



## Portfolio strategy: Ken Fisher

Forbe's Magazine's Portfolio Strategy columnist and Fisher Investments chief executive KEN FISHER says stockmarket bears are under pressure to turn bullish or risk being ridiculed for their lack of foresight

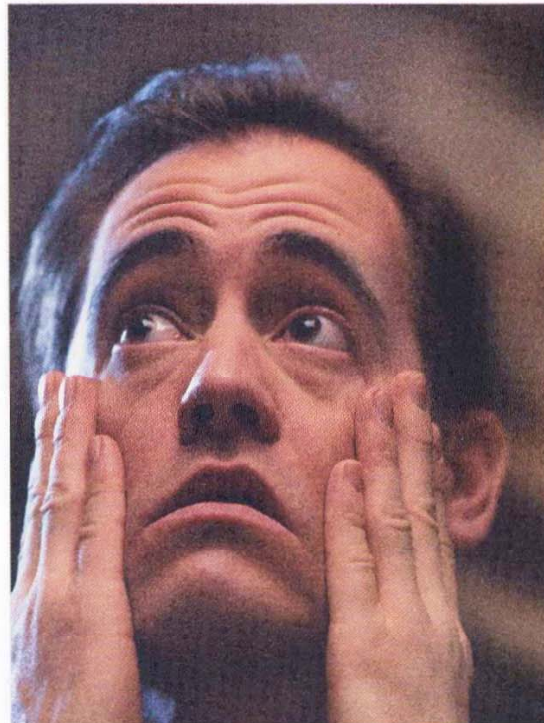
# Bears left with red faces

**H**ow long will this bull market last? Until the Great Humiliator ravages most of the noted gurus who were pound-the-table bearish as the up-move began. Imagine the market as the Great Humiliator, existing for one primary purpose – to humiliate as many people as possible for as long as possible for as many pounds as possible. It is very good at it. There's one basic rule: before a bull or bear market concludes, most of those who were on its wrong side at the start must capitulate or be ridiculed in the mass media.

The booming 1990s didn't end until the decade's last nay-sayer had turned bullish or been seen as a quack – all of them. For example, long-time bear Charles Clough, chief strategist at Merrill Lynch, was fired and replaced by long-time bull Christie Callies in 2000. In the same way, sages who were for a long time the most bullish as 2000 began either shifted to bearish by 2003 or were recast as wrongheaded. Goldman Sachs' Abby Cohen, for example, once seen as a guru goddess became just another mortal like you or me. Christie Callies, remaining unrepentantly bullish, was fired and replaced by perma-bear Richard Bernstein.

Also in the same way, just in reverse, before this bull market concludes the Great Humiliator must round up those who were most bearish as 2003 started and either bend them bullish or simply spotlight them, strip them naked and expose them as feckless.

The US's list of perma-bears who evolved to ride high is long. Richard Bernstein is clearly there and vulnerable. But the list includes academics and scholarly types like Bob Arnot, recently made editor of the prestigious *Financial Analysts Journal*. Then comes, Peter Bernstein in a similar role at *The Journal of Portfolio Management*. Most strident among The US's big name money man-



agers is Jeremy Grantham of Grantham, Mayo, Van Otterloo and Bill Gross of Pimco, the world's most famous bond manager. Gross fascinates because early in 2003 he wrote a widely circulated, detailed accounting of why stocks were overvalued and should perform poorly. That Gross was so specific, detailed and widely circulated with such fanfare and yet so far has received no public rebuke is very bullish.

The US started 2003 with fully a dozen more notable big name bears. But, so far, few have capitulated and none has been publicly ridiculed. Among UK future fodder are folks like William Pattison of Liontrust and Neil Woodford of Invesco (part of Amvescap, on which more later) and others. You know them. But, for example, Khuram Chaudry of Merrill Lynch

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in London has capitulated to relatively neutral. He may avoid the fate of Clough and Callies. Most noted on the continent is Germany's super-bear columnist and retired bank chief strategist, Roland Leuschel.

Not every one, but most, of these experts must turn bullish or suffer some material public ridicule. That we haven't seen almost any of that yet says this very enjoyable bull market still has durable legs and will do until the ridicule starts – which should be quite a while. En route, enjoy stocks.

There is no particularly better place to be in a bull market than in money management stocks. As detailed last month, the mutual fund scandal is much misinterpreted by the press and society. It is bullish, not bearish. Hence the stocks hit by it are buys.

Among them is Britain's Amvescap, which is almost 20% cheaper from the event. The industry sells at 3.5 times its annual revenue and better firms at more than four times revenue. Yet Amvescap sells at 2.8 times revenue. Being in the industry, I'm convinced it is among the better firms – well-managed, diversified and with greater growth prospects than most.

Also, in the US buy Janus, another simple "scandal" play, now almost 25% cheaper than before – and that after getting pounded for three years. And with Alliance Capital Management you get a 7% dividend yield. A second-tier but strong "scandal" play is Waddel & Reed Financial. For one that completely side-stepped the scandal but gets no credit for it, try Gabelli Asset Management, which sports one of the industry's legendary CEOs. Affiliated Managers Group has by far the best model for acquiring money managers and offers a diversified play on the industry with quality players. All are worthy. BM

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