and 30 percent of the students at Juilliard were of Asian extraction, although they made up only 2 percent of the American population.

—Donna Carpenter LeBaron

What attracted me to Japan was something I had read in a magazine: while Japan's population and economy were half the size of the United States', in 1986, its output of cars, computers, and countless other high-value products exceeded ours. *Now, there's a country with its eyes on the future,* I thought, and I wanted our investors to share in its success.

**—Dean LeBaron**

Some of my colleagues warned me against doing business in Japan. "You are not a patient man," one told me. "You will find no quick routes to success in Japan."

He was right. It takes a long time to establish relationships and build trust, but as Bostonians, we had a distinct advantage in dealing with the Japanese. As a rule, New Englanders are more mannered, more formal, and more tradition-bound than many Americans, and these qualities appealed to conservative Japanese businessmen.

**—Dean LeBaron**





Our first stop was Tokyo. We landed at Narita International Airport and then took an expensive taxi ride—an unbelievable $160—to the center of the city.

**"When I feel like bringing back memories of my trip to Japan," one friend quipped, "I take a $20 bill from my wallet and set it on fire."**

**—David Gill**

In Tokyo, the buzzword was *kokusaika*, meaning internationalization. In pursuit of that goal, most of the Japanese executives we met said they were studying English.

"English is the international language," one banker joked. "Or, I should say, broken English is the international language."

**—Dean LeBaron**



Of course, the Japanese had been studying foreign languages and foreigners since Commodore Matthew C. Perry anchored his gunboats at the mouth of Edo—now Tokyo Bay—in 1853. But now, more were coming from the business world. After returning home from the *offisu* (office), a *salariman* (salary earner) might hang his *sutsu* (suit) on a *hanga* (hanger), and read a *besto-sera* (bestseller) or perhaps a *reporto* (report) by an *economisto* (economist).

**—Donna Carpenter LeBaron**

*Kokusaika* had surged in the late 1980s, partly because of the expansion of Japanese corporations overseas and the arrival of more and more foreign corporations in Tokyo.

**— David Gill**

From our taxi, we could see that ethnic restaurants— Mexican, Indonesian, Indian, and Italian—were all the rage in Tokyo, as were pool halls and pizza parlors.

**—Donna Carpenter LeBaron**

I learned quickly that the Japanese valued quality over price and expected excellence in both their products and packaging. If a store sold defective products, its customers would boycott it, and it would soon be out of business.

One of the bankers in Tokyo told me it was becoming more common for Japanese to date foreigners, although families still did not always approve.

**"There are only two ways for an American man to end a romance with a Japanese woman," he said. "The first is for the man to explain coldly that the relationship is finished and that he is flying home for good the next day. The second is to ask to meet the woman's family."**

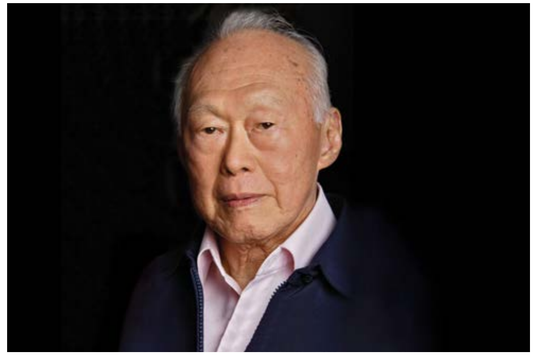
**—Dean LeBaron**



# From Tokyo, Dean flew to Singapore.

—David Gill





Singapore was a scruffy, backwater British colony when Lee Kuan Yew came to power in 1959 and transformed it into a prosperous city-state that lauded freedom and was openly contemptuous of the Communists on mainland China.

When I visited Singapore, it was a booming manufacturing and trading center—the archetype of free-market economics—and home to 2.8 million people boasting the highest standard of living in Asia, second only to Japan.

Yew had accomplished this economic feat with a kind of father-knows-best autocracy and heavy-handed tactics that earned him plenty of criticism.

But **Harry Lee—as his friends called him—** was widely praised in the United States. I met him at his office in The Istana, a former nutmeg plantation.

The prime minister was charming, well-informed, and persuasive. "We are ideology-free," Lee said. "We ask, *Is an idea likely to work?* If so, let's try it. If the trial succeeds, let's continue it. If not, let's try something else."

*Sounds like Batterymarch*, I thought.

—Dean LeBaron

# Lee Kuan Yew was a firm believer in law and order.

Capital punishment was mandatory for drug trafficking and armed robbery. The police swiftly plucked criminals off the streets, making them safe for citizens and visitors to walk, day or night. Even minor infractions, like littering or jaywalking, were punished.

—Dean LeBaron



In the heart of the city were remnants of British rule—a few government buildings, the Anglican cathedral, and the sprawling Raffles Hotel.

—David Gill



Sleek, modern skyscrapers soared upward, and construction crews were building indistinguishable new structures to house more banks and investment houses.

