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In the financial industry, there used to be a niche specialty called "distressed investing." Some called these folks vultures, because in the aftermath of a collapse, they would go swooping in to buy up the wreckage on the cheap. That's not much of a specialty anymore — the state of the market means we're pretty much all vultures now. But we thought we could get some perspective by getting in touch with an old friend who is on the front lines — he trades at one of the most established and respected distress funds. Last time we saw him in person, around Thanksgiving, he was talking Apocalypse with a capital A and scaring the crap out of everyone. It was a great holiday. We thought, given how many fabulous buying opportunities people keep saying are out there, his mood would probably have improved by now.

We were wrong.

NYM: How are you doing?

V: Since I saw you last, things have deteriorated more than even I could have imagined. We're invested in virtually all sectors, primarily through debt, so we have pretty good access to management. The color coming from them is mind-bogglingly awful. We need to flush all the banks and start again. I told my wife I'm putting gold bars and shotguns under our bed.

NYM: Can we take refuge with you, if it comes to that?

V: You're more than welcome. We have thick walls and a high perch from which to pick off the marauding throngs.

NYM: What's the least-bad news you've heard recently?

V: The only thing anyone on the desk can come up with is the fact that there have been a number of high-grade non-financials who have been able to raise debt in the market. That's it. GDP is going to be down 10 percent this quarter, is my guess.

NYM: Give me the bad news then.

V: I heard this yesterday: The top five U.K. banks have \$10 trillion of assets and their GDP is only \$2.13 trillion. The whole country could fall into the ocean. The top five U.S. banks represent only about 60 percent of GDP by comparison. The other thing is a survey that I just read about in the *Times*. Over [six in ten Americans](#) think that someone in their household will lose their job in the next year. That means six in ten people won't buy anything other than basics. The economy comes to a full halt even worse than now.

NYM: That means the other four out of ten better be out there buying Gucci.

You're not losing your job. Are you buying any Gucci? Taking vacations? Leasing a new Mercedes?

V: I'm still taking vacations and renting a summer house but I ain't buying anything. Credit-default swaps scare me too much. For the banks, their portfolios of second-lien loans is terrifying and nobody, including the government, wants to talk about it. The banks carry them at par and have hundreds of billions of dollars of them. We just bought some at 33 cents on the dollar in the market. If they turn out to be worth 33, every bank would collapse.

NYM: How about the Obama speech? That float anybody's boat on the desk?

V: Mixed. Couple of die-hard Republicans hated it. Most others thought it was pretty good, balancing reality with optimism.

NYM: Shouldn't you be licking your chops these days — aren't there once-in-a-lifetime bargains all over the place for brave distress investors?

V: There are and they get cheaper every day. The private equity guys are going to be done.

NYM: So you *are* buying?

V: We're slowly buying but conserving cash for the tsunami of bankruptcies that are coming.

NYM: Do you think that before the big one a few years ago, people used the word tsunami as much as they do now?

V: It's been part of my vernacular for years.

NYM: What else is in your vernacular?

V: Catastrophe, debacle, putrid, relentless, overwhelming all come to mind.

NYM: Thank you very much. Please do your best to hold up the economy.