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Summer Playlist 2024 | Episode 5
Edwin Dorsey, Author of “The Bear Cave” on Substack

This week on our Summer Playlist, we welcome Edwin Dorsey, author of “The Bear Cave” on Substack, into the SmarterMarkets™ studio. David Greely sits down with Edwin to discuss his work and views on the short side of the stock market – and its role in making markets smarter by finding the serious problems that others may not see yet.

Edwin Dorsey (00s):
I want to see more individual accountability at companies. Don’t fine a company, fine the individuals who do misconduct. Companies don’t do misconduct, individuals do, cultures do. Hold the people accountable who created that culture.

Announcer (14s):
Welcome to SmarterMarkets, a weekly podcast featuring the icons and entrepreneurs of technology, commodities, and finance ranting on the inadequacies of our systems and riffing on ideas for how to solve them. Together we examine the questions: are we facing a crisis of information or a crisis of trust, and will building Smarter Markets be the antidote?
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David Greely (56s):
Welcome back to our Summer Playlist 2024 on SmarterMarkets. I’m Dave Greely, Chief Economist at Abaxx Technologies. Our guest today is Edwin Dorsey, author of the Bear Cave on Substack. We will be discussing his work and views on the short side of the stock market and its role in making markets smarter by finding the serious problems that others may not see yet. Hello Edwin. Welcome to SmarterMarkets.

Edwin Dorsey (01m 21s):
Dave, thanks so much for having me on the SmarterMarkets Podcast. It’s exciting to be here.

David Greely (01m 26s):
Well, it’s exciting to have you and I noticed this week it’s been one of those odd coincidences of podcast scheduling that we have you here to discuss how you look for short opportunities in the equity markets during a week that saw a major selloff across global asset markets. But of course that broad selloff is more a story of broader macro forces and at the Bear Cave you research and write about problems that you perceive at individual companies and I wanted to start off because you know, pointing out problems is rarely the road to popularity. It’s much easier to be a cheerleader. People love when stocks go up. So what led you to your interest in the, the short side of the market, why did you start Bear Cave?

Edwin Dorsey (02m 09s):
Dave, I have always been passionate about stocks for a really young age, like second grade, I was all about the stock market and in some ways you don’t choose your passions. Your passions choose you. Freshman year of college is when I made the transition to the short side, the dark side as some might say. And I largely got lucky. I just had two mentors I met randomly freshman year. One was Marc Cohodes who used to run a short only hedge fund and is now an independent short seller sharing his ideas mainly on Twitter and the other early mentor was Jim Caruthers, who ran a hedge fund called Sophos, which was a billion dollar short only fund, second biggest in the world, just a few minutes from my college campus. So because two of my early mentors were big in the short world, that’s where I gravitated.

Edwin Dorsey (02m 53s):
I like to say if two early mentors were in private equity, maybe I would have drifted there. If two early mentors were great microcap investors, I might be here talking about microcap. But it just so happened that two of my great early mentors were big short sellers that I kind of caught the bug. It was exciting. I felt like on the short side you can actually make a difference in the markets where on the long side and with a lot of markets it’s a little bit just trading pieces of paper around in some way you are not impacting the outcome. But

with shorting, especially activist short selling, you can make like an impact and change things and change the world in a little way or at least change the companies. And I started doing that a little with companies in college and got some success there, especially with the babysitting platform called care.com.

Edwin Dorsey (03m 35s):
And then I decided to start the Bear Cave kind of to get a job. To be honest, I had interned at this short only fund called Sophos on and off for all four years of college. I thought I was going to work there when I was graduating, but you know, as I approached my senior year, it was kind of clear they were going to be winding down and the founder wanted to end it, so I needed a job. So I started talking to some New York City hedge funds in New York City hedge funds. It's sometimes like very hierarchical. So I knew as a young guy I wouldn't have a lot of autonomy, you know, you'd need to do a lot of modeling, which I don't like. So I thought February, 2020, my senior year of college, I'll start this newsletter, I will get a lot of attention and somebody will think I'm smart and want to hire me. Of course that's not exactly what happened. The pandemic came and it turns out the pandemic was the best time ever to launch a newsletter. So I got really lucky with that timing and the newsletter just took off. I started charging for it. It was a full-time income very, very quickly and writing the Bear Cave has been the only thing I've done for the last four years or so. So I consider myself very lucky.

