

It's the End of the World as We Know It, and He Feels Fine - Investing legend Jim Rogers sees only doom and gloom ahead for stocks. The good news: There's a better way to make money now. FORTUNE - Monday, December 13, 2004



"Hey, Jimmy Rogers!" says the retiree in the red sweater and the hunter's hat with big earflaps. "I read your book!"

"Hey, is that Jimmy Rogers?" asks the middle-aged businessman from the Midwest. "Are you making money on that Chicago Merc stock?"

"Should I buy land in Argentina?" wonders the rancher from Texas. "Uh-huh. Angola? That's in Africa, right? Will you get your head shrunk?"

Hey, Jimmy!

At the Sheraton on the edge of the French Quarter, Jim Rogers is meeting his fans—while he waits for a taxi, as he walks through the hotel-lobby bar, while signing books upstairs in the third-floor exhibition hall, and now a few minutes before giving his speech to the packed New Orleans Investment Conference. The event is a popular annual gathering for "gold bugs," other contrarian-minded investors, and curiosity-seekers, and Rogers is a bona fide rock star here. (Former CIA director George Tenet, incidentally, is also a big draw.)

Rogers, dressed sportily in blue blazer, pink shirt, and signature bow tie, greets each admirer politely, dispensing well-worn nuggets of advice. What do you think about gold, Jimmy? "You'd make far more money if you could turn your gold into lead," he says. (The price of lead has, in fact, outpaced that of gold by a factor of more than two in the past year.) He gently dismisses queries about near-term market twists and turns with his usual out that he's "the world's worst trader." Still, the experience wears on him a bit. The effect is mild but noticeable. And it's not just because he hates being called "Jimmy." He has spent a long time playing the outlandish, crowd-pleasing "maverick," to use a moniker Rogers loves, and he is unquestionably good at it. But it can grate on a man.

Investing history is filled with contrarians, the lonely figures in the woods. They buy when and where nobody else will. And the savvy ones know that as soon as their opinions grow popular, it's time to move on. For more than a generation, Jim Rogers has been one of the most successful and colorful practitioners of this art. He was the small-town boy turned Wall Street wunderkind, joining George Soros in the 1970s to form one of history's most storied investing teams, up 4,200% in a decade in which the S&P 500 rose just 47%. Then he became the showoff on the *Barron's* Roundtable, teasing readers with buys such as a Malaysian rubber-farm operator or "white pepper" when the familiar pitch was GE at 24 times earnings. Then he was reinvented as the "Indiana Jones of finance," taking his motorcycle around the world, occasionally risking life and limb, all the while making wildly profitable investments in the unlikeliest places—and writing a bestselling book about the journey to boot. Then, as the mature adventurer traveling around the world again, through even more Third World nations, landing himself in the *Guinness Book of World Records* for a second time, finding more improbable yet highly lucrative investments—and writing another bestseller.

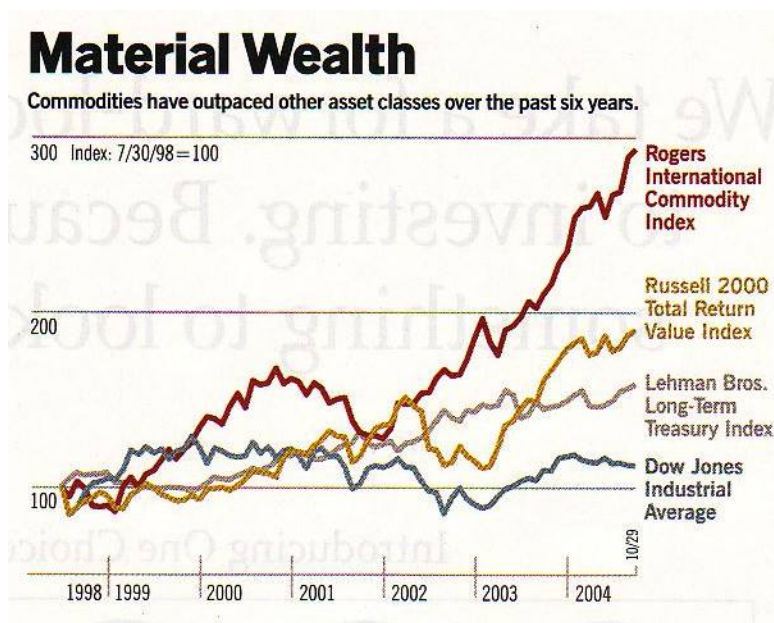
It is *now*, however, that feels a bit foreign. It's as if Rogers has found a new mission that doesn't quite jibe with his iconoclastic past. At age 62, settled into his third marriage, he has become a father for the first time, and—forgive us a bit of pop psychology—there is now something almost urgent in his message. To some degree it is the same vinegar-coated vision he has been promoting for years—that the U.S. stock market is going nowhere, that commodities will rule, that China will be the dominant economic force this century, that the

