



## Ringin' the Register

# Staying Alive

By Tsachy Mishal

Preservation of capital is the primary goal of investing. Without capital the greatest investment idea in the world is worthless. If I were to lose 50% of my capital it would require me to return 100% just to get back to even. Returning 100% would almost certainly require years of my life. The easiest thing to do would be not to lose the money in the first place. That is why the first question I ask when entering a trade is how much can I lose if I am wrong.

In my last column, I wrote that I did not believe Iraq caused our economic problems and that defeating Iraq would not solve them. I then went on to say that I was using the Iraq related rally to short stocks aggressively. I have covered the majority of my shorts in the weakness related to the possibility of an extended war. I still stand by my belief that Iraq will not cure our economic ills. However, if the perception is that defeating Iraq is good for the economy then the market has the potential to explode upwards if Iraq is suddenly defeated. Many smart people knew that the Internet bubble would burst, but they lost all their money shorting it too early. There is no reasoning with the stock market. I have revised my strategy. I will stay slightly short because I believe ultimately this will prove to be an excellent point to sell stocks. However, I am saving the majority of my money to deploy if, and when, we have an explosive rally. Am I a sissy? Have I lost my nerve? Maybe, but one thing is for sure. I will live to play another day no matter what happens in Iraq.

### Portfolio Update

Harley-Davidson (ticker symbol: HDI) – I recently

recommended doubling up on the Harley short position at slightly over \$40. The Motorcycle Industry Association said that motorcycle registrations were down over 10% for January and February while Harley was predicting unit growth of 10%. After some delay, two analysts picked up on the fact that Harley might have to lower their growth target and the stock came in. As a reflection of my less bearish stance on the market and the recognition of the market that Harley's numbers might be too high I would recommend covering up half the total Harley position at the current quote of \$37.42.

### Flattered

I am truly flattered when people tell me that they read my column. I am even more flattered when people tell me that they have bought or sold a stock because of me. However, I believe it is a huge mistake to blindly follow someone else's advice. Besides the obvious fact that I may have been lucky in my previous picks, it is possible for me to change my mind and I might not be able to communicate that in time to you (my deadline is a week before you read this). I get many ideas from other people. However, I thoroughly research the ideas myself and am not dependant on them to tell me when to exit.

### Irony

I am amazed at how the market always seems to flummox the majority of players. Is it possible that now might be the greatest shorting opportunity of all time if everyone is expecting a war rally and even the biggest bears (like myself) are too scared to short? I welcome all emails: [tam2005@columbia.edu](mailto:tam2005@columbia.edu).

# Look Beyond the Words

By Andrea Alban-Davies

**"If all mankind minus one were of one opinion, mankind would be no more justified in silencing that one person than he, if he had the power, would be justified in silencing mankind."**  
– John Stuart Mill (1806-1873), *On Liberty*, 1859

I am writing in regard to the E-mail circulated by Robert Tarulli in the name of the Military in Business Association of Columbia Business School. Mr. Tarulli called on students of the business school to sign a petition for the removal of Professor De Genova, on the grounds that he made what some deem to be inappropriate remarks at an anti-war

teach-in here at the university on 26 March. Said petition "will be sent to President Bollinger demanding that he remove this threat from the Columbia community".

I now call on this same student body to write to President Bollinger and ask, instead, that he uphold arguably the most important right given to us by our constitution – the right to freedom of speech. Ask him to respect Professor De Genova's right that he exercised when making his comments; ask him to encourage each member of our community to speak his or her mind without fear of any repercussions. I call on each of you to see beyond Professor De Genova's words and do this because the implications of the removal (or

discipline) of this professor are farther-reaching and more serious than it is possible for most of us to comprehend today. It is fundamental that each of us understand that the fate of *our* freedom of speech as members of the Columbia community hangs in the balance beside that of Professor De Genova. If we allow any action to be taken against this man, we will give unlimited power to the voice of popular opinion, which we may not agree with the next time around; and it will be a slippery slope.

Regardless of the content of Professor De Genova's remarks and how repugnant they may be in our eyes, I know that we all *must*

*Continued on Page 21*

## Heilbrunn Center for Graham & Dodd

### INVESTING PROFILES IN INVESTING

# Investing for the Everyman

By Eli Rabinowich

Welcome to "Profiles in Investing", brought to you by *The Bottom Line* and *The Heilbrunn Center for Graham & Dodd Investing*. Every week we will profile a leading investor and get an inside look into their investment philosophy.

Up next, Bob Bruce.

Bob Bruce, MBA '70, has managed a private investment partnership for the past ten years. As Bruce describes his early career, "I wandered in the wilderness until 1976 when I was able to get a job at First Manhattan Co., a value-oriented money management firm. It was there that I began to learn the skills of my trade."

Over the past twelve years, Bruce has been a regular lecturer at the Value Investing class at Columbia. In fact, he was one of the alumni who worked to establish the Value Investing course.

His portfolio is contrarily positioned and undiversified. Because he recognizes that out-of-favor investments typically do not come back into favor quickly, he has a

long-term time horizon and low portfolio turnover. He is comfortable in taking very large positions in the companies he owns, and his partnership is the largest shareholder of nearly all of its investment holdings. He acknowledges that his returns are relatively volatile, but he believes that his investors are compensated for the volatility.

Bruce recognizes that his investment style is not suitable for all investors, but he has some general advice. To start with, he suggests identifying a pool of good companies to track. He defines good companies as those that consistently have a superior level of profitability, generate more cash than is needed for reinvestment, and, as a result, have little or no debt. Such companies should be seasoned, i.e. have reasonably long operating histories. They tend to be mid-size companies with relatively uncomplicated operations, and they also tend to be managed by people with significant ownership interests. In Bruce's estimation, there are fewer than 50 such companies of the

roughly 1800 in the Value Line database.

Once you have become familiar with your universe of good businesses, wait for the usually brief, but regularly occurring, opportunities to buy from the group when temporary bad news depresses a share price. Such opportunism enables prepared investors to buy superior businesses advantageously.

**What is the best piece of business advice you've ever received?**

"To be successful in business, brains and hard work are important, but luck is essential."

**What would you advise newly minted MBAs?**

"In selecting a job, a young person should go work for someone who has knowledge to impart. Early in your career, the person whom you work for is more important than the name of the firm where you are employed or the salary that you earn."

Please email comments and suggestion to [ERabinowich04@gsb.columbia.edu](mailto:ERabinowich04@gsb.columbia.edu)