

# PROFITING IN A DOWN MARKET



**Daniel Niles, Senior Portfolio Manager for AlphaOne Capital, discusses the value of short-selling with CNBC's Maria Bartiromo.**

*Excerpt from Maria Bartiromo's Wall Street Newsletter  
June, 2010*

"A few weeks ago, as we were wrapping up May, I mentioned in a brief Weekly Update that unless you liked to short stocks, you were glad to see May come to an end.

That night, I got an email from our own Dan Niles who said he loved that line. As an investing pro, he incorporates short-selling strategies into his money management. For many individual investors, however, the thought of shorting a stock is unfamiliar at best and downright scary at worst.

If you're not familiar with short-selling, it's one way to make money on stocks that are falling. Here's how it works: You borrow a stock from your broker and then turn around and sell it on the open market. Your hope is that the stock will go down, at which point you buy it back and return it to your broker. The difference between where you sold it and then bought it back is your profit.

In his emails to me, Dan brought up what I thought was a great point about shorting stocks. He said he thought all investors should at least learn about shorting stocks because even if they never actually short one, it will make them better "long" investors. It's a discipline, he said, of looking not just at reasons to buy a stock but also being aware of reasons you might short it. The result is that you'll be more selective in the ones you do buy.

That's a smart observation, especially in this volatile market, and I think it's worthy of special attention. When I get back from Russia, I'm going to talk to smart investors I know (including Dan) that like to short stocks, and I will put together a special report for you in a future issue or weekly update to help you learn more about this strategy so often reserved for the pros. Stay tuned."

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- Dan Niles**

*Maria*

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