With its automatic walkways and fire-engine-red telephones, the Changi Airport was one of the grandest in the world. Singapore's highways were litter-free, and its little parks were neatly weeded, clipped, and swept.

**—David Gill**

But after a while, the flawlessness, the sterility, and the lack of humanity grated on my nerves.

"I have a question," I said to a banker. "Where are the garbage cans? I have not seen a single one."

"They are hidden," he replied, "according to the government's plan."

A few years earlier, a friend had told me that Singapore resembled a California resort town run by Mormons. Now, I knew what he meant.

"Nobody looks to the West," went the lyrics of one song popular in Singapore at the time. "Nobody wants second best."

**—Dean LeBaron**





**In Brunei**—an oil-rich, Delaware-sized sultanate on the island of Borneo—we drove through car-choked streets as the country's Muslims streamed to Friday prayers. Brunei boasted one car per 1.5 people—one of the highest rates of auto ownership in the world and a tangible measure of its wealth.

Brunei's 224,000 people pay no income taxes yet enjoy free public education, medical care, and retirement benefits. Most of the country's money comes from Brunei Shell Petroleum Company—hence, the frequently used pun, *Shellfare State.*

The sultan, educated at the Royal Military Academy Sandhurst, was famous for constructing a $350-million palace, complete with a telephone in each of its 2,200 rooms. We saw a score of other handsome buildings and one of the world's most massive monuments to Winston Churchill.

"It's odd, I know," one oil-company executive told me. "Churchill never came to Brunei, but the old sultan met him a few times and admired him. And up went the monument."

Most striking was the Omar Ali Saifuddien Mosque, named after the 28th Sultan of Brunei, under whose rule construction began.

—Dean LeBaron





**My trip ended** with a brief stay in Papua New Guinea. We flew home with fuel stops in the Marshall Islands. After a night in Hawaii, we returned to Boston. The next month brought more client visits—this time to California, North Carolina, New Jersey, and Texas.

—Dean LeBaron

# After that, Dean flew to Norway and the Netherlands.

—Donna Carpenter LeBaron



I went to Norway because I had never been.

In Trondheim, the country's third-largest city and one of its oldest, I visited Nidaros Cathedral, where the medieval king St. Olav is thought to be buried.

A Viking from the 11th century, Olav had raided northern Europe and England and pulled down London Bridge with ropes tied to longboats—an act that spawned a popular nursery rhyme.

—Dean LeBaron





After converting to Christianity, he went home to convince his fellow Vikings to do the same, overthrowing the existing kings and uniting Norway.

Exiled after political infighting, he returned in 1030 in an attempt to regain power. At the Battle of Stiklestad, he died—a sword in his neck, a spear in his belly, and the ax he perpetually carried in his knee.

Immediately after his death, reports of miracles began: a blind man regained his sight when he rubbed his eyes with Olav's blood; the wounded hand of one of Olav's killers was suddenly healed.

And a year later, when Olav's body was exhumed from its burial site on the banks of the river Nidelva and moved to the cathedral, it was said to have come up intact and smelling of roses.

—Dean LeBaron

The news in the Netherlands was alarming, my morning newspaper warned. The country was on the verge of supporting a US invasion of its former colony, Suriname, and the Netherlands and the United States wanted their citizens to evacuate and law and order to be restored.

But the Amsterdammers I met looked calm and unflappable.

Home to 800,000, Amsterdam had sprung to life in the 17th century, becoming Europe's leading port. From its quays sailed merchant fleets and explorers charting the New World, including Englishman Henry Hudson, in search of a new route to China.

The ponderous Royal Palace, my host told me, stood on 13,659 pilings, as solid as they were 300 years ago. All of Amsterdam—like Boston's Back Bay—was built that way.

I walked to the city's center with its concentric blue-green canals and its quays hand-paved with red bricks. Along the Prinsegracht, lined with elm and poplar trees, I saw the tall, narrow, gabled houses built by Dutch merchants in the 17th and 18th centuries.

I admired the many houseboats. "A lot of them are illegal," my host said. "But because we have a housing shortage, the city and the police look the other way."

Crossing one of the 650 bridges linking the city's 90 islands, we ate lunch in a small restaurant, a traditional Dutch meal of *aardappelen, vlees, en groente*—potatoes, meat, and vegetables.

Some 26 percent of the city's gross domestic product came from the ports, and 17 percent of the city's workers labored there. "It's true," my host said, "that Rotterdam's port is bigger, but it concentrates on just one commodity: oil. We are much more diversified."

Along the waterfront, the scent of cinnamon, cloves, nutmeg, pepper, and tea attested to a brisk trade with the tropics.

**—Dean LeBaron**





**"The motto of our stock exchange," he said, "is *Bide your time*. We buy at today's prices, unpack, and store, and then we repack and reship when prices are favorable."**

*Trade and finance are in their blood,* I thought. *They have always known how to bide their time and hedge their bets.* Eighteenth-century Amsterdam bankers had helped finance and supply the American Revolution—and at the same time, had underwritten loans to the British government.