dollar will continue its fall. But now he seems less willing to be alone (or mostly alone) in believing it. In short, he doesn't want to be the contrarian; he wants to lead the crowd, to share his investing wisdom with the masses. He wants to be recognized as a prophet, not just a quirky, entertaining moneymaker. And certainly not as "Jimmy."

"I get extremely frustrated," he concedes, speaking in an almost stream-of-consciousness flow, "but that's the nature of markets. It's the nature of mankind. The story of the emperor who has no clothes. That story's been around for centuries. People all start thinking one thing, and then it is especially difficult to even be heard, much less to be understood or accepted. When there's mass delusion, it's very, very difficult to persuade people. So, yes, it's maddening. Very frustrating." He pauses and concludes with aw-shucks misdirection. "But every once in a while I get it right, and so then a few people listen."

Nobody has gotten it more right lately than Rogers. Just look at the Rogers International Commodities Index. Since Aug. 1, 1998, when Rogers launched a private futures fund to track the index he created, the RIC has produced a total return of 194%, making it the top-performing investment index in the world over the past six years, according to Barclay Trading Group. Not just of commodities—of anything. It has more than doubled the return of the Russell 2000 value stock index over the same period. It's been three times better than the Lehman Brothers Long-Term Treasury portfolio. The Nasdaq? Rogers's index has lapped it 35 times. After fees, Rogers's private fund has returned 153%. A public version of the index fund, launched in 2001, is up 75% since then.

And according to Rogers, the real money has yet to be made. In January he will publish his third book, a guide for investors called *Hot Commodities: How Anyone Can Invest Profitably in the World's Best Market*. The bulk of the text is devoted to demystifying the process of investing in commodities and analyzing the supply-and-demand scenarios for raw materials such as lead and sugar. But the most compelling aspect of the book is its central thesis: For the next decade the value of basic materials will go sky-high. There is a bull market underway but not in the familiar terrain of U.S. stocks. If his record is any indicator, you should take note.



The Quantum Leap

Jim Rogers is a compact man with a round face and pale blue eyes. For his frequent television appearances and public speeches, he invariably wears a bow tie. At home he favors jeans and an open collar. In regular conversation he speaks softly but with great precision until he gets excited, and then he grows quite animated. His voice still carries the rolling softness of his Southern upbringing, though occasionally it lapses into Southern Gothic. He punctuates everyday conversations with words like "Balderdash!" and "Claptrap!"

Rogers grew up the oldest of five brothers in Demopolis, Ala., a town of about 7,000 people, founded by a group of French exiles in the early 19th century and located near the confluence of the Tombigbee and Black Warrior rivers in the heart of the Black Belt. His father was a World War II veteran who managed a Borden chemical plant during the day, moonlighted every night as a bookkeeper, and set an example of hard work for his sons. At age 5, Rogers got his first job, picking up bottles at the local ball field, and he soon started a business with his brothers to sell parched peanuts and sodas at the high school's Friday night football games. His younger brother Mabry, a successful partner at a Birmingham law firm, says Rogers was "very intense" and ambitious even as a young boy. "He always said he was going to be a millionaire by the time he was 40," says Mabry. "Always. How he was going to do it, he never said. Nor did any of us have any thought about that."

Eager to see some of the world outside Alabama, Rogers applied for and received a Key Club scholarship to Yale. In New Haven he became a coxswain on the crew and studied history. As he approached graduation in 1964, he was considering medical or law school, but a chance interview in the placement office led to a summer job on Wall Street, and Rogers was immediately hooked. "It was unbelievable," he says. "I didn't know a stock from a bond, but learning as much as possible about the world was already my passion, and I discovered that Wall Street would pay large sums of money just to figure out what was happening. I would have worked for free if I could have afforded it."