David Greely (04m 38s):
I believe you have over 60,000 subscribers to your newsletter at this point, is that right?

Edwin Dorsey (04m 43s):
Yeah, about 65,000 free for the Bear Cave and then about a thousand people who pay.

David Greely (04m 48s):
It's impressive. And it's always great when mentors take an interest in people who are discovering their passion. You know, I was on Keith McCullough's show a while back right after Mark had made his calls on Sam Bankman-Fried and FTX, and you kind of see how important that can be to point out when there are serious problems that, you know, sometimes the emperor doesn't have any clothes on and I know in your work at the Bear Cave you tend to focus your investigations on, I guess you call mid-cap US companies, maybe one to 10 billion that you believe are misleading investors or harming customers where you perceive there to be serious problems that the market's missing, not just companies that may be overvalued. Why do you focus on those issues in particular and could you walk us through your process for how you find companies that you want to look into?

Edwin Dorsey (05m 40s):
Absolutely. So there is a lot to unpack there, Dave. The first thing I would say is there is kind of two sides to the bear cake. There's a general analysis of what goes on in the short world. So I am summarizing new active short campaigns, I am highlighting suspicious or notable resignations and interesting tweets, and that's kind of the free version that goes out on Sundays. And then for the paid subscribers, I am doing more deep dives twice a month on companies that I feel are misleading investors or harming customers. And you are right that it's very much kind of in the mid-cap space. Generally speaking, one to $10 billion US listed public companies typically in the tech or consumer space and the reason for that one to $10 billion range, sometimes I deviate out of that. I just find below a billion dollar market cap. There's a lot of very, very egregious behavior.

Edwin Dorsey (06m 26s):
Just no one cares, it's too small, it's too illiquid. No one wants to pay to see me take down a $20 million micro-cap pumping up is no one can short it and make money doing that. On the other hand, when you get into like the mega caps like Apple, Amazon, Tesla, Carvana, whatever, those might be good shorts, it just typically, you know, those business models have been around for a long time. Everyone kind of understands them. These aren't the types of businesses that are going to fall 80% in a year, two years. I don't think I could add a ton to the dialogue just by doing two weeks of intensive digging. Maybe it would take years. I'm looking for the $2 billion company nobody has ever talked about. And no one really understands the business either. Can fall 80% in two years. That tends to be best with the one to $10 billion space.

Edwin Dorsey (07m 12s):
It's liquid, it's sortable, people will care. And I think I can add some differentiated insight, especially on the qualitative side. So I am not looking so much about numbers and modeling. I am saying this company is doing things that in the short run help the numbers but in the long term will hurt the business. Maybe it's an unfair cancellation policy, maybe it's raising prices excessively and in terms of the research process for finding new ideas to start doing this, digging around, it can come from a variety of factors. Now that the newsletter

is a little more established and my favorite thing is inbound tips from readers. You know, I am the guy who exposes that company. So everyone comes to me and like every day someone's texting and calling and emailing Twitter DM, I am replying to an email. Anytime you get sped by a company, call me. You know, I want to know.

Edwin Dorsey (07m 56s):
It's not always actionable, it's not always a tearable, but sometimes it is. So inbound tips is a huge source of ideas. I am addicted to Twitter. I think having a curated Twitter feed can be extremely valuable. There is 40 accounts or so that I just check manually on a weekly basis to see all the new stocks they're talking about. And sometimes I'll just pique my interest and make me want to go look somewhere I look, anytime I see a company collapse, I want to see all the associated actors with that company. So if I see a SPAC fail and go down 90% in six months or a busted IPO, maybe it's too late to bet against that company. But I want to look at all the board members and see what other boards they serve on and maybe I can bet against one of those companies with the logic that public market losers tend to continue to lose.

