

BOOK REVIEW

Don't Sell This Short-Seller Short

Texas investor Richard Rainwater believed in oil when everyone else was infatuated with technology. He made a ton of money--and says you can too.

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By Bethany McLean

"This was nothing more than a low-level stock promotion pretending to be a medical stock," writes well-known short-seller Manuel Asensio in his new book, titled, appropriately enough, *Sold Short*. That's not something you're likely to hear from a typical Wall Street cheerleader--oops, analyst--but then again, Asensio, 46, is definitely not a cheerleader. For the better part of the past decade he's made his living by taking a contrarian stance on stocks that everyone else seems to love, from meat-producer-turned-telecom-star Diana to dot-com registrar Network Solutions (now VeriSign).

Sold Short is a mixture of personal history (the Cuban-born emigre came to the U.S. when he was 6) and war stories about Asensio's battles with various companies. It's a walk through the sleazy side of Wall Street, providing ample evidence that analysts and mutual fund managers are quite capable of ignoring both fraud and incompetence if there's a chance to make a buck. *Sold Short* also allows Asensio to gripe. One pet peeve: Companies and the media qualify short-sellers' opinions by noting that they stand to gain if a stock falls, but few point out that those who tout stocks also have a financial incentive to do so.

While Asensio may be one of the most visible practitioners of short-selling, he's far from the only one--and far from the biggest. Hedge funds make millions by betting against the very stocks that Wall Street analysts hype--but don't expect to hear about it. At most, hedge fund managers will whisper in a reporter's ear that a stock is suspect. Asensio, on the other hand, screams it from the rooftops. He's more than willing to speak to journalists on the record, is often quoted in skeptical stories (including features by this reporter), and publishes no-holds-barred reports on his Website, www.asensio.com.

All this makes Asensio extremely controversial. Companies hate him--as do those who own the stocks he's attacking. His inflammatory comments have also landed him in legal trouble. In the fall of 2000, Asensio paid the NASD \$75,000 to settle a variety of alleged violations.

A word of warning: *Sold Short* is not meant as a primer. As Asensio notes, short-selling can be dangerous to your financial health, because if the stock soars, your losses are unlimited. But he does offer clues about what attracts him to a company--for instance, the reputation and history of management--and points out easy-to-check indicators of skepticism, like the short interest in a given stock. As he writes, "a bum stock is like a straying partner. You may not want to hear about it, but you need to know."