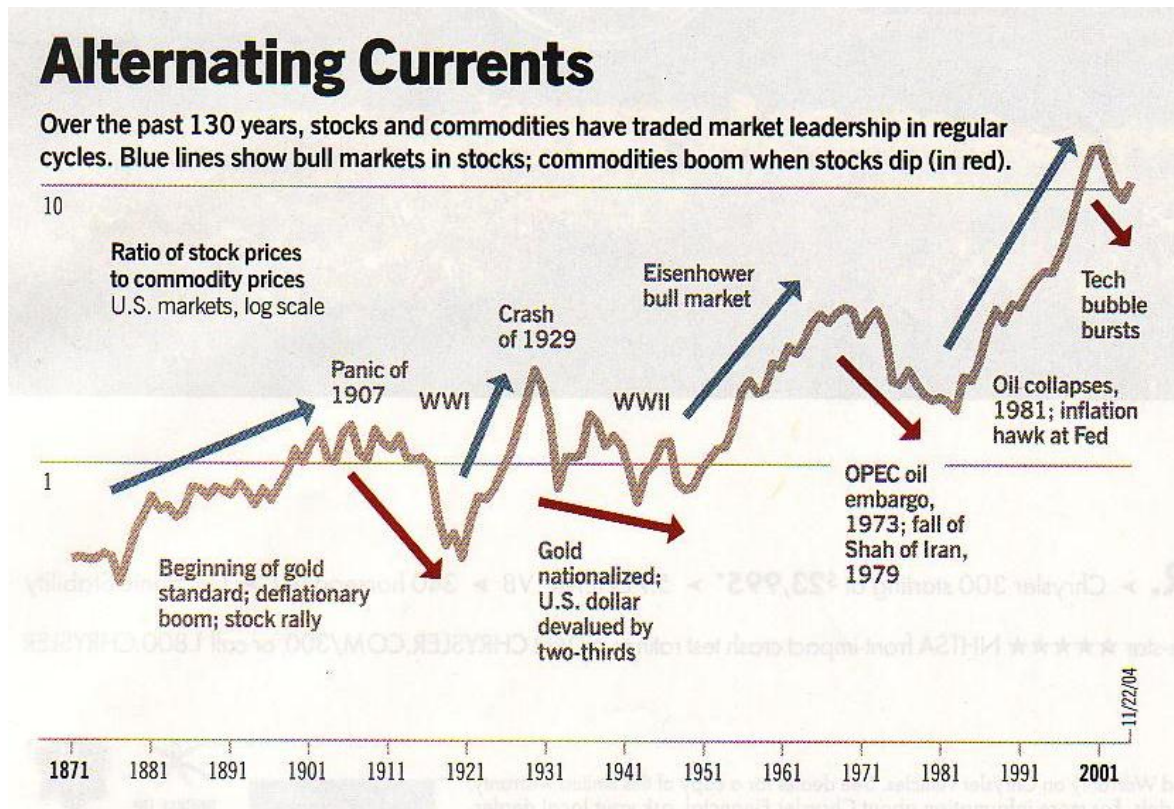
Seeking to avoid the draft, he accepted a scholarship to Oxford and spent two years reading philosophy and economics. He also became the "first person from Demopolis to cox the Oxford-Cambridge boat race." But most of all he spent his time reading *The Economist* cover to cover and daydreaming about becoming a "gnome of Zurich," one of the mysterious Swiss bankers who, according to myth and legend, controlled and profited from the worldwide flow of capital.

After returning to the U.S., Rogers spent two years in the Army. While stationed at Fort Hamilton in Brooklyn, he occupied himself by investing the base commander's money. He was discharged from the Army in 1968 and landed his first real job on Wall Street, as a machine-tool analyst for Bache & Co., just as a long bull market in stocks was coming to an end. It was there that he first encountered a bubble mentality. Senior execs told him not to worry so much about the numbers, just to focus on the "concept." Herd-following money managers gave him lectures on how creaky old machine-tool companies could now be valued like fast-growing computer manufacturers. Rogers rolled his eyes, stubbornly charted out balance sheets by hand, and told himself that "the world didn't work that way in Demopolis, Ala."

