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## The List: The Crisis's Big Winners

By Joshua Keating, Andrew Polk

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Meet five smart players that are not just surviving, but thriving, despite the economic downturn.

### John Paulson

**The haul:** The New York-based hedge fund manager reportedly made a record \$3.7 billion in 2007. In 2008, his \$7 billion Advantage Plus fund returned an incredible 37.6 percent. Another smaller fund he manages returned nearly 590 percent last year, thought to be the largest one-year hedge fund return in history.

**How he did it:** In early 2008, Paulson began short-selling shares of financial stocks, including the doomed Fannie Mae and Freddie Mac. He also bet big on Anheuser-Busch's sale to Belgium's InBev at a time when the deal looked to be falling apart. By the time the lucrative transaction was successfully completed, Paulson was Anheuser's largest shareholder. But it was Paulson's restraint rather than his aggressiveness that set him apart from other fund managers during the recent crisis. In the run-up to the crisis, his funds avoided purchasing mortgages and leveraged loans while others swooped in. Unfortunately for the rest of us, the man who saw where the economy was headed in 2007 and 2008 doesn't see much improvement in the coming year. In a letter to investors, he predicted the recession would likely last into 2010.



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## George Soros

**The haul:** Despite claims that he is less involved in the management of his funds and seeking only to maintain his fortune, Soros's Quantum funds returned an impressive 10 percent in 2008 while two out of three hedge funds lost money. This growth followed a phenomenal 2007 when Quantum returned 32 percent.

**How he did it:** The same way that he made his initial fortune: betting against the pound. The man who "broke the Bank of England" (and made a billion dollars in the process) took a short position on sterling for most of 2008. It shouldn't be surprising that Soros has weathered the financial storm well; he had been predicting it for years, warning skeptical investors of a soon-to-burst superbubble.

After six years of limited involvement in the running of Quantum, Soros got back in the game in 2007, personally managing one of the company's accounts with great success. Soros again grabbed headlines at the this year's World Economic Forum in Davos, Switzerland, when he announced that he's no longer shorting the pound since it fell below \$1.40.

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## Steve Eisman

**The haul:** Unknown. Likely in the hundreds of millions.

**How he did it:** As author Michael Lewis writes, "Upbeat wasn't Steve Eisman's style." This has made him the ideal investor in a decidedly downbeat era. While other investors became enthralled by highly complex, computer-driven financial instruments, the head of hedge fund FrontPoint Partners saw them for what they were, deliberately obscure measures designed to mask extremely risky subprime mortgages. In the fall of 2006, Eisman began to short subprime-backed securities. By the following spring, FrontPoint was short \$600 million on subprimes alone. When the market crashed in the wake of Lehman Brothers' bankruptcy, Eisman and his associates watched their bet pay off as the rest of Wall Street sank into despair. His chief trader Danny Moses recalled to Lewis, "It was an out-of-body experience." Success apparently hasn't changed Eisman's fundamental pessimism. "I wish people would stop saying that this is a crisis of confidence," he recently told the *New York Times*.



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## Qatar

**The haul:** Qatar's economy grew 16 percent in 2008, and the country expects 10 percent growth in the coming year.

**How they did it:** Like all of the Gulf states, Qatar has been hit hard by the fall in oil prices, but thanks to the country's natural gas sector and well-managed economy, the outlook seems rosy for the little sheikdom that could. Although more-oil-dependent economies such as Saudi Arabia and the United Arab Emirates expect less than 1 percent growth this year, Qatar is expanding. It will boost its natural gas capacity to 77 million tons this year. The country is working to

form an OPEC-like natural gas cartel along with fellow exporters Iran and Russia. And Qatar's moves aren't just in the energy sector. The country's sovereign wealth fund is looking to buy stakes in three "blue-chip companies," according to Prime Minister Hamad bin Jassim. Qatar might also expand its stake in Britain's Barclays if the struggling bank seeks more capital.

## ExxonMobil

**The haul:** Despite a rocky fourth quarter, the world's largest company made \$45.2 billion in 2008.

**How they did it:** As most of the oil sector suffered with last year's drop in prices, Exxon managed to break its own record (set in 2007) for the largest yearly profit in U.S. history. Although much of this success is the result of the booming oil prices of early 2008, Exxon has weathered the downturn better than many analysts expected. Exxon's managers are famous for keeping costs low and extracting the maximum value from each barrel. As Big Oil heads into a rough-looking 2009, Exxon's \$30 billion in cash reserves will certainly come in handy. And though other oil companies are simply trying to contain the damage, Exxon has plans to boost production and increase spending on new projects by 20 percent in 2009.



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*Joshua Keating is deputy Web editor at **FP**.  
Andrew Polk is a researcher at **FP**.*

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