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Legg Mason

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Introduction

Legg Mason's story is one of American innovation and resilience, tracing its lineage back over 120 years to the bustling financial districts of Baltimore and the entrepreneurial spirit of its founders. From a modest start inside the Baltimore Stock Exchange at the turn of the twentieth century, the company evolved into a formidable force in the investment management industry, securing its place among corporate America's most significant names in finance. Over its long history, Legg Mason would transform from an agile regional brokerage into a globally recognized asset manager—a journey marked by periods of intense growth, strategic reinvention, and industry-defining leadership.

At the heart of Legg Mason's identity were the myriad individuals, strategies, and decisions that fueled its rise. The firm's distinct character was forged through both its early entrepreneurial pursuits and later tactical mergers, notably its pivotal 1970 merger forming Legg Mason & Co., Inc. This defining moment set in motion a series of expansions, public stock offerings, and broadening of services that would come to epitomize the adaptability of Legg Mason over the decades. Under leaders like Raymond "Chip" Mason, the company fostered a culture that emphasized accountability, integrity, and a relentless focus on client outcomes.

Through the late twentieth and early twenty-first centuries, Legg Mason's narrative became intertwined with the evolving complexities of global finance. Strategic acquisitions and the establishment of specialized affiliates—such as Brandywine Global, ClearBridge Investments, and Western Asset Management—enabled the firm to offer an ever-rich array of investment products. Yet, profound challenges would also emerge, most notably during the Great Recession, when market volatility and outflows pressured the company to rethink its business model and organizational structure.

Legg Mason's approach to active management, rooted in a philosophy of value investing and independent decision-making by affiliated firms, positioned it uniquely within the asset management landscape. Figures like Bill Miller brought acclaim and innovation, demonstrating the potential for sustained outperformance through skillful investment leadership. At the same time, the firm's commitment to diversity, corporate responsibility, and technological evolution revealed a company intent on balancing tradition with forward-thinking priorities.

Ultimately, Legg Mason's journey led it to a new chapter: its acquisition by Franklin Templeton in 2020. Far from signifying an end, this transition represented both the culmination of over a century's efforts and an opportunity to shape the future of global investment management. With combined strengths, broadened capabilities, and a

global platform, Legg Mason's legacy became instrumental in crafting a new era for investors and clients worldwide.

This book invites readers to explore the Legg Mason story from its earliest days to its contemporary transformation and beyond. Through historical narrative, analysis of strategic choices, and a look forward at changing industry dynamics, "Legg Mason: The Story of An American Company" seeks both to document a richly storied past and to distill its lessons for future generations of financial leaders and innovators.

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CHAPTER ONE: The Birth of George Mackubin & Co. (1899)

The year 1899 dawned with a sense of burgeoning opportunity across America, a nation rapidly industrializing and looking toward a new century with optimism. In Baltimore, Maryland, a city steeped in maritime history and a growing financial hub, a young man named George Mackubin sensed the currents of change. At just 26 years old, Mackubin embarked on an entrepreneurial venture that would, over a century later, evolve into one of the most significant investment management firms in the United States: Legg Mason.

Mackubin's entry into the financial world wasn't his first foray into the arena of money and markets. He had already gained experience in the 1890s with firms such as Charles Head & Co., a Boston-based house with a Baltimore presence, and John S. Gittings & Co., a respected local investment firm of the era. These early experiences provided him with a foundational understanding of the securities business, the rhythms of the market, and the intricacies of client relationships. They were crucial building blocks for the ambitious path he was about to forge.

Armed with this practical knowledge, and a keen eye for opportunity, George Mackubin made a pivotal decision. He borrowed a modest sum—\$300, a significant amount at the time—to purchase a seat on the venerable Baltimore Stock Exchange. This acquisition was more than just a transaction; it was his declaration of independence, his commitment to forging his own destiny in the bustling world of finance. With that seat, he gained access to the very heart of Baltimore's financial pulse.

January 1899 marked the official birth of George Mackubin & Co. From a modest back office within the Baltimore Stock Exchange, Mackubin began his operations, initially focusing on the selling of stocks. It was a humble beginning for what would become a sprawling enterprise, a testament to the power of a clear vision and persistent effort. The firm's initial scope was narrow, but its potential was vast, mirroring the expansionist spirit of the American economy at the close of the 19th century.

The early days of George Mackubin & Co. were characterized by the direct, personal touch of a proprietor-led business. Mackubin was not merely an owner; he was the primary operator, the face of the firm, and the orchestrator of its daily activities. His office, strategically located within the exchange, offered immediate access to market information and trading opportunities, allowing him to react swiftly to market fluctuations and client needs.

Within a year of its founding, the burgeoning success of George Mackubin & Co. led to its first expansion. Mackubin joined forces with G. Clem Goodrich, who had served as a cashier in the old National Union Bank. This partnership was a strategic move, bringing additional capital, expertise, and a fresh perspective to the nascent firm. With Goodrich's involvement, the company was rebranded as Mackubin, Goodrich, and Co., signaling a new phase of growth and increased capabilities.

The association with Goodrich proved to be a synergistic one. Goodrich's background in banking complemented Mackubin's brokerage experience, creating a more robust and diversified foundation for the firm. This early merger underscored a theme that would recur throughout Legg Mason's history: strategic alliances and acquisitions as a means of strengthening and expanding the business. The combined entity was better positioned to serve a wider range of clients and engage in more complex financial activities.

The years that followed saw the firm navigate the dynamic and often tumultuous waters of the early 20th century American economy. They weathered economic booms and busts, adapting their strategies to the changing financial landscape. Their resilience and ability to grow through these periods were testaments to the sound principles established by Mackubin and Goodrich. They were laying the groundwork for a legacy that would endure for generations.

The firm's initial focus on stock sales gradually broadened as the market matured and client needs evolved. While the specifics of their early diversification are a story for a later chapter, it's important to note that the entrepreneurial spirit of George Mackubin set a precedent for adaptability. This willingness to embrace change and expand beyond a singular service offering would become a hallmark of the company's approach to business.

By 1949, George Mackubin had departed from the company he founded. However, his initial spark, his courage to borrow \$300 and buy a seat on the Baltimore Stock Exchange, had set in motion a chain of events that would lead to the creation of a financial powerhouse. The name might have changed, but the spirit of enterprise and dedication to the investment world that George Mackubin embodied in 1899 continued to resonate within the firm for decades to come.

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