Edwin Dorsey (08m 43s):
So that's another way I find ideas. I do every week there's about 200 or 300 executive resignations at public companies and I use a tool called Insider score to track all those resignations and every week I will try to distill it to five or 10 of the most suspicious. So if a CFO resigns effective immediately after seven months or a CFO resigns in a chief accounting office or resigned and a board member resigns six months back and they have a bad auditor, I look for these patterns a lot and sometimes if I see a pattern of resignations that look suspicious, that will cause me to start digging tracking a lot of board members. I read a lot in the media if I am looking at a company, I will also look at the competitors and maybe original company's bad, but the competitor is a lot worse. So ideas come from everywhere and anywhere. Sometimes it's just a friend saying, look, this company's sketchy, you should check them out. I tend to look at a large number of companies really quickly and then decide what to dig into from there.

David Greely (09m 39s):
And what's your threshold for when you think, oh this is actually serious as opposed to lots of companies have their own internal problems, there's probably no perfect company out there. So how do you think about that part?

Edwin Dorsey (09m 51s):
It's a little bit more of an arc than a science. First I want to see is the market pricing it in. So I could go after a payday lender and say, look, they're doing all these unethical things and they are going to have regulatory scrutiny and this and that, but they are trading at two or three times earnings. So part of it is I don't really have valuation be too much of a factor, but if the market clearly understands the issue, I would add nothing to write about it. So if other people are already talking about it and it seems priced in, that's one issue for what I have found by doing this a lot is when I start digging in, in the first hour or two, oftentimes there is the few initial issues I find and there's very little else and it kind of seems like you know, broadly speaking it's legitimate or the more you dig in there is just red flags screaming everywhere.

Edwin Dorsey (10m 40s):
So one example would be the joint, which was a franchise or of a chiropractic clinic really popular. The stock went from 10 to a hundred. Everybody thought this would be a huge, they would have chiropractic clinics everywhere. It's going great. And what got me interested is there's a lot of consumer complaints online about tough to cancel subscriptions and that they were billing them against their consent. So I started looking at that and then I look at the board and it turns out the chairman of the audit committee on the board had previously been involved in a penny stock promotion in the past, which is a big red flag to me and then you look at the insiders and it turns out there's a lot of insiders selling and then you look at the franchise help and it turns out that a lot of the franchisees weren't as healthy as they claim.

Edwin Dorsey (11m 19s):
And you look at the people involved and they had some past failures at the management level and you start to synthesize all that and it just comes together and it becomes blindingly obvious, the market is missing and then the last thing I try to do to figure out the materiality threshold, whether there's real misconduct going on, and this is what I would say is a little bit of the secret sauce of the barricade, is I file lots of FOIA requests, requests through the Freedom of Information Act with state regulators for consumer complaints people have filed against a business. So looking at a company that does business in the state of Texas, I will send an email to the Public Records Officer at the State Attorney's General's office for the state of Texas and say, can I have all consumer complaints filed against this business in the last three years. They might have no complaints they might have hundreds by doing that and being able to read

complaints people sent to regulators and sometimes the company's responses, I can get a good spidey sense on whether the issues are really egregious or whether it seems kind of normal what you would expect for a large company and doing all that I think can give me a real edge over the market in deciphering how severe the issues are and whether it's priced in or not.

David Greely (12m 26s):
And is there some element of whether the issues are intentional? Are they trying to create a real business or are they just trying to get a high share price? Do you see a distinction there?

Edwin Dorsey (12m 36s):
I think oftentimes it's intentional. They never claim it's intentional. There is real willful blindness. One example that comes to mind where it's like very intentional, but they are going to claim it's not intentional is Planet Fitness. So this is quintessential what the Bear Cave does is I criticized Planet Fitness two years ago for tough to cancel subscriptions and everybody knows gyms are tough to cancel. I am not a genius for saying that here the issues with Planet Fitness were so extreme though you can sign up anyway. You can't cancel over phone online in app by email. You need to go in person to the place you sign up to cancel. And what I found by looking through co consumer complaints is even when people go in person to cancel, they just don't cancel. They say they cancel but they keep billing you anyways. If you move to a different state, they say send a letter, but you know, you send a letter, they say, we never received a letter.