In 1970, with the equity markets headed into a long bearish period, Rogers went to work at an old European investment bank called Arnhold & S. Bleichroeder, where he became a research analyst for a hedged investment fund managed by George Soros. Each man immediately recognized the talent in the other and their shared belief that the prevailing wisdom was more often than not wrong. "He thought I was smart, and I thought he was smart," says Rogers. "It was clear that we worked extremely well together." When Soros set out on his own in 1973 to form an offshore fund, he invited Rogers to join him as the junior partner. With Rogers as the primary idea man and Soros as the trader, the fund, later known as Quantum, used leverage to make huge bets on defense-company stocks and oil, among other things.

Hearing Rogers talk about this time in his life is like listening to a man recall his first and most intense love. "Every day I woke up racing to get on the bus to go to work," he says. "There was nothing that made me more excited and happier than the markets. That's all I wanted to do. I adored it. I was so consumed and mainly just in a constant panic to know everything I could know. It's like you're continually doing a four-dimensional puzzle, because no matter

what you do, they change the pieces every day and you have to put the puzzle together again. How much more exciting could it be than to sit there and try to put this puzzle together every minute of every day, and figure it out before other people did? Omigosh, I can't tell you how much fun that was!"



To stay three steps ahead of the market, he traveled constantly and read voraciously, subscribing to scores of periodicals and research journals. In his memoir, *Soros on Soros*, George Soros says that Rogers "did the work of six." Rogers was married and divorced twice during those years. Along with Soros, he took a cut of the profits, and he plowed most of it back into the fund. By the late 1970s Quantum had grown from its original stake of \$12 million to more than \$250 million.

Ultimately the stress of managing the growing fund took its toll. According to Soros, he desperately felt they needed to add analysts, but Rogers couldn't abide working with outsiders and chased off the talented people they trained as soon as they grew bold enough to take their own positions or, worse, question him. "Our success was punished by ever-growing work and responsibility," writes Soros. "It eventually came to the point where it broke up our partnership." (Through a spokesman, Soros declined to comment for this story. The two haven't spoken in decades.)

For his part, Rogers says that in 1979 he realized he'd made enough money to buy his freedom. His goal had been to make a million by age 40. At 37, his stake in the fund was reportedly worth \$14 million. So he decided to cash out, ride motorcycles, and seek adventure.

Free from the 18-hour days at Quantum, Rogers found plenty of ways to put his considerable energy to use—none of which involved joining another investing firm. He was determined "not to die of a heart attack sitting in front of a computer on Wall Street," he says. Instead he tried

out the role of pundit, becoming a fixture on TV business programs. In exchange for a lifetime membership at the Columbia University gym, he agreed to teach a course in securities analysis at the business school, and he eventually became a full professor. (On the wall in his guest room he has a framed letter from Warren Buffett to the dean noting that Rogers was "the best finance teacher in the country.") And the longtime motorcycle hobbyist carried out his fantasy of circling the globe with then-girlfriend Tabitha Estabrook. His book about the journey, *Investment Biker*, elevated him to cult hero.

All the while, investment opportunities seemed to call to him like sirens. And Rogers would follow. As in 1984, when he began to investigate the all-but-abandoned Austrian stock market, learned of some proposed investor-friendly changes in the law, bought shares in most of the 30 or so companies still listed, and watched his investments rise more than 400% over the next few years. Or when he passed through Botswana on his motorcycle in 1991, noticed the tidy streets and government budget surplus, and made a long-term investment in all nine stocks traded in the local market. That market is up over 800% since it was formally organized into a stock exchange in 1994. Or, again, in 1993, when he looked at Iran and concluded that after a revolution, a bloody border war, and a collapse in the price of its main export, he had to persuade Iranian officials to let him get in on the action. The market in Tehran is up almost 2,300% since the beginning of 1994.

It was with the same instincts that Rogers began seeing the value in commodities. To appreciate the boldness of this insight, it's necessary to cast your mind back to those mind-bending days of the late 1990s. The public's passion for Internet stocks was morphing into full-fledged mania; Rogers, meanwhile, saw a historic opportunity—in soybeans. And zinc. And copper. And oil. Commodities had been in a bear market for the better part of two decades. He began studying long-term price charts and found that raw-materials prices, adjusted for inflation, were approaching lows not seen since the Great Depression. It was a bottom.

