Michael Burry Resource Page: Bio, Quotes, Investment Style, Videos etc

Michael Burry

THE PHYSICIAN TURNED MONEY MANAGER

The Guru behind Scion Capital

http://www.scioncapital.com/

Michael Burry created the Scion Capital LLC hedge fund and successfully ran it for eight years. Then, in 2008, Michael eliminated this fund so that he could start his private investments. He was one of the rare investors who took the daring step of investment in the field of mortgages during the crisis period.

Michael Burry, born in 1971, is a medical doctor, having graduated from Vanderbilt University's School of Medicine. He did his residency at Stanford Hospital. It was during his night shift at the hospital where he used to work on his hobby of financial investments, which later became his full-time profession.

As a novice investor, he created his own blog during this time, posting stock-market trends and his opinion for making trades. This is when he started being noticed by other high-profile fund managers in the market and investment banks such as Morgan Stanley.

He quit his medical career in 2000 and started his own investment company, Scion Capital. Although unaware of it initially, he was diagnosed with Asperger Syndrome. During the time that Burry was managing investments for people, he was uncomfortable talking to them. He communicated with his investors through letters to inform them on their investment progress.

Burry is known for being the hedge fund manager who predicted the housing boom.

He terminated his hedge fund in 2008 for personal and professional reasons. However, he has continued investing since then. He developed his reputation as an investor by showing
astonishing success in value investing. He was very successful from the start and showed an uncanny ability to predict the market.

During 2010, he invested in almond farms that he still owns it in California where he lives with his family.

Burry has said that whatever group he joins, he feels like a stranger, never comfortable and all the time busy analyzing that group. When he became an investor, he took it very seriously, as a full-time business.

When he started to be successful, he closed the website in the year 2000 because of his commitment with his newly developed company, Scion Capital.

Initially he ran this company by taking loans and by using his property. He derived the name of his company from the fantasy novel *The Scions of Shannara*, by Terry Brooks. In 2001, his company generated a large profit for the firm's investors. Again, in 2002 and 2003 the company did very well. Due to his continuous success, Scion Capital had $600 million AUM at the end of 2004.

In 2005, he started researching the real estate market, which led to him getting involved in the mortgage business. His speculations were right. Not only did he make a big profit privately (as much as $100 million), but also earned his investors $700 million. He liquidated his credit default swap short positions by April 2008 and thus did not benefit from the bailouts of late 2008 and 2009. He subsequently shuttered his company to focus on his personal investments.

He analyzed mortgage lending prices in 2003 and 2004 and accurately forecast that the bubble would burst by 2007. His study on residential real estate convinced him that subprime mortgages and the bonds based on these mortgages would start losing value when the original rates reset, which could happen within two years after commencement.

Based on this conclusion, he bought several hundred million dollars in credit default swaps against subprime deals that he thought were in danger. He believed that as the value of the bonds fell, the value of the credit default swaps would increase. No one thought these trades would work out in his favor and he faced constant pressure from his investors over his decisions.

However, his predictions proved correct and he earned $725 million for his remaining investors. Scion Capital managed to record returns of 489.33% between November 2000 and June 2008.

In an interview with *The New York Times*, Burry said that investors who studied financial markets from 2003 to 2005 thoroughly could be able to see the risks in sub-prime markets. Recently Burry has been selected as a board chairperson of Pricetector, a well-known company that serves as a platform for retailers; the company have received a huge fund from Burry.

Another facet to Burry's life is that as a proven money manager, he's constantly asked for tips by various investors; in response he gives good guidance, and Burry himself is an investor in Bo
Shan's companies, who is his longtime colleague.

In a recent incident of Wall Street banks being sold to the investors, it was noted that Burry was not involved in such trading; Burry only focused on residential mortgages and their securities.

Burry's predictions have proven to be startlingly accurate in the past. Sometimes he found it hard to convince investors and his partners about the coming financial collapse. In addition, in 2006 he realized that even the government would not be able to take any action against the housing bubble. However, when the crisis came he could do nothing to stop it, though he wrote letters to investors in 2005 and 2006.