Edwin Dorsey (13m 29s):
I have seen literally letters people sent where they say, I have sent three letters, I sent a certified letter and now I am writing you State Attorney General because they just refuse to cancel. One thing that businesses do when they have tough to cancel subscriptions and are billing people without their consent is they get a lot of credit card disputes and Planet Fitness circumvented that by not letting people sign up with credit cards and instead demanding you sign up with debit cards or direct account a CH. So they do all these things to make it incredibly tough to cancel subscriptions. They will say, we have a policy and just never enforce it and let the franchisees continue billing people without their consent for free money until a regulator maybe comes in and then they'll change their practices a bit. In many, many of these cases, the executives are fully aware of what's going on, but they will have some defense mechanism saying, well we have a policy, we never enforce it, therefore no one follows it. But it's not our fault, it's the franchisee. And that's true in all facets of society.

David Greely (14m 24s):
And listening to you, I kind of get the sense you have a real passion for when you feel like a company isn't treating its customers well?

Edwin Dorsey (14m 32s):
Absolutely and the thing I like to say, the beauty of this type of work is not only not reflected in the numbers, it's going to make the numbers look better. If you are playing a fitness and you are playing all these games around cancellation and destroying your brand, destroying your integrity, destroying these people from calling back in the future, it's going to help the numbers in the short term. A lot of what I look at boost the numbers in the short term. So the stock starts overreacting to the upside and people say, well retention's so great. The unit economics are phenomenal, the growth path is amazing when in reality they are doing things that help in the short term that destroy the value in the long term and then I can come in and say, look at the actual evidence. You know, even though the numbers look good now, it's going to look extra bad in the future. You are going to have huge churn, you are going to have regulatory inquiries. People will end up finding ways to cancel stands against the wins of progress and that's where I can add a lot of value. So it's, it's a lot of fun because Wall Street great with numbers, great with the qualitative. You mentioned valuation, great at figuring that stuff out. Very bad at the qualitative aspects or they just don't care.

David Greely (15m 35s):
I wanted to switch gears with you a little bit because most of my career in markets has been in commodities, futures and options where being long and being short are just two sides of the same coin. The same trader or investor can go from being short to long or long to short and there isn't the same stigma that exists in the equity markets regarding being short and I think that's because in the equity markets there's often a conflating of shorting a stock with manipulating or trying to manipulate the market both can and do happen of course, but it seems like short sellers are more prone to be accused of manipulation than longs. I know on the bear cave you recently wrote a defense of Andrew left. Why did you feel you needed to address his case?

Edwin Dorsey (16m 19s):
So I know Andrew left, I followed him for a long time. I admired him because he has done a lot of good in exposing bad companies. He is one of the critical people to take valuing pharmaceuticals down when they were hiking up drug prices on everybody. And I, I looked at the press release and the indictment and the SEC complaint and I read it and I felt a few things first that they just get so, so, so much incredibly backwards and wrong. To give you one example of something I think they got wrong and backwards is they said he ran a campaign to discredit a third party's short report and artificially inflate the stock price of GE and in 2019 this whistleblower Harry Markopoulos who helped take down Bernie Madoff, published a huge 175 page report on GE and he said GE is the biggest fraud since Enron.

Edwin Dorsey (17m 13s):
And he registered the domain gefraud.com and he said GE is on the verge of insolvency the most promotional extreme language imaginable and he disclosed the way he was making money from this report is he worked with a third party hedge fund who was taking a big short position in GE and was going to make a lot of money the stock fell in the short term and he would get a cut of the profits and to me that's merky manipulation. First, none of what he said is true. GE stock both since he called GE the biggest fraud since Enron, very little of what he said is actually true. The CEO GE went on and said this is market manipulation. Andrew left himself came out and said, this is the most disingenuous report I have ever seen. I don't believe this. I am buying GE stock and somehow the Department of Justice has no complaint with what Harry Metropolis did.

Edwin Dorsey (18m 04s):
You can go on TV work with the anonymous hedge fund tank, GE stock 12% in a day with false allegations, call GE the biggest frat since Enron and there is no issue with that. But what they have an issue with is Andrew LEP saying no, I think these allegations are meritless, which he was right about and going long GE. But what they complained is that he only stayed long for four hours. It was an intraday trade where he made 5% and he was disingenuous in saying that it was a good investment because he only stayed long for four hours. It's such a deep misunderstanding and a big part of the government's case seems to be that he does short term trading around his ideas. He says it's a good short, but then he covers some of his position after it falls or he says it's a good investment, then he sells some of its position after it rises often the very same day.

