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William Nygren cemented his place as a top 1% fund manager over the last decade by snapping up beaten-down companies like a value stock picker and placing long-term bets like a private equity investor. He told us his top 5 names for the next 7 years.

Marley Jay

- **William Nygren of Harris Associates ran two of the best-performing mutual funds of 2021.**
- **Nygren says he deviates from a traditional value approach with a private equity-type strategy.**
- **It's allowed him to buy cheap stocks while making long-term bets that are paying off.**

Oakmark Funds

William Nygren of Harris Associates is a manager of two of the best-performing mutual funds of 2021.

People's expectations don't stay the same for very long, and William Nygren has succeeded by evolving with the times.

Nygren, a longtime portfolio manager for Harris Associates' Oakmark Funds and its chief investment officer for US stocks, started investing at a time when investors could get ahead by buying companies that had fallen a bit behind the market based on traditional measurements and waiting for them to bounce back to the normal level.

"A simple strategy of buying low price-to-book stocks and being patient was a pretty effective strategy," he told Insider in an exclusive interview.

But Nygren and Oakmark made some of their biggest early victories by buying cable TV stocks even though price-to-book and price-to-earnings metrics said they were expensive. Those companies were spending a lot of money to acquire customers, which didn't please other value investors. Nygren and company saw that they were spending on something worthwhile – even if it took time to pay off.

"I think the economy has evolved so that there are more companies that GAAP accounting doesn't do justice to," he said, referring to some of those measurements that value investors favor and that emphasize physical assets more than things like intellectual property – to the point that, in Nygren's view, they treat those things as if they're worthless.

"I would say we bring a private equity approach to public equity investing," he said. And since then, they've translated that philosophy to sustained growers in biotech and in tech giants. He says they want to find the companies that have the most potential over about seven years, and investing in getting customers or in research can be worth it.

Nygren is one of the managers of his firm's Oakmark Fund, which has outperformed 99% of value peers over the last 10 years, according to Morningstar, and was one of Wall Street's best last year with a 34.2% return. His Natixis Trust II Oakmark Fund achieved similar results, with a 34% return last year and 15% annual return over the last decade.

He told Insider that about two-thirds of his funds' investments are relatively traditional for the value category, and are concentrated in areas like financial services, industrials, and consumer-facing companies. The remaining third are where he and his co-managers practice their private equity style approach.

Nygren's view is that companies like Alphabet and Meta Platforms, which most people might still know as Google and Facebook, still look cheap if they're valued piece by piece – including their profitable ad-related businesses today and far-off spending on businesses like Waymo or Oculus – instead of in a traditional value style.

He says that both of those companies, even though they've been strong performers for years, aren't delivering explosive-enough returns to please growth investors and look costly to value investors. They're both major positions for him.

"If you do this piece by piece analysis, you end up owning the core businesses at a discount to the market multiple," he said. "You don't hear people saying they're worse than average businesses and don't deserve even a market multiple."

There's a second component to this approach. Nygren says investors are so enamored of new, flashy names that they overlook the potential in older ones that have had to change their ways.

"On the companies they think could be disrupted, the attitude's almost, there's no price that's cheap enough, and there's no way they can be developing interesting technology inside of such a traditional business," he said. "A lot of traditional businesses have very interesting new technology that could become disruptive."

He points to Allison Transmission Holdings and Fiserv as examples. While investors put money into new and untested companies working on axles for electric cars, he says, Allison has a long track record and has been investing in the same areas for years.

"You could say that Fiserv is selling at a discount to only its new technology companies that are embedded inside of it," he said. "You're getting these very exciting FinTech opportunities without having to pay anything for them."

EOG Resources, which Nygren says is a very well-run company, is also getting overlooked for how it's changed itself.

"Whether that's because the industry has been such a poor performer over the past decade, or because of ESG concerns now, we think the ESG investors aren't paying enough attention to how much more carbon-efficient the US industry is than other parts of the world," he said.