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Zalman C. Bernstein, 72, Iconoclastic Broker

By ROBERT McG. THOMAS Jr.

When he started a securities firm under his own name in 1967, Sanford Charles Bernstein made sure that hurried investors would not fail to notice. To announce the firm, the 41-year-old upstart ran a series of full-page newspaper ads emphasizing in bold, black type a single word: "Bernstein."

The display of hubris drew a wave of titters. The titters turned to gasps when the Brooklyn-born Mr. Bernstein topped himself with a demonstration of chutzpah that is still reverberating on Wall Street.

At the time, so-called discretionary accounts, in which a broker makes all the investment decisions without consulting the client, were such an industry scandal that the New York Stock Exchange imposed strict controls and many old-line brokers banned them altogether. But Mr. Bernstein announced that he would seek nothing but discretionary accounts.

Given the potential for abuse by unscrupulous brokers tempted to churn accounts by buying and selling, collecting fees with each transaction, Wall Street laughed off Mr. Bernstein's chances for attracting serious investors.

By the time he died on Wednesday at 72 at Memorial Sloan-Kettering Cancer Center, Mr. Bernstein had long since had the last laugh.

His brokerage had grown into one of the world's largest independent investment companies, managing more than \$80 billion in securities for 25,000 private and institutional clients, and Sanford C. Bernstein & Company had become one of the most respected names on Wall Street -- even as Mr. Bernstein, true to his contrarian ways, had changed his own name.

To honor a late-life surge of interest in his Jewish heritage and his conversion to Orthodox Judaism, he had moved to Jerusalem, established dual American-Israeli citizenship and replaced his "Sanford" and "Charles" with rough Hebrew equivalents, becoming Zalman Chaim Bernstein.

It took more than hubris and chutzpah to make Sanford C. Bernstein & Company a runaway success.

By the time he started the company, Mr. Bernstein had already made something of a name for himself. After enlisting in the Navy at 18 and becoming a Supply Corps officer in World War II, he studied economics and accounting at New York University, picked up a master's degree in business administration at Harvard and spent three years with the Marshall Plan in Europe. He returned to the United States with a French wife and such driving ambition that when the Value Line Investment Survey turned him down for a job, he won one anyway by offering to work without pay.

He later worked as a research analyst, money manager and institutional salesman at Oppenheimer & Company and then spent two years as a partner in a small securities firm, Ralph E. Samuel & Company, before striking off on his own. At first his younger brother, Paul, was his sole partner and he had a total of just seven employees, including his father, Jack, a retired jeweler.

His vision of a firm that would give comparatively small investors the benefits of professional money management was so novel, his brother recalled yesterday, that the Harvard Business School sent a team of student researchers to study the operation. They concluded that the approach was sound but wouldn't work for a Jewish firm.

They were half right. Within a decade, the firm was attracting huge investments from major insurance companies, banks and pension funds and had become known for the exhaustive research reports it sold as a sideline.

Ever the iconoclast, Mr. Bernstein shunned the prevailing system of star portfolio managers and adopted the so-called dividend discount investment model, which bases investment decisions on a formula for determining the value of a

company's future earnings.

Since the formula depends on the accuracy of earnings projections, Mr. Bernstein concentrated on the quality of the company's research.

A big, gruff and sometimes unpolished man who wielded a mean cigar, Mr. Bernstein became famous for the pains he took in hiring, putting applicants through a battery of psychological and other tests and sometimes playing backgammon or chess with them to gauge their stomach for competition and cigar smoke.

The rewards of his efforts were considerable for Mr. Bernstein, who continued to be his company's largest shareholder after his retirement in 1993. But he lived modestly after he accepted the warm embrace of the close-knit Orthodox community, and he gave hundreds of millions of dollars to Israeli causes and other charities.

His family said that he died from complications of lymphoma. In addition to his brother, who lives in Manhattan, Mr. Bernstein, who was married three times, is survived by his mother, Martha, of Manhattan; his wife, Mem; a son, Claude, of New Canaan, Conn.; two daughters, Leslie Armstrong and Rochel Leah Bernstein, both of Manhattan, and three grandchildren.

Photo: Zalman Chaim Bernstein