Rogers wanted to put his money into a commodities index fund. When he saw there wasn't a fund, he went shopping for an index to license so he could start one. None of the existing indexes measured up, however, so he created his own weighted group of 35 materials—and then the Rogers Raw Materials fund to track it (see "How to Invest Like Jim").

He was as confident in the bet as he's ever been. The reason lay halfway around the world. Long before most others came to realize it, Rogers surmised that China's long march of economic growth would dramatically boost demand for the world's natural resources across the board. And that demand would keep growing for years.

The Baby Girl

Fans of the itinerant investment biker, of the globetrotting Indiana Jones of finance, of the self-named *Adventure Capitalist* (his second book), may be surprised to learn that Rogers has become a certifiable homebody. His favorite place, there is little doubt, is the five-story Victorian mansion on the Upper West Side of Manhattan he shares with his wife, Paige Parker, 36, and their 18-month-old daughter, Hilton Augusta. Rogers met Parker at one of his speeches in her home state of North Carolina in 1996. He took her out the next night, and over their first dinner together he asked her if she wanted to go around the world with him. "Sign me on," she replied. Paige has flashing blue eyes and the impeccable manners of a Southern woman. When Hilton Augusta was born, Paige had her mother bring some dirt from North Carolina to sprinkle under the hospital bed so that her baby could be born over Southern soil. She is working on her own book about her trip around the world with Rogers.

Built in 1899 by a wealthy merchant, Rogers's house still has the original carved oak and mahogany walls, not to mention multiple kitchens, a dumbwaiter, a working elevator, and a

roof deck with a Jacuzzi and a view of the Hudson River. Rogers has furnished it with items as exotic as a polar-bear-pelt rug and the ivory tusk of a woolly mammoth, which he bought in Alaska. While he has an office in the basement, Rogers gets by with a lone assistant and does most of his work on a laptop while riding a stationary bike on a converted sun porch he calls the "gym"—often while wearing an Indonesian bamboo peasant hat. He is the third owner of the house. Rogers bought it from its second owner, the Catholic Church, in 1977 when New York City was on the verge of insolvency and the housing market had collapsed. He paid \$105,000. Today it's worth upwards of \$15 million.

On a Wednesday afternoon in late October, a television crew from one of the Tokyo evening news programs has come to interview him about the rising price of crude oil, which has just hit an all-time high of \$55 a barrel. The crew is set up in the second-floor living room. Drawings depicting highlights from the *Kamasutra* and a collection of 19th-century-erotica prints from Austria hang on the walls. On the antique tables are photographs of Rogers with his wife and daughter. A few feet away, huddled together on a sofa, sits another group of Japanese visitors—a trio of executives from Daiwa Securities who are there to review the contract they are about to sign licensing the RICI for a new index fund. (Daiwa began marketing the fund to Japanese citizens in December. There is also a European fund based on his index.)

HOW TO INVEST LIKE JIM

Jim Rogers is using three big themes to help guide his investment decisions right now:

1. RIDE THE COMMODITIES BULL

The index of raw materials that Rogers created in 1998 is already up 194% over the past 75 months. But he's convinced that the market will go higher for years to come. In his new book, *Hot Commodities*, Rogers outlines how investors can trade futures directly. He also created a futures fund based on his index. The Rogers International Raw Materials fund (www.rogersrawmaterials.com) is available to qualified investors in 37 states (and D.C.) with a minimum investment of \$10,000. There are also regular mutual funds available such as **Pimco CommodityRealReturn Strategy (PCRAX)**, which has a \$5,000 minimum and is modeled on the Dow Jones-AIG Commodity index, and the **Oppenheimer Real Asset (QRAAX)**, which requires a \$1,000 initial investment and tracks the Goldman Sachs Commodities Index.