**—Dean LeBaron**

**My host pointed out the diamond district. "We buy diamonds," he said, "but we don't wear them. We are not a showy people."**

**—Dean LeBaron**



One of the oldest buildings in Amsterdam was *de Silveren Spiegel* (Silver Moon) restaurant, which dated to 1614. During the German occupation in World War II, the spot became a favorite of the Gestapo. Widow Tante Wies, the owner at the time, was so affable that they never suspected she was harboring 17 Jews in her attic. Unlike Anne Frank and her family, Wies's Jews survived.

**—Dean LeBaron**

# Dean's next stop: South America.

—Donna Carpenter LeBaron

In the 1980s, a series of defaults raged through South America, devastating the economy of one country after another. One journalist dubbed the '80s *la década pérdida de los ochenta*—the lost economic decade—a label that stuck.

Now these nations—and their 290 million citizens—were making a comeback, and as trade with the United States boomed, Dean saw profits for investors.

—David Gill

Our travel schedule was tight, and our workload was immense; the only way we managed was because we had our own plane, which eliminated the frustration of booking international flights.

We would spend four or five days in each country, immersing ourselves in meetings day after day. We took no breaks, not even for lunch or dinner.

—Dean LeBaron



In June 1987, the Brazilian government pitted Batterymarch against First Boston to become the first substantial US equity investor in Brazil. The South American country, the fifth largest in the world, measures 2,700 miles from the north Amazon basin to Uruguay—the distance from London, England, to Tehran, Iran.

For 20 years, the Brazilian government had ignored the needs of its citizens. Borrowing heavily from American and European banks, the generals invested in large-scale projects, like nuclear power plants. Though they boosted Brazil's economy, the wealth failed to trickle down.

Around pockets of prosperity remained a Calcutta of misery. *Bel-India* some critics called it—half Belgium and half India.

In the mid-'80s, when Brazil's foreign debt reached $100 billion, the International Monetary Fund got tough and demanded austerity measures. But the new government—aided by falling oil prices and lower interest rates—turned the situation around.

**—David Gill**

## Brazil had been its own worst economic enemy, but now, there was an optimism that reminded me of the Wild West.

**—Dean LeBaron**





The people at First Boston decided they would invite 300 key players from Brazil's financial establishment to dinner at Rio de Janeiro's yacht club.

They were kind enough to invite us too. When we arrived, we learned that First Boston's flight had been canceled, and they would not make it to the dinner. Brazilian officials asked if I would mind replacing the leader of the First Boston team in the receiving line.

"Not a problem," I said.

As I greeted the guests, I explained that we were there because we had our own airplane. "What a pity," I told them, "that First Boston had to rely on commercial airlines." My not-so-subtle message: we were ready to do business in Brazil, and First Boston was not.

Of course, I was secretly chuckling.

The next day, the First Boston team arrived, and I thanked them for the opportunity to meet all the people at the dinner.

First Boston's chairman was livid. "I have never seen anything as embarrassing as one competitor upstaging another," he hissed.

**—Dean LeBaron**

**The Brazilian government gave Batterymarch the go-ahead to invest money in Brazil. Called the Brazil Equity Fund, it was an extraordinary success, earning a 56 percent return for our investors.**

**—Dean LeBaron**

# From Rio, we flew to São Paulo.

A century ago, the city had been home to 250,000 people. In 1987, it boasted 10 million inhabitants, making it the largest city in South America, though the vast majority of its citizens weren't born there.

My host, an economist, described São Paulo as the "locomotive of Brazil," with businesses ranging from banking to automobile manufacturing.

Architecturally, there was little to admire. The city was the gray of steel and concrete, dotted with hundreds of red-dirt soccer fields. Random skyscrapers appeared out of nowhere.

"I know people think São Paulo is ugly," my host told me. "But I wouldn't live anyplace else. I'm proud to say São Paulo is where the money is made in Brazil."

*Favelas*—slums—consumed nearly a quarter of the city while the wealthy, terrified of being assaulted or robbed, lived in gated enclaves protected by fortress-like walls, patrolled by armed guards.

Crime, lack of housing, and insane traffic plagued rich and poor alike. Most cities had master designs, but São Paulo's growth had overwhelmed all attempts to plan.

There was at least one carjacking a day. Murders topped 6,000 annually—compared to 2,000 for New York City—reflecting rampant drug-related gang violence.

Opportunity existed here, but as we set out to launch our Brazil fund, I knew it would take time to find it.

—Dean LeBaron



**Next, Dean and his colleagues flew to Buenos Aires. If they had succeeded in Brazil, why not Argentina?**

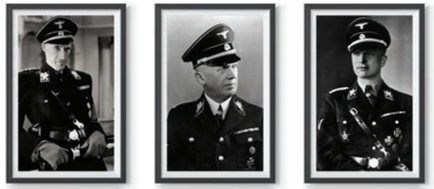
—Donna Carpenter LeBaron

Like an impoverished aristocrat, Buenos Aires was a once-affluent city that still maintained its exceptionally high cultural and educational standards—higher than anywhere in Latin and South America and comparable to those in many Western European nations.

