
IN MEMORIAM

LOUIS A. SIMPSON

December 23, 1936–January 8, 2022



The investing world has lost one of its greatest investors, Lou Simpson. Lou was born in Chicago in 1936, attended Northwestern University his freshman year, and then transferred to Ohio Wesleyan University, graduating in 1958. He entered the doctoral program in Economics at Princeton University and served as an instructor at Princeton. Lou decided that academia was not his desired career path and embarked on an illustrious career in investment management spanning nearly 60 years. Fortunately for many, he returned to academia later in his career.

While Lou's career included positions at many firms, his longest tenure was at GEICO (1979-2010), including positions as Chief Investment Officer, Vice Chairman of the Board, and President and Chief Executive Officer, Capital Operations. At GEICO, Lou's team managed a portfolio that was unorthodox for the insurance business. It was much more equities-oriented than was standard practice, and the equities portfolio was much more concentrated, a hallmark of Lou's approach. The phenomenal performance of Lou's team allowed GEICO to compete vigorously with other insurers for business. An insurance

company whose "float" can be invested at higher rates of return than its competitors' can compete through lower prices to consumers. This was certainly a large contributor to GEICO's successful expansion.

In the period from 1980 through 2004, the GEICO equity portfolio outperformed the S&P 500 return by an average of 6.8% per year.¹ This is a record few investors, even the most famous, could match.

Lou was a voracious reader. Lou's investment process involved extensive research followed by few trades. While some investors approach an investment by finding reasons to make a trade, Lou spent a huge amount of time and effort finding reasons not to make an investment. If, after that grueling screening, he found that the cons did not outweigh the pros, he would invest.

He believed deeply in the importance of good corporate governance. He served on a number of corporate boards and had no qualms about parting ways with CEOs whom he viewed as not acting in the interest of shareholders. Sometimes that

meant the CEO got fired. Sometimes it meant that he left the board of directors.

Lou famously avoided the spotlight. Although likely not a household name, he was well-known in investment circles. It is often stated that he gave only two interviews in his life. Fortunately, he gave at least three, one being published in *Kellogg Insight*.² So large was the demand for Lou's insights that the Kellogg School received "thank you" cards for publishing the interview from individuals totally unaffiliated with the school. The editorial staff was inundated with requests for the full transcript of the interview.

He returned to academia first through guest lectures, then by becoming a Senior Fellow and Adjunct Professor of Finance at the Kellogg School of Northwestern University. While Lou avoided the limelight and interviews, he was extremely generous about sharing his insights and wisdom with students, alumni, and faculty. A firm, but kind, teacher, his interactions with

members of the school community were often described as the highlight of their experience at the school.

We have lost a great investor and a wonderful mentor, teacher, and friend. He will be missed dearly by those who were fortunate enough to meet him.

Notes

- ¹ Warren Buffett, "Portrait of a Disciplined Investor," 2004 Berkshire Hathaway Annual Letter to Shareholders, page 18.
- ² "One of the Investment Greats' Explains His Portfolio Strategy: A Q&A with renowned investor Lou Simpson," *Kellogg Insight*, (November 2017).

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