2. GO LONG ON CHINA

Rogers believes that this is the century of China. "Investing in the Chinese market in 2004 is like investing in the Dow in 1904," he says. (The Dow closed at 70 that year; it's gone

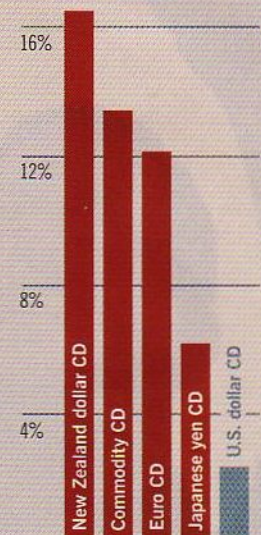
up 150 times since.) Nevertheless, his most recent trip to China reinforced his conviction that the Chinese economy, after years of torrid growth, is due for a hard landing within the next 12 months. When the correction comes, he plans to load up on Chinese shares. One user-friendly way to do the same is to buy the **iShares FTSE/Xinhua China 25 (FXI)**, a new exchange-traded fund that is linked to an index of liquid, large-cap stocks of mainland companies and is traded on the NYSE.

3. BET AGAINST THE U.S. DOLLAR

Though he expects a short-term rally in greenbacks, Rogers thinks the value of the dollar will keep falling for years. That's why he suggests opening a bank account in a foreign country. Another strategy is to open a foreign-currency bank account with EverBank online (www.everbank.com). Or, for a minimum of \$20,000, you can buy one of EverBank's indexed certificate-of-deposit products. The Commodity CD, for instance, currently pays a three-month rate of 4.00% and is pegged to four currencies—the Australian dollar, the New Zealand dollar, the Canadian dollar, and the South African rand—in natural-resource-heavy economies that should do well against the dollar in a commodities boom.

Gained in Translation

Estimated return including currency fluctuation*
12/3/03–12/3/04



*Based on rolling three-month CDs.

"The best way to invest in oil right now is to buy sugar," says Rogers. He looks at the baffled Japanese TV correspondent and begins to explain that in Brazil, the world's largest producer of

sugar, it is common to run cars on ethanol produced from sugar cane. "Oil is at an all-time high, and sugar is 80% below its all-time high," Rogers continues. "If I have a sugar farm in Brazil, I'm going to sell it to people who need gasoline."

Offering his usual disclaimer that he is a terrible market timer and the "world's worst trader," Rogers then asserts that he is loading up on his sugar investments but thinks that oil, which has been headed up since hitting a low in 1999, is due for a pullback. Ten years from now, however, he expects oil to be over \$100 a barrel because of simple supply and demand—world reserves are being depleted while consumption increases. As the interview is coming to a close, Rogers makes sure to tell the crew for a second time, "Japan is one of my favorite countries."

And then business abruptly comes to a halt as Hilton Augusta toddles into the room. "Hello, Baby Girl!" he says in a booming voice, a broad smile breaking out on his face.

Spend any amount of time with Rogers and it becomes very clear that Baby Girl, as he typically calls his daughter, is unquestionably the center of his life these days. "I used to feel pity for people who had children," he says. "I thought it must be horrible. Of course, I had no idea how absolutely wonderful it is." He is so inclined to view the world through her eyes, in fact, that he has made her a regular rhetorical device in the speeches he gives around the world. As in, "My Baby Girl has a bank account, but she knows better than to open it in U.S. dollars. My Baby Girl has a Swiss bank account." Then there's the dedication of his new book: "For my Baby Girl, who owns commodities but does not yet own stocks or bonds."

Baby Girl is also learning Mandarin. One of Rogers's major regrets in life is that despite two laps around the globe, he is fluent in only one language. (He used to joke that he could ask for beer in 40 languages.) And since it is his long-held belief that China will dominate the 21st century, Rogers decided his child must know the most important language of the future. Rogers and his wife have a Chinese nanny who lives with them five nights a week and speaks only Mandarin to Hilton Augusta. In the kitchen, objects like "door," "gate," and "jukebox" are labeled with Chinese characters. At the neighborhood Chinese restaurant, Baby Girl thrills the waitresses when they say "show us your nose" in Mandarin, and she does.

Indeed, Rogers believes so deeply in the China Century that Baby Girl may soon be going to kindergarten in Shanghai. In what may be the ultimate bet on his own prognostications, Rogers is seriously considering uprooting his family, saying goodbye to his beloved Manhattan home, and settling down in China. Without fail, he mentions the prospect in every long conversation over the course of a month and a half. "Looking back over my life, I am astonished at some of the things that I have said that turned out to be true," he says. "All the things I have said—and ultimately did. So finally I have decided that if I say something enough times, I ought to listen."