—David Gill

Argentina also had a reputation as a sanctuary for Nazi officials fleeing Germany after World War II. Any doubt I had about the validity of these stories vanished after an Argentinian banker took me to the German club for dinner, where the walls were covered with portraits of SS officers in uniform.

—Dean LeBaron






**Economically, however, Argentina was sliding steadily into the Third World. Most recent college graduates, I was told, ended up driving taxis for a living.**

—Dean LeBaron

To combat this economic downturn, Argentina's government—with the support of the United States and the International Monetary Fund—had adopted an aggressive plan to tackle inflation and stabilize the economy. As we strolled the streets, it was hard not to see the country's potential.

—Dean LeBaron



From Argentina, we traveled to Uruguay, where I wanted Dean to meet Francisco Ravecca, CEO of Surinvest, a former colleague from my years at the International Finance Corporation.

Born in Uruguay, Pancho—as his family and friends called him—had graduated from Stanford University and then received his MBA from New York University's business school. An old-school Latin, he was charming, handsome, and fun as well as dedicated and industrious.

Pancho was proud of his country. With a literacy rate of more than 98 percent, it was one of the most educated countries in South America and one of the least corrupt.

**—David Gill**



## We arrived in Punta del Este,

on Uruguay's Atlantic coast, in February—the height of the season. The city reminded me of Pasadena, California—prosperous and manicured.

In the 1950s, European jet-setters had recast the Uruguayan peninsula of Punta del Este as the South American Riviera. By the mid-'80s, this exclusive retreat made Miami, Florida's South Beach look about as chic as Galveston, Texas.

Summer in the southern hemisphere turned Punta del Este into a playground for wealthy Argentines and minor European royals. I met princes and princesses from Belgium and Spain and even—so they claimed—a Russian Romanov or two.

This tourist invasion, which began at the first of the year and lasted until March, inflated the town's population of 15,000 to an overwhelming 300,000.

**—Dean LeBaron**

Locals complained about Argentine arrogance, particularly of the people from Buenos Aires they called *portenos*.

## The portenos made fun of the locals, Pancho told us, "but the money they spent made it all worthwhile."

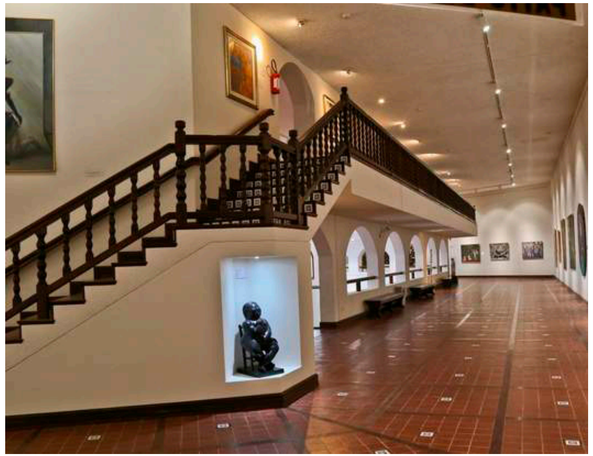
**—Dean LeBaron**

At the time, Argentines owned more than half the property in the region, and a lot of Argentine cash was socked away in Uruguayan banks, whose privacy laws were as strict as Switzerland's.

While the Argentinian government had managed to stabilize the economy, wealthy Argentines had not forgotten the freezing of high-interest accounts in 1982. To protect themselves—and avoid the tax collector—many still kept their money in these safe havens, as did a lot of wealthy Europeans.

—Dean LeBaron



Pancho kindly arranged a private tour of Punta del Este's most popular art museum, where I was surprised to see only a portion of it open to the public.

In the private section were climate-controlled rooms with rows of cabinets filled with artwork. The curator satisfied our curiosity by opening one drawer after another so that we could see the pricey paintings inside.

"Why aren't these shown to the public?" I asked.

"Oh, Mr. LeBaron, that would not be possible. These works are kept here for their safety at the request of our private clients."

Pancho later explained that wealthy investors "lent" their art to the museum in exchange for tax breaks. Not only that, but these hidden treasures could also be sold for quick cash if they ever needed it.

—Dean LeBaron

One night, Pancho invited us to stay with him and his wife, Rosie, at their house—not something we usually did. But he and David had known each other for years and were good friends, and we felt honored by the invitation.

—Dean LeBaron

Pancho's job was investing his wealthy clients' money in real estate, which held little interest for me at the time since Batterymarch's investors wanted more liquid assets. Ultimately, we decided that Uruguay was not the place for us to invest.

—Dean LeBaron

# From Argentina, Dean flew to Chile.

—Donna Carpenter LeBaron



Stretched along South America's western flank, Chile's high profile came not from its natural beauty, vast copper deposits, or fine wines, but from its economic success and authoritarian government.

