

FOCUS ON BANKING

Heartland's Nasgovitz sees long-term bull market under way

Bill Nasgovitz has seen his share of bear and bull markets through 40 years of investing small-cap stocks, and holds steady to his belief in the long-term benefits of the stock market and small-cap value investing in particular.

**TAKE
5**
**5 QUESTIONS
5 ANSWERS
5 MINUTES**

He founded Heartland Advisors in 1983 and the downtown Milwaukee firm manages about \$2.5 billion in assets and operates three mutual funds. All the funds are in the "value" category which entails buying stocks Nasgovitz and his staff believe are undervalued and will build wealth for investors in the long run.

The Business Journal's Rich Kirchen interviewed Nasgovitz for his take on the volatile stock market, where it is headed and how small-cap value stocks will fare.

1 You have referenced wind surfing on Lake Michigan as an analogy for riding the unpredictable waves of the investment markets. How does that perspective inform you in making investment decisions?

"When it gets stormy out — whether it's Lake Michigan or any place — a lot of people head for high ground. However, those expert surfers or wind surfers love it when the wind comes up because that's the most fun. That's the opportunity to really enjoy the sport. It's the same for the market. When things get tough, the emotion is to run for the hills. But that generally is the best time to be searching for buying businesses that are on sale. And we call that value investing."

2 Investors have been through a rough ride the past year or so. What has been your best advice to individual investors?

"The mutual fund industry witnessed redemptions, and we had redemptions that are typical with bear markets. You can't get

through to people — they can't sleep at night and that's just a bear reaction. We had many calls with individual investors. All of our staff was on the telephones with people who were emotionally stressed out and couldn't take it.

"We try to hold people's hands, talk to them and answer questions, but it does come down to the ability to live through a panic. Some people haven't experienced it before."

3 You continue to have faith in the stock markets for the long term. Why do you believe stocks remain the best place for investors long term?

"We're in an upward phase. I believe we're in a new bull market, in the face of all this uncertainty. The market goes up and it defies logic. Many of those who sold are still sitting on the sidelines, so that's fuel to keep this market up and, little by little, investors have regained confidence."

4 Summarize your view on how value funds have proven a good long-term investment and why you continue to believe in them.

"Ownership of a good business over time has been one of the best places to invest your money. I've been biased toward micro-cap companies and I believe in a difficult economic environment today with slow growth, some of these small firms will do better. That's what's happened over the long term. Coming off a bear market, usually small stocks come out hot and continue to outperform."

5 What is your perspective on the spring and summer 2009 market upswing? Will it last?

"I remain optimistic. Is the market overbought near term? Yeah. We've had a heck of a move on the S&P from 676 on the low



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BILL NASGOVITZ
PRESIDENT AND PORTFOLIO MANAGER,
HEARTLAND ADVISORS

March 9 to a high of 1030. That's over a 50 percent move. But it's not unprecedented. That's happened in the past off of bear market lows.

"Near term, it wouldn't surprise me if the market stepped back 10 or 15 percent. We're going into the fall, which is historically seasonally a poor period — September and October usually are a down market. So maybe we get a pullback here in the short term, but I think over the next year we will be higher than where they are today."

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