

AN EXCLUSIVE INTERVIEW WITH BILLIONAIRE INVESTOR WILBUR ROSS

A MAN IN THE KNOW

BY AVA ROOSEVELT



Wilbur Ross

Wilbur Ross has been a part of the global financial landscape for decades and has successfully navigated a fragile balance between risk and reward. He is best known for leveraged buyouts and restructuring failed companies in industries such as steel, coal, telecommunications, foreign investments, shipping and textiles.

Wilbur's voice of reason is no stranger to those enjoying pre-trading hours on CNBC. Unlike many other guests, his resounding wisdom provokes calm even in the most turbulent stock market zigzags of missed opportunities, burst bubbles and colossal windfalls.

I sat down with Wilbur to discuss his views on finance and business.

Ava: I understand you aspired to be a writer, yet you left Yale's Daily Themes course, not Yale, for a summer job on Wall Street and ended up with an MBA from Harvard. Rather than playing with words, you decided to play with money and became a bankruptcy advisor.

Wilbur: Yes, I advised the creditors of Drexel Burnham in the bankruptcy. Our other big cases included Texaco, TWA, Public Service of New Hampshire, Bank of New England, AH Robins and Mesa

Petroleum. I was Executive Managing Director of Rothschild before buying the private equity business from them on April Fools' Day, 2000. We actively turn businesses around in order to create equity values. Most investors buy stocks and passively hope they will go up. That excites me!

Ava: You are considered to be one of the wealthiest individuals in the world. Please tell us what this kind of wealth means to you?

Wilbur: Wealth lets me help others. I donated the Norman Foster designed Ross Library at Yale's School of Management's new campus. Money also lets me collect art and share it with the public by lending paintings to exhibitions at the National Gallery of Art, MOMA, Chicago Art Institute, The Tate, National Art Center in Tokyo, Forbidden Palace Museum in Beijing, The Vatican Museum, the Albertina in Vienna, The Brooklyn Museum and Arts in Naples, Florida. If these works were just in a vault in Switzerland, the public would never be able to enjoy them.

Ava: Which investment gave you the most joy or the biggest headache?

Wilbur: Bank United in Miami Lakes was the happiest because it never had one missed step between when we bought it from the FDIC until its IPO 18 months later, the largest bank IPO ever and a triple for our funds. Greece is our biggest headache for obvious reasons.

Ava: What is your view on the record high prices of U.S. stocks and world markets?

Wilbur: We obviously are closer to the market peak than the bottom. No one can call the exact top or bottom, but in the last 12 months, we sold five times what we bought.

Ava: Would the highly anticipated correction of the market be healthy in the long run and why?

Wilbur: Low rates equal no return on short-term debt and everyone knows rates will rise, hurting long-term bonds, so the only things people are buying are stocks and Pi-cassos. Greed has dominated markets, but fear will reappear from time to time.

Ava: How diversified are you?

Wilbur: The Rothschild traditional strategy was one-third each, securities, real estate

and art. I am still overweight in securities because of my business.

Ava: Are the high real estate prices here to stay?

Wilbur: Easy money boosts values of existing properties, but eventually leads to over building, except in places like Palm Beach where there is little vacant land and zoning is very strict.

Ava: The persistent low price of oil surprised even the most seasoned investors. Where is it going and why?

Wilbur: Technological innovation caused the shale boom, much of which is OK at \$60 plus, so oil is not likely to go much over \$70 because more wells would come on then. Also, OPEC keeps increasing production to punish Iran and Russia.

Ava: China holds \$1.2 trillion of U.S. debt. Its currency, yuan, is pegged to the dollar. What is your view on the present and future value of the dollar?

Wilbur: FRB [Federal Reserve Bank] will raise rates no later than September, keeping the dollar strong.

Ava: What do you think of the rise of China? Do you see this as a threat to U.S. hegemony?

Wilbur: Geopolitical power derives from economic and military strength, provided leaders have the will to exercise it. The Obama lack of will has caused disruption throughout the world. Geopolitical power ultimately derives from economic power but is only effective if the President has the political willpower to exercise it.

Ava: What if China makes the yuan a gold-backed currency?

Wilbur: China will not adopt a gold "standard." Doing so would slow its economic growth by constraining monetary supply.

Ava: What is your view on Obamacare and its staggering costs?

Wilbur: Obamacare was based on wrong assumptions and poorly executed. To make healthcare universally available at reasonable cost, you need to cap medical malpractice, approve new drugs faster and at lower cost, eliminate non-critical features and permit home care for the aged.

Ava: What was the biggest risk you ever took? Did it pay off?

Wilbur: Biggest risk was buying the private equity business and becoming an entrepreneur at age 63. It has been great!

Ava: The residents of Palm Beach are thrilled that you were appointed to the Underground Utilities Task Force. Is ten years a realistic time frame to bury most of the power lines on the island? Do you foresee any problems and how will you assure this ambitious project will be accomplished in our lifetimes?

Wilbur: Palm Beach's undergrounding is long overdue. Everglades Island, Hobe Sound and Jupiter had successful, smaller projects. People shouldn't worry. The process is not very intrusive and any damage to landscaping will be restored. Then, the more sections being undergrounded at the same time the faster the work will be done, but more sections mean more near term disruption so there is a trade-off. ●

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