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The Associated Press
Lawrence Speidell, chief investment officer for Frontier Market Select Fund in La Jolla, Calif., looks for opportunity in unusual places, such as an Iraqi soft drink bottler and a Palestinian telephone company.

Wanted: Investors fond of adventure

By BERNARD CONDON/The Associated Press



NEW YORK — You can leap off a mountainside in extreme skiing, kick and claw to near death in extreme fighting, and twist yourself into a pretzel in extreme yoga. Why not turn investing into an adventure sport?

Professional money managers are scouring the world for oddball assets, desperate to find anything that moves to its own beat rather than rising and falling with everything else in the financial markets.

They are putting money into racehorses, stakes in lawsuits, old coins, even the copyrights to old pop songs. One fund manager bought stock in a beer company called Bralirwa in Rwanda, where tribal rivalry led to a genocide that left 800,000 people dead in 1994.

"Rwanda triggers a lot of bad memories, so people don't even think of investing there, but there's huge opportunity," said Lawrence Speidell of Frontier Market Select Fund, which also owns stock in an Iraqi soft drink bottler and a Palestinian telephone company.

Bralirwa stock has risen 150 percent since Speidell bought it early last year. But the real appeal is that it did so in a steady, calm way, disregarding events that have made the rest of the world's stock markets bumpy and frightening, like the Japanese tsunami and European debt troubles.

And Bralirwa keeps bucking the headlines. Last month, while stocks in the U.S., Europe, Asia and Latin America fell because of fear that Greece would leave the euro and Spain needed a bailout, Bralirwa rose 6.5 percent. Even Apple, a stock known to shrug off scary headlines itself, got swept along in the downdraft.

In trading jargon, the Rwandan company and some of Speidell's other exotic holdings are "uncorrelated." They have a tendency to move to their own rhythm, a sort of Holy Grail in investing.

Discover enough of these assets and a money manager might claim to have achieved "alpha," an ability to beat the Standard & Poor's 500 or other indexes without taking on more risk.

Convincing investors of the claim is another matter. For years, ordinary investors trusted their fund managers, paying them tens of billions of dollars in annual fees. But they've grown skeptical. They've pulled more than \$400 billion from U.S. stock mutual funds since 2008.

Not only did the managers fail to protect against losses in the financial crisis that year, but too much of what they've bought since seems to ride up and down with the stock indexes.

Not lawsuits, though. In exchange for a cut of the winnings, funds have sprung up to help pay for suits brought by wives in divorce court, by 9/11 cleanup crews against New York City for health problems and, in one case, by two foreign businessmen in a two-decade dispute with the republic of Georgia for reneging on a gas-pipeline deal.

"It gives David a chance against Goliath," said Sean Coffey, co-founder of BlackRobe Capital Partners, a lawsuit-financing company started last year. And, he adds, "It doesn't matter what happens in Greece."

It can prove just as risky. In lawsuit investing, a fund gets something akin to a share of one side of the dispute. If that side loses in court, the investors are out their money. If that side wins, the investors get their money back with profit.

Sometimes big profit. In one celebrated case, Burford Group, a lawsuit lender, contributed \$4 million in November 2010 to help Indians from the Ecuadorean rain forest pay for a pollution suit against Chevron.

A few months later, an Ecuadorean judge ordered the oil company to pay \$18 billion. Chevron appealed and lost, but is suing lawyers and consultants from the other side for fraud. Burford appeared in position to collect big profits -- or rather, could have if it hadn't traded much of its stake in the outcome to an undisclosed firm.

Yes, you can trade lawsuit stakes like stocks, too.

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