Burry keeps on giving lectures and speeches even though he's not an active hedge fund manager anymore. One such a speech he gave at Vanderbilt University was attended by a huge crowd. This speech was all about the housing bubble, but his listeners were mostly academics.

He had a great vision about the subject and tried to inform as many people as possible. Michael delivers his speeches with a very light, funny style by declaring that finance professionals are not much smarter than doctors are. He also makes it clear that he is prominent and popular only because of his performance in the field of finance.

Therefore, people should not think that it is because of social status. At the same time, he also has to face critics, as has been criticized in many articles by Bogle. People have also harped on the fact that Burry is mostly interested in "Ick investments."

**Scion Capital Investment Returns**

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Return</th>
<th>Net Return</th>
<th>S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>8.20%</td>
<td>6.61%</td>
<td>-7.45%</td>
</tr>
<tr>
<td>2001</td>
<td>55.44%</td>
<td>44.67%</td>
<td>-11.88%</td>
</tr>
<tr>
<td>2002</td>
<td>16.08%</td>
<td>13.10%</td>
<td>-22.10%</td>
</tr>
<tr>
<td>2003</td>
<td>50.71%</td>
<td>40.81%</td>
<td>28.69%</td>
</tr>
<tr>
<td>2004</td>
<td>10.77%</td>
<td>8.86%</td>
<td>10.88%</td>
</tr>
<tr>
<td>2005</td>
<td>7.81%</td>
<td>6.49%</td>
<td>4.91%</td>
</tr>
<tr>
<td>2006</td>
<td>-18.16%</td>
<td>-18.16%</td>
<td>15.79%</td>
</tr>
<tr>
<td>2007</td>
<td>166.91%</td>
<td>138.27%</td>
<td>5.49%</td>
</tr>
<tr>
<td>2008 Q1</td>
<td>3.83%</td>
<td>3.09%</td>
<td>-9.45%</td>
</tr>
<tr>
<td>Since inception</td>
<td>696.94%</td>
<td>472.40%</td>
<td>5.20%</td>
</tr>
</tbody>
</table>

**HIS INVESTMENT PHILOSOPHY AND THE ICK FACTOR**

1. Burry’s investment philosophy is to look for what he terms as “ick factor.” This is an investment in companies suffering from serious problems, but which are still, essentially, good investments. Following his philosophy of the ick factor, he once invested in a
company where the executives had gone to jail.

2. Burry also had to make a decision of selling corporate CDS because of the Wall Street issue made against him and his investors. He personally thought that the CDS market would collapse. This prediction came true in 2005. However, the technical aspects of CDS were there, but synthetic CDOs caused the mortgage market to become more difficult to understand. Burry said Paulson as well as Bernanke could not realize the problem with the sub-prime market because they did not take it seriously. Even many people from the government sector underestimated the issue though they were well-aware of that crisis. He believes that there will be now an easy policy regarding money in the future. Michael also shed light on QE and QE2, which according to him is a risk. He has called Fiat currency and as well as the expansionary Fed the "toxic twins," as he believes will be very bad. He gave advice to never try to analyze a situation by yourself so that the chances of risk are less and you are prepared before time. Moreover, every investor should do their own predictions.

3. He also described some important issues regarding mortgages, and he made it clear that he would not demonstrate his secrets about future investments. He has invested recently in a farm and in Silicon Valley and believes that here at Valley, there is a real capitalism. Burry said that small caps are as important as large ones. In the end, he again emphasized a thorough analysis of everything before and after investing. He says that he cannot predict when people will not trust USTs.

Shareholder letters:

4Q 2000 Annual Letter

1Q 2001
2Q 2001
3Q 2001

4Q 2001 Annual Letter

If anyone has access to Burry's other shareholder letters, they can contact us anonymously at tips(at)valuewalk.com

Articles:

*Michael Burry’s Testimony Before The Financial Crisis Inquiry Committee*
*Bet on the Blind Side | Business | Vanity Fair*
*We’ve Become a Nation of Bubbleheads - Forbes*
*Mortgage crisis seer Michael Burry bets on farms - SFGate*
Michael Burry: Subprime Short-Seller No. 1 - NYTimes.com

The Outsiders Who Foresaw The Subprime Crisis : NPR

2007

Paulson Subprime Plan Offers Little Aid, Analysts Say

Standard & Poor's, Moody's come under fire - Aug. 20, 2007

2006

Overwhelming yes for Gold Fields' Bolivar bid

Gold Fields Exaggerated Venezuela Risk, Scion Says (Update2)... 

