A Conversation with Legendary Investor

Jim Rogers
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About Truewealth Publishing

Welcome to Truewealth Publishing. We’re taking the mystery out of finance and investing so that you are empowered and informed to make your own investment decisions.

Our aim is to help people just like you who are tired of the market noise and who are ready to build true wealth now. We can help you stay away from investments that will hurt you, and find the ones that will grow your portfolio – so that you can educate your kids, take care of your family, and live the life you’ve always wanted.

We live in a world with too much information and not enough solutions. And this problem is compounded by too many people who are eager to help you invest your money in a way that will line their pockets instead of yours.

We’re independent analysts and writers who cut through the hype of the mainstream financial media, and self-serving private bankers, to give you real insiders’ insight. We have no hidden agenda. We’ll never try to sell you a brokerage account or insurance product. We don’t want to manage your money.

We think that the best person to make decisions about your money is you... an informed and educated you.

And we want to give you the tools to make those decisions... for starters, with this Insider Report and our Truewealth Asian Investment Daily.

The Truewealth Asian Investment Daily is a free daily e-letter that opens the curtains on the most important and interesting investment, economic and business news and ideas in Asia and the world. We talk about what it all means for markets, and for your money. We’ll also talk about opportunity and risk. And along the way we’ll tell you what some of the smartest people in finance and investment are thinking... and sometimes we’ll provide investment ideas as well.

To sign up for the Truewealth Asian Investment Daily, you can click here, or visit our website at www.truewealthpublishing.asia.

You can also sign up, or tell us your questions or thoughts, by dropping us a line at feedback@truewealthpublishing.asia.

Once again, welcome. And thank you for joining us. We hope this is the start of a long and profitable relationship.

Kim Iskyan
Founder, Truewealth Publishing
Singapore
Introduction

I recently had a chat with fellow Singapore resident Jim Rogers, one of the most successful investors in history.

In the early 1970s, Jim co-founded the Quantum Fund, one of the world’s most successful hedge funds. After generating returns of 4,200 percent over ten years, Rogers quit full-time investing in 1980.

He went on to drive around the world, literally, two separate times, and write several excellent books that blend travelogue, investment insight, and political commentary.

Today, Jim is viewed as one of the founding fathers of the boots-on-the-ground approach to investing in emerging and frontier markets around the world.

So when he talks about the big-picture trends that are shaping world markets, it’s worth listening.

Below are some excerpts from my chat with Jim Rogers. I’ve included additional comments, to help provide context for and expand on Jim’s thoughts (all graphs and commentary in brackets are mine).

Questions or thoughts? Drop us a line at feedback@truewealthpublishing.asia.
**Q: Jim, what do you think of what’s going on in the world now?**

Jim Rogers: The world is going to have serious problems because of the massive buildup in debt over the past eight years. It’s going to be serious, and worse than the global economic crisis in 2008-2009, because we have so much more debt now. For example, the balance of the Federal Reserve in the U.S. has increased by more than six times.

It’s going to hit Asia as well. In 2008, Asia had saved a lot of money for a rainy day. But now, much of that has been spent. And China has a lot of debt now. It’s going to be worse this time.

![Change in debt levels (debt as percentage of GDP)](image)

*Source: Haver Analytics; National sources; World Economic Outlook, IMF; BIS; McKinsey Global Institute analysis*

*Note: Debt figures include debt of households, non-financial corporations, and government; 2Q14 data for advanced economies and China; 4Q13 data for other developing economies*
Q: How should investors prepare for, and protect themselves from, this?

Jim Rogers: That's a good question. I'm short U.S. markets [when you’re “short” a security, it means you’ve sold it in anticipating of buying it back at a later date; it’s a way to profit from a decline in the price of an asset]. U.S. markets are still near all-time highs. On the New York Stock Exchange in 2015, twice as many stocks were down as were up for the year. The indices were dragged up by the big 10 or so stocks that dominate the indices. So the markets there have been deteriorating for a while. It's clear that there is an underlying problem.

Percentage of stocks that moved up/down in 2015

Source: Bloomberg

JR: “I’m short U.S. markets.”
[The chart below shows how a few large technology stocks on the NASDAQ have helped the overall NASDAQ performance look better than it really is].