Rogers's idea of listening means hurrying together a scouting trip. In late November, on his way to a hedge fund conference in Tokyo, he jetted to Chongqing, the anchor of China's western frontier and the world's most populous city, to conduct some firsthand economic research by chatting up both government officials and black-market moneychangers. Then it was off to Shanghai, where Paige met him and they visited a school ("incredibly clean and efficient"), had Thanksgiving dinner at the Grand Hyatt in the Pudong district (turkey was fine, but no dressing), and got feedback from American expats about life in the city ("they could not rave enough"). Rogers is now planning a "trial run" move next summer.

The History Lesson

As bright as Rogers's vision for China is, his prediction for America's economic future is dark.

He pounds America's policymakers in every speech for intentionally "debasement" the dollar. And he "strongly urges" whoever will listen to open up a bank account in at least one foreign country (preferably one like Canada or Australia, he points out, with a natural-resources-based economy). Despite his normally dry delivery, the message comes out as urgent.

It is also old hat. He has, in fact, been preaching doom and gloom about the fate of America's currency since at least the 1980s. In John Train's 1989 book, *The New Money Masters*, his chapter on Rogers includes a grim outlook in which Rogers predicts that foreign countries will soon stop lending to the U.S. In the afterword of his *Investment Biker*, Rogers said he couldn't "see much hope for the dollar" and felt that "America was an obvious short sale." That was in 1994.

Now, with the dollar hitting new lows against the euro and the pound almost weekly this fall since the U.S. presidential election, Rogers believes that the effects of years of irresponsible fiscal management are finally catching up. "I certainly thought this would happen sooner than it has," he says. "I'm always early. That's one of my flaws. I told you I'm the world's worst trader. I always assume the market knows what I know. But I have learned many times that the market does not know what I know. So I keep trying, when I figure something out, to delay it and delay it and delay it. I know I'm going to be early. I'm always early. After I published *Investment Biker* the dollar went down nicely for a while. Then we had the bubble years, which I didn't anticipate. But even during all those years, the fundamentals continued to deteriorate. The internal debt continued to increase and the external debt continued to increase throughout the '90s. Now people are catching on."

Even ardent fans of Rogers's, however, acknowledge there's no way to be sure how right or wrong he's been over time. His published picks tell only part of the story. "He's an original thinker, he doesn't mince words, and he's prepared to take a view," says the Swiss-born economist and market maven Marc Faber. "Can I judge whether he's a moneymaker? I cannot. Because he doesn't manage money. He manages for himself, but there is no record." Whenever Rogers is pressed for details about his investing returns, in fact, he trots out a practiced response. "I'm from Alabama," he'll say. "My mama and daddy taught me you don't ever talk about how much money you have, how much things cost, or how much you make."

No matter how much money he's made in the markets, many Wall Street veterans seem wowed by Rogers's ability to "see around corners," as hedge fund manager Bill Fleckenstein puts it. "He has a sense of how things are going to be changing and a sense of history—how the world really works, vs. how people think it works."

That sense of history is hard earned. Rogers is a voracious student of the past. On the top two floors of his house he has a collection of antique maps and political posters (such as a pre-glasnost picture of Gorbachev with his birthmark censored). The objects are more than just curiosities. They are reminders. Borders change, currencies change, and markets go through cycles.

When he was working with Soros, Rogers pored over long-term charts of currency or commodity prices, trying to figure out what caused the spikes or dips and, more important, determine whether he would have seen it coming. "I'm not some genius," says Rogers. "I have just read history over and over again, and I know how it works. All of this has happened many times in history, and it will happen many more times. Whether it's a mania or terrible despondency or manipulation or crooked accounting. And not just in America. You can go back and look at other financial markets. They were trading options in China 300 years ago. It's not as though the Chicago Board of Options came up with options for the first time. Everything has happened before, which will teach you a lot."

In part it is this appreciation of history that makes Rogers so sure of himself. And ironically, it also helps explain his habitual need to declare himself the "world's worst trader," because history works in broad strokes, not in day trading. Rogers always says he likes to make carefully selected bets and stay with them a long time. That is particularly true when it comes to his investments in commodities.

