

At Ira Sohn, a singing Tepper and a golden Einhorn

By Lawrence Delevingne

→ Quips and picks from the 2010 Ira Sohn Investment Research Conference.

David Tepper of Appaloosa Management sang Elvis. Sam Zell of Equity Group Investments quoted “Charlie” Darwin, telling the crowd to evolve or go extinct. Steve Rattner’s proposal to close the income inequality gap got booed (or maybe the abuse was aimed at the ex-car czar himself). Steve Eisman of FrontPoint Financial Services said the for-profit education industry is just like the subprime bubble.

Perhaps more than in prior years, the presenters showed an awareness that the Ira Sohn Investment Research Conference had become a spectacle.

The 15th annual event, which raised money to fight pediatric cancer and other childhood diseases, featured its expected list of big names and predictions. The investment ideas given in years past were perhaps bolder—short Lehman Brothers or MBIA, for example—but there were still concrete recommendations to navigate volatile markets.

The general economic outlook was bearish.

David Einhorn of Greenlight Capital Management derided burgeoning government debt in a talk entitled “Good news for the grandchildren.”

“Politicians value staying in office more than they value the long term health of the country,” said Einhorn, underlining the point he made in a New York Times Op-Ed the same day. Accordingly, he recommended buying gold and the stock of African mining company Barrick Gold; Greenlight’s position in the precious metal “reflects our concern that our fiscal and monetary policies are not sufficiently geared towards holding off a possible crisis,” said Einhorn. Greenlight holds physical gold and recently followed Paulson & Co. and other hedge funds in offering investors a gold-denominated share class.

Another pessimist was Daniel Arbes of Perella Weinberg Partners. Bearish on the Euro and Euro sovereign debt, he encouraged investors to “Shake hands with China” and buy what consumers in emerging markets need. Like Einhorn, Arbes recommended gold, other precious metals, and especially the stock of such junior mining companies as Ivanhoe Mines.

David Tepper of Appaloosa was more bullish. He began his presentation by taking off his tie (“I never wear a tie,” he said, flinging it. “So that is gone.”) and noting that in the late 1800s, there

were dire warnings that the great cities of the world would be covered in horse manure because there was seemingly no way to get it out fast enough.

“Crises happen. Markets adapt. People adapt - don’t listen to all the crap out there,” said Tepper. Later, he added: “Maybe this is the end of the beginning - we know what our troubles are and we know we have to attack them.”

Tepper recommended buying an AIG junk bond, the “8.175 Junior Subordinated Debt” offering, and financials, especially Bank of America and Spanish bank Santander.

He closed by singing a song he wrote to the tune of Elvis Presley’s “Heartbreak Hotel”:

*Well since I came to the conference
I became so depressed
The end of the world is coming
We’re in an awful mess.*

James Dinan of York Capital Management was also relatively optimistic. “We don’t really think the end is near,” he said. “People adapt. Societies adapt.” Dinan recommended such large company stocks as Coca-Cola Enterprises and ING Group.

Larry Robbins of Glenview Capital Management said it was too risky to be bullish or bearish. Instead, he recommended picking selective stocks that will perform regardless of the macro environment. That included long positions in McKesson, Express Scripts, Life Technologies Corporation, and Fidelity National Information Services.

One point of disagreement was on the education industry. Jonathon Jacobson urged attendees to buy Sallie Mae,

saying the company was significantly undervalued.

But Steve Eisman of FrontPoint Financial Services said for-profit educational companies were just like the subprime bubble, echoing comments made by Jim Chanos of Kynikos Associates at last year's conference. All their money is spent on marketing and securing federal subsidies, he said, and the quality of the education is poor and leaves students in debt with scant job

prospects. Accordingly, FrontPoint is short Apollo Group, ITT Educational Services, Washington Post Co. (owner of test prep company Kaplan), Corinthian Colleges and Education Management Corp.

Separately, Bill Ackman of Pershing Square Capital Management repeated his call to buy mall operator General Growth Properties and closed by saying he had bought 150 million shares of Citigroup.

SPEAKER	COMPANY	MESSAGE
Jonathon Jacobson	Highfields Capital Management	Buy Sallie Mae (SLM).
Sam Zell	Equity Group Investments	Adapt or die.
Daniel Arbess	Perella Weinberg Partners	Shake hands with China; buy what rising EM consumers need. Bearish on the Euro and European sovereign debt. Like gold and other precious metals; especially junior mining companies like Ivanhoe Mines (IVN). Other longs: Solutia (SOA), Celanese (CE), Yum! Brands (YUM). Shorts: Yen against Canadian Dollar.
David Tepper	Appaloosa Management	Future not so bleak; people will adapt. Long: AIG ("8.175 Junior Subordinated Debt"); CMBS Market ("lots of gems out there"); financials, especially Bank of America (BAC) and Santander (STD).
Niall Ferguson	Harvard University	Invest in such "good boys" as Norway, Sweden, Australia, Denmark, Switzerland and Canada. U.S. is on a path to debt crisis; "PIGS "R" U.S."
Steve Eisman	FrontPoint Financial Services	For-profit education is just like the sub-prime bubble. Short: Apollo (APOL), ITT Educational Services (ESI), Washington Post (WPO), Corinthian Colleges (COCO), Education Management Corp (EDMC) [Full presentation here]
Jeremy Grantham	GMO	Likes timber investment management organizations (TIMOs), emerging markets, U.S. high quality blue-chip stocks. Short: U.K. and Australian housing (a true bubble!).
David Einhorn	Greenlight Capital	Long: gold, especially African Barrick Gold (London: ABG). The new bubble is sovereign debt. Short: Moody's (MCO), McGraw-Hill Companies (MHP).
James Dinan	York Capital Management	Likes large company stocks. Long: Coca-Cola Enterprises (CCE). Also like ING Group (ING) and post-bankruptcy equities like LyondellBasell (LALLF) and liquidation plays like Kaupthing Bank (OMX: KAUP). Short: Euro-zone currencies.
Steve Rattner	Ex Obama Car Czar, Quadrangle Group	Expect from DC: higher taxes (carried interest), little appetite to deal with national debt, continued involvement in financial sector.
Larry Robbins	Glenview Capital Management	Too much macro uncertainty; pick selective stocks that will perform regardless. Long: McKesson (MCK), Express Scripts (ESRX), Life Technologies Corporation (LIFE), Fidelity National Information Services (FIS).
Bill Ackman	Pershing Square Capital Management	Buy General Growth Properties (GGP) and Citigroup (C).
Seth Klarman	Baupost Group	The government doesn't get it: interest rates are too low, financial reform won't stop the next bubble, won't address fiscal problems.