**2015 Performance of NASDAQ's Largest Stocks**

![Graph showing the performance of NASDAQ's largest stocks in 2015](chart-image)

*Source: Bloomberg*  
*www.truewealthpublishing.asia*

I’m long China [“long” is when you buy an asset in the expectation that it will appreciate in value; it’s the opposite of “short”]. It’s not because I don’t expect problems there. But the market is already down a long way. It’s a question of being long the right companies in China.

**JR: “I’m long China.”**
[Investors who agree with Jim have a lot of easier ways to be long Chinese shares, through ETFs like the Lyxor China H ETF (Singapore, code: P58), or the iShares FTSE A50 China Index ETF (Hong Kong, code: 2823), or any of the ETFs listed below].

<table>
<thead>
<tr>
<th>Name</th>
<th>Market Listing</th>
<th>Ticker</th>
<th>Total Assets (USD mil)</th>
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<td>Lyxor UCITS ETF China Enterprise HSCEI</td>
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<td>ASI</td>
<td>535.7</td>
</tr>
</tbody>
</table>

Source: Bloomberg
Note: Total assets are as of 3/7/2016
**Q: What about currencies?**

Jim Rogers: Although I’m short U.S. markets, I’m long the U.S. dollar. In times of turmoil, like I think we’ll be facing soon, people look for a safe haven. There are a lot of problems with the U.S. dollar, but it usually has been the best place to be when things go bad. And I don’t want to buy the euro or the yen – they have their own problems.

At some point, the U.S. dollar will be overpriced. And there are a lot of dollar longs [investors who think the dollar will keep climbing] out there, which worries me. If it goes into bubble territory, it will be time to sell. After that, I’d look at getting into the Chinese yuan or precious metals or something else, depending on how the world evolves.

**USD vs Other Currencies**  

Aside from that, people need to learn how to sell short. It’s the best way to profit from markets when they fall.

**JR: “I’m long the U.S. dollar.”**
**Q: What about bonds?**

Jim Rogers: I’m short junk bonds [bonds from companies with very low credit ratings]. Yields are low (and negative in a lot of markets) because central banks are doing everything they can to “save” us.

But in the end, the central bankers are going to fail. The market has more money than they do. At some point, the market, and investors, are going to say, we don’t want any more of your paper. In the meantime, politicians will say, don’t worry, we’ll save you. And there will be some rallies along the way. But this time it will be too much, and too late. By 2017 there will be disaster everywhere.

**JR: “I’m short junk bonds.”**
Q: You’ve also long been an advocate of agriculture. How do you view it now?

I don’t own agricultural land right now. It might make sense to buy it now, and it’s one of the few assets that I would be buying now. I’d rather have land than gold or silver. As long as paper currencies continue to be debased, you’re going to need real assets [real assets are things you can touch and hold and see, like land or gold bars or silver coins] to save yourself.

The commodity index I put together [called the Rogers International Commodity Index, traded on the NYSE under the ticker RJI] has outperformed the other indices. RJA [the Rogers International Commodity-Agriculture Index ETN] is for the agriculture products. The reason it’s better is that the others were hopeless, so I had to put something together for my own money.

JR: “I’d rather have land than gold and silver”
Q: Tell me about your latest thoughts about China.

[When I met with Jim in 2015, he told me that he thinks China will eventually allow its currency to float, or be freely traded like other major currencies. He also said, “Governments always think they’re smarter than markets. But they never are.”]

China is continuing to open up its currency. [That means they are allowing it to be more freely traded on international currency markets, instead of controlling it so much themselves]. They’re doing the right thing. They’ve said that they would let it float based on a basket of currencies.

If I were they, I would just let it float. And they’re moving in that direction now. If, and when, China’s currency becomes completely convertible, it will probably decline for a while – if for no other reason than that it’s been the strongest currency in the world for the past ten years. So it will need to consolidate [that is, go down for a while, or at least stop going up], and some people in China will want to get their money out. As I said, when the U.S. dollar is overvalued, I’ll probably look to buy the RMB [renminbi].
Q: If you were buying assets to put into the retirement accounts of your two daughters, what would you invest in? In other words, how do you see markets unfolding over the long term?

