

Money managers in Portland and beyond shift strategy

by Amy Hsuan, The Oregonian

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The conventional wisdom among money managers has long been to hold on and ride out the markets' rough spots.

But with Wall Street's erratic behavior and seemingly endless free fall, investment firms in Portland and across the country are breaking rank with their own advice -- moving assets into practically no-yield investments and hoarding cash.

The trend signals widespread fear and a lack of confidence in the world's financial systems, which took another jolt Wednesday as the Federal Reserve and other leading central banks cut interest rates in the hopes of loosening up credit markets and encouraging banks to lend more freely to businesses and consumers alike.

But, it's also a sign that investors are gearing up for opportunities -- like bargain prices on big-name stocks -- when the market hits rock bottom.

Problem is, no one knows where rock bottom is.

"The big question now is when is it going to rebound?" said George Hosfield, principal and chief investment officer at Portland-based Ferguson Wellman Capital Management, which has had a fair share of panicked phone calls from clients in the past two weeks.

"It's kind of like drinking through a fire hose," Hosfield said. "It keeps you up at night."

This week, for the first time, Hosfield said, his firm took money out of equity investments, squirreling away cash in money market accounts or short-term fixed-income instruments, such as bonds.

"Even though it runs counter to our training, we haven't sold so much that we won't be there when the market rebounds," Hosfield said.

They're hardly alone: In September, \$46 billion streamed out of the world's equity mutual funds, the second-largest outflow ever and the largest since July

2002, according to TrimTabs, an independent investment research firm based in Sausalito, Calif.

Of that amount, \$22 billion came out of U.S. equity funds. International funds lost a record \$24 billion.

"That's money sitting on the sidelines, ready to re-enter the market," said Patrick Becker Jr., chief investment officer of Becker Capital Management in Portland. "That's what we'd like to see. People are capitulating, and that's what you need to reach bottom."

Becker, who also manages Becker Value Equity Fund, a mutual fund, said that many of his clients are going back to basics.

"We've been defensive for a while," he said. "The last week here has really got investors' attention. Many investors have never seen this kind of decline in their investing lifetimes."

Congress's top budget analyst estimated this week that Americans' retirement plans have lost \$2 trillion in the past 15 months.

But Becker sees opportunities in the stocks of high-performing companies.

"We're just starting to get a little more economic exposure into the portfolio," he said. "Where we're seeing great opportunities are in large quality U.S. companies. Intel is a great bargain, and Microsoft is a great bargain now."

Russ McAlmond, president of Evergreen Capital Management in Portland, said his firm has been reducing its stock positions all year. Cash, McAlmond said, allows investors to be poised to buy when opportunities come up again.

"Once we are at the bottom, I would buy the sector that took us into this," McAlmond said. "And that is financials, bank stocks, insurance companies, etc."

Most of McAlmond's clients are close to retirement or already retired. Their phone calls and e-mails have continued despite McAlmond's stepped-up efforts to keep them informed amid an extremely volatile climate.

"We try to reassure them that we are not being passive but actively trying to minimize losses in their accounts," McAlmond said.

Despite money managers' best efforts, there's little consolation for people like 66-year-old Al Youse. The look of his dwindling retirement accounts was enough for him to change course.

The Oregon Department of Agriculture employee had been planning to retire in January, but his personal retirement fund has lost about 10 percent in recent months.

Now he's putting off retirement indefinitely.

"It was a real psychological blow," Youse said. "Will I get that money back? Never. Will I get a portion of it back? Probably. But it's disheartening."

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