After seizing power in 1973, General Augusto Pinochet and his regime—guided by the Chicago Boys, a group of University of Chicago economists—embarked on a program of free-market capitalism, buttressed by political repression.

In 1989, as authoritarianism was finally giving way to democracy, its economy was the strongest in South America.

—David Gill



At the Santiago International Airport, we were met by a smiling government minister, who rattled off economic statistics as he drove us into town.

Santiago didn't have the look or feel of a boom town. Subaru hatchbacks—not Mercedes-Benz sedans—filled the streets. People dressed simply and conservatively.

At the La Moneda Palace, we met the Chilean prime minister, who said he would do his best to address the widespread poverty in his country but not at the expense of its economic and political stability.

**Above all, he emphasized, his country would not rest on its current economic success. "It's like dieting," he said. "You can lose weight, but can you keep it off?"**

He squirmed at talk of Chile being the "economic miracle" of South America. "We don't want to be held up as a showcase one year, only to fall down the next."

**—Dean LeBaron**



**The next day,** we drove a half hour south to Concha y Toro Winery in the Maipo Valley, nicknamed the Bordeaux of South America. We admired the sculpted beauty of the winery's grounds as we waited for the company's CEO to give us a tour of the gardens.

As he led us through the vineyards, he described the techniques of winemaking as well as the economics of the trade. Suffice it to say, wine is a difficult way to make a living, as a plethora of producers and markets make it almost impossible for a company to establish a dominant international position.

Worse, wine is an agricultural crop, subject to the vagaries of the weather and the boom-and-bust cycles that plague farmers everywhere.

But Concha y Toro had succeeded despite the odds.

We were offered a glass of Casillero del Diablo, the most famous wine produced at the vineyard, then descended into the depths of the wine cellar, known as the Cellar of the Devil. Here, we were regaled with tales of the eccentric Melchor de Concha y Toro, who had founded the winery in 1883 and inhabited the cellar after his death to protect his precious stores from intruders.

—Dean LeBaron






**Dean was not only impressed, he was convinced that he had found a winery in Chile to rival any in the world.**

—David Gill



In 1988, out of curiosity, I returned to Brazil. Flying over the Amazon, I was awed by its immensity. It rivaled the Nile in length, and its volume exceeded the flow of the world's next eight largest rivers.

Seeking a name to evoke the size of the Amazon's complex system of waterways, Portuguese explorers had called it *O Rio Mar*—The River Sea—an apt name, I thought.

**—Dean LeBaron**



## My first task was to outfit myself.

I went to Abercrombie & Fitch, where a salesperson dressed me in a pith helmet, boots, and netting. I looked like an advertisement for the store and the tourist I was.

**—Dean LeBaron**



I rented a boat for three days and slept on it. The captain looked and acted like Humphrey Bogart in *The African Queen*. We stepped out onto spongy meadows to visit villagers, who put on snake and alligator shows for us.

The color of the Amazon changed according to the time of day—sometimes, it appeared brown but mostly black, like tea that had steeped too long. The water teemed with fish. But the rulers of the land were the insects—voracious hordes of biting, stinging, disease-carrying bugs.

**—Dean LeBaron**



In the summer of 1988, after learning of Dean's innovative use of computers for investing, executives from Abu Dhabi Investment Authority visited Batterymarch. Impressed with what they saw, they invited Dean to the capital of the United Arab Emirates, a young country only 15 years old.

**—David Gill**



I offered to come the next day, which surprised the Abu Dhabians because, at the time, only one commercial airliner a week flew into the Emirates.

**"But that is impossible," one of them said.**

**"We have a plane," I replied. "Seriously, we can be there tomorrow."**

**"Okay," he finally answered. "But this is most unusual."**

**—Dean LeBaron**

In the mid-1700s, Sheikh Dhiyab bin Isa discovered potable water on one of Abu Dhabi's islands and built a watchtower to protect the spring from intruders.

With the discovery of this precious water supply, the sheikh—chief of the Bani Yas tribal confederation, deep in the Liwa Oasis—founded a small village.

The village expanded rapidly, eventually becoming the capital of the largest emirate in the southern Gulf. In 1959, the discovery of oil and natural gas reserves made Abu Dhabi immensely wealthy, its income the source of approximately two-thirds of the UAE's roughly $400 billion annual economy.

**—David Gill**

We landed at Abu Dhabi International Airport the next day and were driven by limousine into the city. We passed Qasr al Hosn, the architectural centerpiece of Abu Dhabi. Erected in 1761, the palace had been home to Sheikh Zayed bin Sultan Al Nahyan and his court upon his accession in 1966. Our driver told us it had recently been restored and its walls painted white.

**—Dean LeBaron**

The first thing we learned in dealing with people in the Middle East was patience. We waited for two days to be summoned to the investment-authority offices. When I'd had enough and announced that we were leaving—we had business that required our attention elsewhere—the Abu Dhabians scheduled a meeting.

The conversations went well, and a month after we returned to the United States, Abu Dhabi invested $300 million with Batterymarch.