If you sold U.S. stocks in 1916, you’d have looked smart for a year or two. But over the past century, of course, the U.S. has been the big story. And in coming decades, China will continue to emerge. It’s going to be the big story. So with that kind of time horizon I’d be looking to buy shares of Chinese companies, and looking past the challenges that China is facing now and will continue to face in coming months.

Beyond that? Maybe gold. It’s preserved its value over long periods of time. That, and a farm in North Korea. I’m a big believer in agriculture and farmland. And at some point North Korea will join the rest of the world.

![Gold Price Chart](www.truewealthpublishing.asia)
Q: Here in Asia, real estate seems to be the first, second and third asset class that people look to invest in. How do you view investment in real estate, aside from farmland?

There’s nothing wrong with owning a place to live, of course. Here in Asia, a lot of investors go beyond that, to own multiple properties. But I think a lot of real estate is overpriced, in Hong Kong, Singapore and parts of China. I would avoid buying real estate in much of Asia, in fact – agricultural real estate excepted.

Over the long term, interest rates will go up. The low interest rates of recent years are distorting a lot of things, including real estate prices. And once interest rates go up, property prices go down. Even if you own your home, and aren’t directly hurt by higher interest rates, your neighbours who have mortgages might get in trouble. So if your neighbours can’t make their mortgage payments, that’s going to hurt you as well, because prices in the area will go down. It’s going to be difficult to avoid.

Source: OECD, Standard & Poor’s

Note: US figure is as of Q3 2015; Singapore and Hong Kong figures are as of Q2 2015; Australian figure is as of Q1 2015

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JR: “I would avoid buying real estate in much of Asia.”
Q: What other markets or assets around the world catch your eye?

I’ve recently owned the yen, only because so many people are shorting it. But I wouldn’t buy it as a long-term play.

Otherwise, I’m keeping some markets on my radar. Kazakhstan is very cheap, and the government is making the right moves. I see the same thing in Nigeria. Venezuela is a disaster right now. Normally if you buy a disaster that bad, it comes out fine a few years, or a decade, later. I see potential in these markets, although I’m not investing there just now. I like North Korea, but there’s no good way to play it.

But overall, these are perilous times. People should be worried and getting prepared and hunkering down. It’s not going to be fun.

Markets on Jim’s Radar

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP (USD billions)</th>
<th>Current Market Cap (USD billions)</th>
<th>ETF</th>
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<tr>
<td>Nigeria</td>
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<td>43</td>
<td>NGE (US)</td>
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<td>Kazakhstan</td>
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<td>1,103</td>
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<tr>
<td>Iran</td>
<td>425</td>
<td>90</td>
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</table>

Source: Bloomberg  www.truewealthpublishing.asia
Note: All countries’ GDP figures are 2014 except for Russian GDP figure is 2015; Market cap figures are as of 3/3/2016
Q: What do you think about the price of oil?

Oil is in the process of making a complicated bottom that will probably happen this year. That’s why I’m looking at those countries I mentioned above (all of which are heavily dependent on oil). I’m also looking at Iran. I’m also looking to add to what I own in Russia. I want to buy more Russian government bonds in rubles, and the shares of Russian companies too.

Q: How about gold?

I’m not buying gold right now. It’s rallied four times over the past three years, by around 15-20 percent. I’m not adding on this run. Gold bulls will say that the worst is now over. But remember that gold has rallied like this several times. I’d rather buy agriculture if I’m looking for hard assets. In my view this isn’t the end of the correction in gold.

**JR: “I’m not buying gold right now.”**
Q: A final question. What do you read to keep abreast of what’s going on in the world? What are your sources of information?

Jim Rogers: Well, I read your Truewealth Asian Investment Daily every day. I read the Financial Times, and the Wall Street Journal. I read a lot of things on the internet. Some of it is insane, but you need to know what the insane people are doing too.

Q: Jim, thanks for much for your time.

Jim Rogers: Thank you. Anytime.