

Besides the Issues, Senators, Rivals Part Ways on Investments, Too

SOUTHEAST JOURNAL-WSJ

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October 28, 1998

How well do Southeastern candidates seeking to manage the \$500 billion federal budget run their own financial portfolios?

It's a question The Wall Street Journal asked four investment experts about two U.S. Senators and their challengers running in next week's election.

As it turns out, the incumbents -- Republican Sens. D.M. "Lauch" Faircloth of North Carolina and Paul Coverdell of Georgia -- have quite different investment strategies than their challengers. Democrats John Edwards in North Carolina and Michael Coles in Georgia have more widely diversified portfolios, while their GOP foes have tended to invest in fewer stocks closer to home. And, with a few exceptions, all four have been fairly savvy investors, according to the three money managers and one college finance professor recruited to analyze their portfolios.

One caveat is that the investment experts based their recommendations on campaign disclosure documents that provide only a general picture of candidates' holdings. The records show a broad dollar-value range for each investment. And they don't reveal when stocks or bonds were bought or sold, making it impossible to know whether the candidates timed their trades wisely.

Still, the records -- which incumbents are required to file annually and challengers must submit within 30 days of declaring their candidacies -- provide clues about what kind of choices the candidates have made. Here's a peek into the portfolios of these politician-investors:

Sen. Lauch Faircloth

The 70-year-old from Clinton, N.C., took over the family farm when he was just a teenager and turned it into a 10,000-acre spread that is one of the state's largest hog producers. But it's his investments in the financial-services sector that earn him the most plaudits from the four experts.

Mr. Faircloth's largest holdings include between \$1 million and \$5 million worth of stock of Charlotte-based First Union and BB&T of Winston-Salem. He also owns between \$500,001 and \$1 million of insurance giant Jefferson-Pilot, in Greensboro.

He has other holdings through Coharie Farms, a hog-and-cattle farm partnership valued at between \$5 million and \$25 million, of which Mr. Faircloth owns 75%. Among them: between \$500,001 and \$1 million of Charlotte-based BankAmerica, formerly NationsBank.

Mr. Faircloth's investments are in "a very timely sector," says Ladd Kochman, a finance professor at Kennesaw State University in suburban Atlanta, "because financials peaked in the middle of July and seem to have bottomed out, and now they're hot and attractive."

The banking investments, though, have spurred questions from Democracy South, a campaign-finance research group in Chapel Hill, N.C., because of Mr. Faircloth's seat on the Senate Banking Committee. A spokesman for Sen. Faircloth says the campaign wouldn't respond to "a group of liberals who want taxpayers to pay for political campaigns."

But Frank Jolley, president of Rocky Mount, N.C., Jolley Asset Management, likes the senator's investment strategy. "He stayed at home and invested in things he understood," he says, noting Coharie Farms also owns between \$100,001 and \$250,000 in Smithfield Foods, a Smithfield, Va., marketer and processor of pork. "People tend to invest in their own backyard. ... That's a successful way to invest."

John Edwards

The 45-year-old Raleigh attorney seeking to unseat Mr. Faircloth is a walking mutual fund. He literally owns 12% of the stocks that make up Standard & Poor's 500-stock index.

Mr. Jolley suggests that Mr. Edwards, who has plowed \$4 million of his own money into his campaign, may have made too many choices. "He is very well diversified, probably more than I would suggest," Mr. Jolley says. "You can reach adequate diversification with less names."

Overall, Mr. Edwards owns 39 stock positions worth at least \$100,000 (he has holdings worth less than \$100,000) and 41 bond positions, with a value of at least \$100,000 each. In the range of investments worth between \$250,000 and \$500,000, he holds International Business Machines, Computer Associates, Minnesota Mining & Manufacturing, Mylan Laboratories and Nucor.

Mr. Jolley likes the stakes in IBM, as well as computer-router maker Cisco Systems, though he suggests Mr. Edwards may want to exit because those stocks have hit highs.

Bill Staton of Staton Investment Management in Charlotte says Mr. Faircloth has done "a much better job of concentrating" on a group of stocks than Mr. Edwards. "He's not scattered all over the place," Mr. Staton says.

Mr. Staton also questions Mr. Edwards's investments in tax-free bonds, which haven't matched stocks' returns. One of his largest fixed-income holdings is in bonds issued by the city of Fayetteville, N.C. Mr. Edwards owns between \$500,000 and \$1 million in that debt.

But, comparing the two foes' portfolios, Mr. Staton adds, "Neither one of these people is worried about where their next meal is coming from. They know how to make a lot of money, and they know how to invest it." Mr. Edwards, he concludes, will be "perfectly fine if he doesn't do anything for the rest of his life. There still should be millions left -- unless he keeps running for office."

Officials for Mr. Edwards's campaign declined to comment.

Sen. Paul Coverdell

Like Mr. Faircloth, Mr. Coverdell has made money by staying close to home, but the financial experts say he also has made some investment missteps.

On the plus side, the 59-year-old former insurance executive has a stake worth between \$1,001 and \$15,000 in Atlanta beverage company Coca-Cola, and an individual retirement account that owns between \$1,001 and \$15,000 in home-improvement retailer Home Depot, also in Atlanta.

But other stocks have been less stellar. He owns between \$1,001 and \$15,000 in Shaw Industries, a Dalton, Ga., carpet maker whose stock languished after an ill-fated move into retailing.

"He could probably be a little more diversified," says Mr. Jolley.

William Lobb, managing director of investment firm CIBC Oppenheimer's office in Atlanta, puts it more bluntly. "The guy who ought to get a stockbroker is Coverdell," says Mr. Lobb.

Officials for Mr. Coverdell's campaign declined to comment.

Michael Coles

Mr. Coles, 54, earned his money by building a shopping-mall cookie retailer -- Great American Cookie -- into a 323-store chain that this year was acquired by Mrs. Fields' Original Cookies. And the three money managers agree Mr. Coles also has been a wise investor. (Kennesaw State's Mr. Kochman wasn't asked to review Mr. Coles's portfolio because Kennesaw's business school is named after Mr. Coles, who contributed \$1 million to the school.)

Mr. Jolley likes Mr. Coles's stake in Cox Communications, an Atlanta cable television company. Mr. Coles owns between \$500,001 and \$1 million of the stock, which has more than doubled in the past year to about \$56. Mr. Jolley also cites Coca-Cola as a good buy.

Mr. Coles, who says he also uses an investment adviser he declines to name, says he is a longtime Coke shareholder. "I didn't sell a single share when it was dropping," he says. "My company did a lot of business with Coke."

That follows with his preference of buying the stocks of companies where he knows the top executive or whose products he uses. "Like Hewlett-Packard," he says. "I'm a big H-P buyer. I own many of their printers."

And recently, Mr. Coles has been buying Marietta, Ga., computer-equipment company Unicom, whose stock trades in the \$2 range, down from \$9 a year ago. How much does he own? He won't say exactly how much: "A lot," he says.

Leslie Shaffer contributed to this article.