**—Dean LeBaron**



Over time, the chief and I became friends. Money had not influenced his tastes. He liked the simple life, to drive himself and spend time with his family in the desert. On a later visit, he invited me to join him.

The dress code, he explained, was a *dishdasha*, a traditional white robe with a slip underneath. I bought both from a store near our hotel.

At the wheel of his Mercedes, he drove faster and faster—90 miles per hour, then 100, and then 110. Then, just as the sun began to dip below the horizon, he slammed on the brakes. "This won't take long," he said, reaching into the back seat for his prayer rug.

Five minutes later, we were speeding off into the desert again.

At his home—a big metal shack—we were greeted by his family, including his mother, who, like the other women, was wearing a *burka.*

Before dinner, in some kind of purification ritual, his mother held a

## bowl of smoldering incense

under the beards and underarms of the male guests.

When she came to me, I lifted up my arms and let the smoke waft around my beardless face. Suddenly, cackling, she shoved the smoldering bowl between my legs. Thinking it would be rude to push her away, I stood perfectly still, trying not to grimace.

The evening ended with a traditional feast of goat meat, chicken, and rice.

**—Dean LeBaron**

**The same month Dean visited Abu Dhabi, he flew to Delhi, India, to explore investment opportunities there.**

—Donna Carpenter LeBaron



In Delhi, after our meetings, I took time to see the octagon-shaped tomb of the emperor Humayun, the son of Babur, founder of the Mughal Empire. Constructed of marble and red sandstone in the mid-16th century, it is believed to have inspired the design of the Taj Mahal.

**—Dean LeBaron**



The Mughals were famous for their tombs.

Why so many?

Politics. Under the system that governed the nobility, the Mughal emperor didn't give perpetual grants of land. On death, all land that had been granted to the nobles reverted back to the crown.

Since land could not be handed down to the next generation, there was little incentive for the Mughal nobility to build palaces or the ancestral homes that were common in Europe.

**—Donna Carpenter LeBaron**

From Delhi, we drove 17 miles to the industrial city of Faridabad in Haryana State, where the flat plain gave way to factories churning out a variety of goods.

**—David Gill**



The roadside was lined with small open-air shops; hordes of men, women, and children; and scores of tiny mud shanties that had to be rebuilt after every monsoon.

It seemed incredible that modern machinery could be produced in such a hardscrabble and miserable environment. From the road, the ramshackle buildings didn't look like much, but the accomplishments of its workers were a genuine success story.

More people than I had ever seen in one place lived, walked, worked, begged, shopped, talked, bicycled, and crammed into motor-scooter rickshaws. The air was thick with the smoke of cooking fires, fueled by a noxious mixture of cow dung and straw.

A barbershop we passed was filled with customers sitting on a row of wooden chairs along the road, facing us, as barbers cut their hair, occasionally holding up pieces of ancient mirrors to show them the backs of their heads, all while water buffalos plodded by. Cattle, pale and thin, hunted for a place to graze.

**Some children played, but many worked,** as child labor was still common in some areas despite government efforts to stop it. Although the government tried to encourage birth control, couples were still having seven or eight offspring.

"Parents still have many children," our guide said sadly. "It doesn't seem to matter what the government says. The birth-control effort was very intense a few years ago. But ordering people doesn't work. Every couple wants a boy. If they don't have one, they try again and again."

Gazing at the rivers of humanity, I tried to think what this would mean for the second most-crowded country in the world—after China—battling to keep pace with services and roads, electricity and schools, hospitals and homes.

**—Dean LeBaron**

Dean continued his brutal travel schedule, visiting clients and companies in Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Idaho, Illinois, Louisiana, Maine, Montana, Oklahoma, New York, South Dakota, Virginia, Washington, Wyoming, and overseas.

**—Donna Carpenter LeBaron**



In Florence, Italy, I gave a speech to Italian bankers who were worried about their economy as the national debt now exceeded the total gross domestic product.

## Then, I went to see Michelangelo's *David*.

"Imagine," my guide said, "the colossal, nude *David*, installed atop Florence's cathedral, standing sentry over the city—armed, vigilant, ready to defend his people—his gaze fixed on Milan, Naples, and Venice, hostile neighbors that routinely attacked Michelangelo's home."

The Biblical hero was a favorite of the Florentines, who saw themselves as the underdog on the Italian political stage.

No other image captured their civic pride like the 17-foot marble figure, carved by Renaissance master Michelangelo Buonarroti.