2005

Gold Fields' Bid for Bolivar Hits a Speed Bump - Precious...

Thousands of old posts of Michael Burry can be found here-(register for the site and do a search, its free and worth it)-http://www.siliconinvestor.com/subject.aspx?subjectid=10036&LastNum=10&NumMsgs=10

VIDEOS

1. Michael Burry Profiled: Bloomberg Risk Takers - Video - Bloomberg
   www.bloomberg.com/video/72756316/

2. Michael Burry on the Financial Crisis
   http://news.vanderbilt.edu/2011/04/video-burry-cls/

3. Burry Interview Excerpt on Investment Strategy
   http://www.bloomberg.com/video/62706798/

4. Burry Says No One's Accepting Blame for Financial Crisis
   http://www.bloomberg.com/video/62703584/

5. Michael Burry Interview Excerpt on Derivatives, Goldman
   http://www.bloomberg.com/video/62710136/

6. Extra: Wall Street Misfit
   http://www.cbsnews.com/video/watch/?id=6298040n&tag=segmentExtraScroller:housing

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bloomberg?blog=3

HIS QUOTES

1. "I prefer to look at specific investments within the inefficient parts of the market."
2. "The bulk of opportunities remain in undervalued, smaller, more illiquid situations that
   often represent average or slightly above-average businesses"
3. "Fully aware that wonderful businesses make wonderful investments only at wonderful
   prices, I will continue to seek out the bargains amid the refuse."
4. "It is likely, however, that the investors in the habit of overturning the most stones will
   find the most success."
5. "My firm opinion is that the best hedge is buying an appropriately safe and cheap stock."
6. "It is a tenet of my investment style that, on the subject of common stock
   investment, maximizing the upside means first and foremost minimizing the downside."
7. "Lost dollars are simply harder to replace than gained dollars are to lose."
8. "The Fund maintains a high degree of concentration - typically 15-25 stocks, or even
   less. Some or all of these stocks may be relatively illiquid."
9. "Volatility does not determine risk."
10. "I certainly view volatility as my friend; volatility is on sale because 99% of the
    institutions out there are doing their best to avoid it."
11. "In essence, the stock market represents three separate categories of business. They
    are, adjusted for inflation, those with shrinking intrinsic value, those with approximately
    stable intrinsic value, and those with steadily growing intrinsic value. The preference,
    always, would be to buy a long-term franchise at a substantial discount from growing
    intrinsic value."
12. "Ick investing means taking a special analytical interest in stocks that inspire a first
    reaction of 'ick.' I tend to become interested in stocks that by their very names or
    circumstances inspire unwillingness – and an 'ick' accompanied by a wrinkle of the nose
    on the part of most investors to delve any further."
13. "One hedges when one is unsure. I do not seek out investments of which I am unsure."
14. "I will always choose the dollar bill carrying a wildly fluctuating discount rather than the
    dollar bill selling for a quite stable premium."
15. "With all seriousness, a 2,500-share sell when no one is looking could torpedo the
apparent market value of several of the Fund’s holdings."

NEWS & VIEWS

Joel Greenblatt: The Big Secret For Value Investors (Presentation From Value Investing Congress)

Learning from Buffett and Burry

Ira Sohn Conference Notes: Hedge Fund Manager Presentations

Favorite Quotes from Q1 Hedge Fund Letters: Passport, Kleinheinz Capita, and Omega

Michael Burry Speech at Vanderbilt: Transcribed

BOOKS FEATURING MICHAEL BURRY

The Big Short: Inside the Doomsday Machine by Michael Lewis

The Greatest Trade Ever: How John Paulson Bet Against The Markets and Made $20 Billion by Gregory Zuckerman