In his new book, Rogers cites two historical market studies as guides. The first, a Yale study, looked at the period from July 1959 through March 2004. It found that commodities futures have produced better annual returns than stocks and outperformed bonds even more—and they did it with less risk and volatility. The second, by Legg Mason researcher Barry Bannister, shows that for the past 130 years stocks and commodities have alternated "leadership in regular cycles averaging 18 years."

The current commodities boom began in early 1999—so it still has more than a decade to run, Rogers figures. What's more, even as demand is rising for many key materials, supply remains stagnant. "Only one lead mine has opened in the last 25 years," Rogers exclaims. "Last year 75% of the money spent on metal exploration was spent on gold. No one's investing in tin or nickel."

Certain as Rogers is that the bull market will continue, he's equally convinced that there will be setbacks, corrections, and pain for investors along the way. There always are in bull markets. And his recent trip to China convinced him even more that the country is heading for a hard landing in the next 12 months. The pullback will affect not only Chinese companies but world commodity prices as well. "It will definitely happen," he says, "and when it does, I hope I'm brave enough, smart enough, and alert enough to pick up the phone and buy a lot more commodities and a lot more China."

If Rogers's long-term predictions for both booms hold true, he is sure of another scenario as well. Ten years from now, when commodities are peaking, says Rogers, "I'll be saying to people, 'Please sell. This is going to end badly.' And they will be looking at me like I'm a damned fool. They will be saying, 'But everybody knows the price of oil is going to go to \$1,000 and the price of gold is going to go to \$10,000. Everybody knows!' And there will be learned papers, and professors, and TV personalities. FORTUNE will have changed its name to *Fortune Commodities*. At that point I will tell people to get out, like I always do when it's time. But nobody will listen."

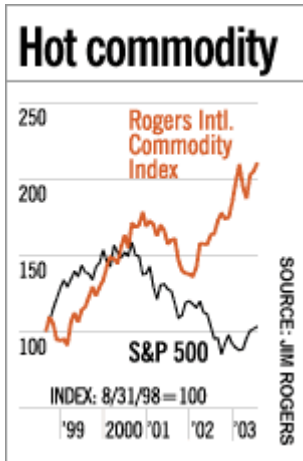
Jim Rogers: Why You Should Think Outside the Box (FORTUNE, September 3, 2003)



The last time the market was in the doldrums, Jim Rogers made a fortune—and then some. A co-founder of the Quantum fund in 1973 with hedge fund legend George Soros, Rogers helped guide the portfolio to a better than 4,000% return over the rest of the '70s as the S&P 500 rose less than 50%. He recently published *Adventure Capitalist*, a chronicle of his second around-the-world trip on the hunt for investing themes.

Where are the current opportunities for investors?

The American stock market is not really the place to be right now and won't be for a few years. The best place to be for most investors is commodities, which is where the new bull market is. Supply is flat to down, demand continues to grow, and inventories have been worked down. So commodities will be doing well for several more years. And by the way, the bull market has already started. We launched a commodities index fund Aug. 1, 1998. That index fund is up 100%.



After your first trip around the world you invested heavily in Botswana and made a bundle. Any new opportunities like that?

If I'm correct that natural resources are going to do well, then obviously Canada and Australia are going to be better markets than the U.S. If you invest in natural-resource-based economies, you'll do better. I'm very bullish on China. There are other places where there are spectacular opportunities, like Bolivia. Bolivia has a stock exchange, but it's tiny at the moment. Bolivia has been a basket case for hundreds of years, but in the past 18 years it has had relative stability. More important than that, they've discovered gigantic amounts of natural gas in the past five years. That whole part of South America—Peru, western Brazil, northern Chile—is opening up. It will be one of the great frontiers of the 21st century.

Aren't commodities a risky proposition for retail investors?

Anybody can invest in commodities. It's very simple. Commodities get a terrible rap because everybody has a brother-in-law who's lost his shirt in soybeans. That's true. The reason, however, is that they invested on very low margin. They didn't know what they were doing—and they put up 5% or 10% margin and got wiped out just on fluctuation even if they did. You can buy commodities the same way you buy stocks. People buy IBM, and if they buy \$100,000 worth they put up \$100,000. You can do the same with soybeans. And you don't have to worry about the wild fluctuations of thin margin. Look at Cisco or many other stocks in the past five years, and they've been much more volatile than commodities, for God's sakes. Commodities have been terribly unvolatile compared with the stock market. It's a bad rap.