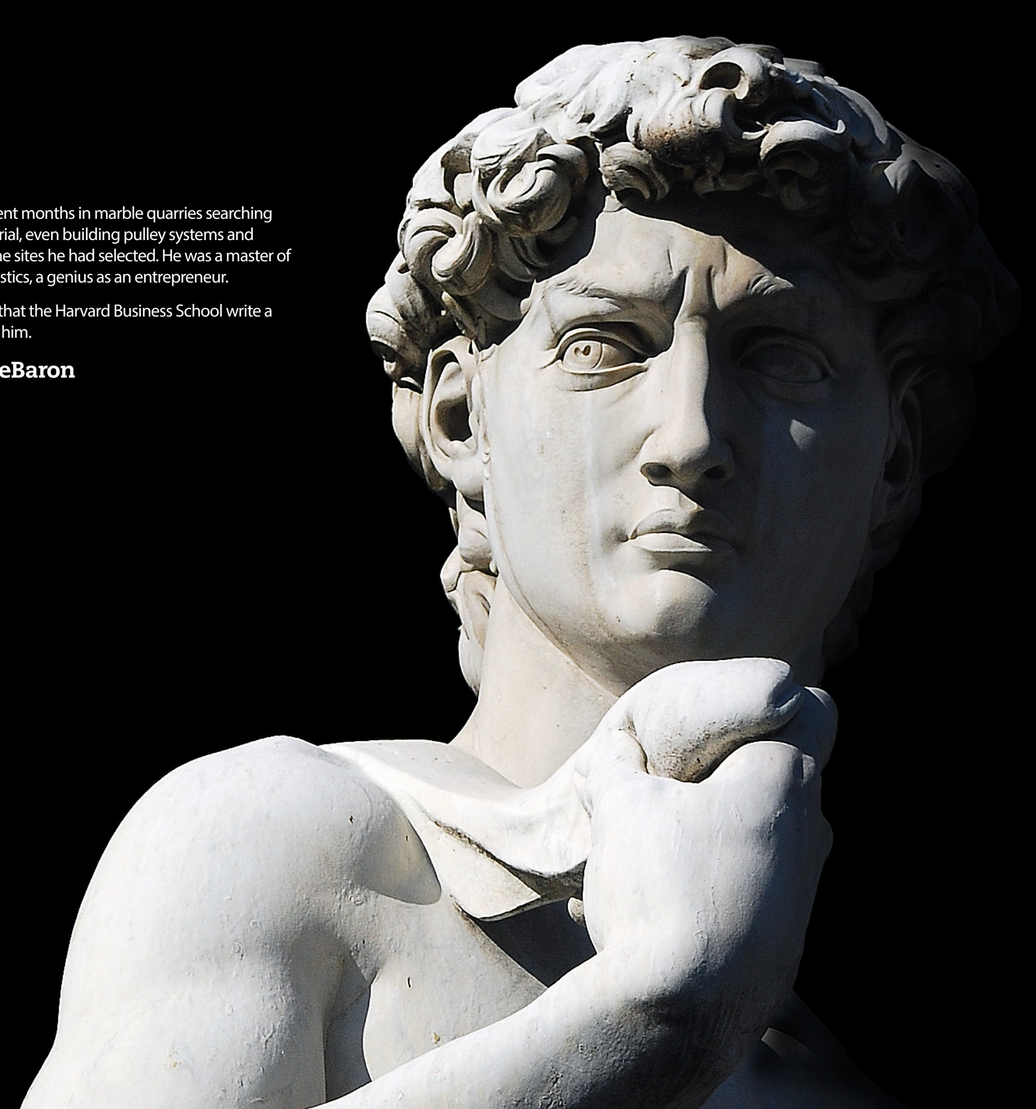
At its unveiling in 1504, the statue had so galvanized the fledgling Republic of Florence that the government had placed it in front of the city's town hall. A copy remains in the piazza, but the original has been moved to the nearby Accademia Gallery to protect it from the elements and vandals.

**—Dean LeBaron**

Michelangelo spent months in marble quarries searching for the best material, even building pulley systems and roads to access the sites he had selected. He was a master of business and logistics, a genius as an entrepreneur.

I later suggested that the Harvard Business School write a case study about him.

**—Dean LeBaron**



Dean's business continued to boom. By the end of 1989, investment in emerging-market countries was all the rage. And as institutional monies rushed into small markets, they seemed primed to go up and up.

The numbers were seductive. In 1989, the stock markets of Brazil, Mexico, Taiwan, and South Korea doubled. In 10 years, the capitalization of emerging markets rose from $58 billion to over $370 billion—and a lot of that money came from Batterymarch.

**—Donna Carpenter LeBaron**



## In 1989, I became interested in farms as a possible investment.

—Dean LeBaron

Dean surprised me with an idea for a farm fund. I was skeptical at first, but I checked it out and learned that farmland was a large asset class—about $700 billion. Moreover, farm investments compared reasonably well with investments in residential, industrial, and commercial real estate. Dean's idea was a good one.

—David Gill

## He was just ahead of the market—as usual.

—Blake LeBaron





**In 1989, after my father's Vermont neighbors complained about him landing his plane on the small lake in the village, he bought a house on Lake Sunapee in New Hampshire. Boston architect Jeremiah Eck renovated the structure and added to it.**

—Blake LeBaron









Also in 1989, at the encouragement of his friend Alfred Farha,
Dean purchased a home in the tiny town of Weesen, Switzerland.

**—Donna Carpenter LeBaron**












**The day after I took possession of the Weesen flat, I went to the local bank to open an account.**

**—Dean LeBaron**




Swiss banks manage the assets of the world's wealthiest people, who rely on Switzerland's tight security and privacy laws to keep their transactions hidden from the tax authorities.

**—Donna Carpenter LeBaron**




I explained to the manager—who spoke English, which made things easier—who I was, what I did for a living, and how I had come to find a place in this Swiss village.

"Oh, yes, Mr. LeBaron," he said, "I heard you had bought a place here. Welcome to Weesen." He must have assumed I was an American looking to hide money in a Swiss bank account.

"Thank you," I replied.

"Perhaps you will allow me to treat you to lunch after we finish our business."

He pulled out a few forms and began the process of opening an account, asking the standard questions. "Mr. LeBaron," he asked, "would you like us to send you statements of your account?"

"Yes, of course," I answered.

He frowned at me. "Are you sure?"

"Yes, I'm sure."

"Mr. LeBaron, where would you like these statements mailed?"

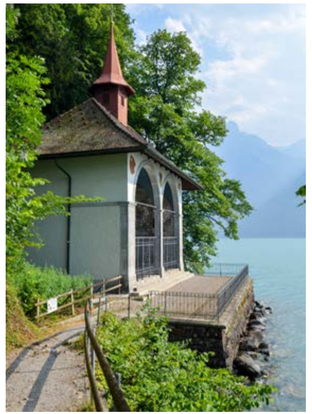
"To the United States," I said, jotting down the address.

He frowned again, clearly disappointed. I knew what he was thinking: an American who wanted his statements mailed to his home address was obviously an American with not enough money to hide.

Our transaction concluded, the bank manager shook my hand. "Thank you, Mr. LeBaron. I'm sorry, but I forgot I have another matter to attend to, so I won't be able to take you to lunch," he said as he waved me toward the exit.

**—Dean LeBaron**





**My friend William Wirth**—who, in addition to his post at Credit Suisse, had served as a colonel in the Swiss Alpine troops—encouraged me to get to know Switzerland and its people. As a dedicated hiker, he suggested we take a day trip to the Swiss Path.

In Lucerne, we boarded one of the five glorious paddle steamers that had been sailing its waters since the early 1900s. I had to agree with that old river pilot Mark Twain, who described a steamboat voyage as "the perfection of pleasuring."

Port and starboard, the mountains rose majestically above the lake—dappled, even in summer, with obstinate patches of snow. With the woodwork creaking around us, the pistons pounding below, and the paddles gently swishing, we glided across the smooth waters.

Our destination was the town of Rütli, the birthplace of the Swiss Republic on the lake's southern shore. On August 1, 1291, representatives of three cantons had sworn an oath of Eternal Alliance, and the town remained a place of pilgrimage for William and other Swiss patriots. The Swiss flag—so simple yet so bold—was invented there, they say.

The Swiss Path is more than a trail for hiking. It is rather a historic walk through Switzerland's past. From Rütli, it's a short walk to the spot where the pledge was signed. From there, in a matter of minutes, the slope begins to rise, rewarding hikers with spectacular views of the lake and mountains. An hour's trek takes visitors to Seelisberg, where they can rest and eat, if they desire.

From Seelisberg, the path turns south, meandering through farmlands and pastures as it winds its way down to the lakeside village of Bauen.

On the next stretch, from Bauen to Isleten, the path flattens and embraces the lake's shore. We walked through caves created by blasting through the sheer cliffs surrounding it.

From the beach at Isleten, we followed the now-flat path through Seedorf to Flüelen and around Lake Uri. From Seedorf to Flüelen, however, we found ourselves walking through the grassy marshlands of the Reuss Delta.

Our next stop was Tellskapelle, or Tell's Chapel—named for the legendary Swiss hero William Tell, who had defied Austrian authorities and shot an arrow off his son's head, a scene depicted by the murals inside the chapel. Tell's story embodies the spirit of Swiss independence, as seen in one mural dramatizing the Rütli oath.

With a dramatic increase in altitude, the stretch to Sisikon and beyond to Brunnen was the most challenging for me, although William handled it with ease.

At Sikikon, we agreed to call it a day.

**—Dean LeBaron**

## The 1980s also brought exciting family news and fun.

In 1983, my son Blake graduated from Rensselaer Polytechnic Institute in Troy, New York. In 1988, he received his PhD in economics from The University of Chicago and began teaching at the University of Wisconsin in Madison.

In June 1986, my daughter Stacy graduated from Weston High School and was accepted at Vassar College, her mother's and grandmother's alma mater. Four years later, she received her bachelor's degree in urban studies.

Also in 1988, my young Swiss friends Astrid and Thomas Bauer, who taught me so much about life in Weesen, got engaged.

—Dean LeBaron

















Finally, as 1989 came to a close, Dean decided to write another book. But with little time to call his own, he hired one of the best ghostwriters in the United States, Donna Sammons Carpenter, to assist him. Their professional partnership soon turned personal.

**—C. David Sammons**