Edwin Dorsey (18m 53s):
And some people may say that's unethical. I get why that leaves a bad feeling in some people's mouth to say something's a good investment then sell half your investment that day. The thing is, this happens all the time in the activist short world. It's very common now that you have an anonymous activist short seller who does deep, deep, deep research on an idea and comes out with a heavily researched report, sometimes sensationalized to try to move a stock in a day and they often you work with third party balance sheet partners who take huge positions in the equity and options betting against the stock for a single day move and it will split the profits with the short author. If you are upset about short-term trading around ideas, you should be going to scrutinize these anonymous activist short sellers who are doing balance sheet deals.

Edwin Dorsey (19m 41s):
To me, Andrew Left doesn't do, this is just the wrong person to target it. You are trying to scrutinize this type of behavior and also there needs to be regulatory clarity. What's the rule trading around your own recommendation. If you say you like a stock, that doesn't mean you need to hold it for 10 years. Can you sell it a year later, can you sell it a month later, can you sell a week later, can you sell it a day later, can you say it an hour later? There isn't really a clear rule. Now the SEC in their complaint says they want to ban Andrew left from trading for five days around an idea and my view is if you want that to be the rule, you should just make that a rule first and then tell people we are going to enforce this rule where you make a recommendation and then change your views in the first five days.

Edwin Dorsey (20m 25s):
You shouldn't be able to sell a stock or you need to hold it. There's just no regulatory clarity. It's in a way regulation by enforcement. And there's other parts of this indictment that I feel like are just trying to get him on stuff that doesn't make sense. I'd love to read a portion of the indictment and maybe go through it. This is from the SEC complaint and this is a short section they had on Wu Zi, which is a stock that Andrew left tweeted about positively. They say in December, 2020, left on Citroen established long positions in Wu Zi, meaning they had profited the stock increase. That's fine and they say on Friday December 18th, 2020 left, published a tweet through the Citroen research platform telling the market the company was undervalued and suggesting Wu Zi was a good buy. And the tweet said quote, getting emails about shorting Wu Zi. No way we would short this flyer small cap name with the story that's tied to 5G Amazon plug and COVID.

Edwin Dorsey (21m 20s):
There has to be easier pickings still doing research risk reward easier on high flyers. I see nothing wrong with that tweet. It's not promotional. It doesn't give a price target. It doesn't even say he's long. If anything I wouldn't say it's a long recommendation, it's just saying I don't think it's a good short and I'm still doing research. Then the SEC complaints said later that day left admitted to a colleague that he had quote put out that tweet to see what would come back to me demonstrating left had not actually done research on whether Wu Zi was an appropriate investment to recommend to Citroen readers. That doesn't make any sense to me. He didn't even recommend it. He said, I am still doing research. You know you tweet something, you try to get feedback from your readers from the DMs. That's a very normal thing I do that I am researching your company.

Edwin Dorsey (22m 02s):
I might put a tweet out here what other people have to say. Maybe someone will convince me that I have my views wrong. Maybe someone will send me an article that will help my research that doesn't seem wrong to me. And then they say after left issued the tweet, his analyst conducted research over the weekend into Wu Zi by speaking with company representatives and others in an effort to determine that the company was a good long investment. His analyst concluded it was not an appropriate investment telling left quote, we can't have enough conviction in this being an actual long investment that seems normal. Again, he said, I am doing research, his analyst does research, he concludes it's not a good investment. They don't decide to keep their investment. Then they say however, even after receiving research that the company was not a good investment left, did not remove the tweet from Citroen research's platform.

Edwin Dorsey (22m 46s):
Nor did he communicate to the market. He did not have the conviction to recommend Wu Zi's a long investment and again, the logic here in the complaint is flawed because he never recommended in the first place. He just put out one tweet saying he is still doing research, he does research over the next three days he decides to not keep his investment. They make it seem like he is pumping the stock and then keeping the tweet up in tweet, you are still doing research, you can make the investment, you can sell the investment and then at the end they say that he made 700 grand on his long investment in Wu Zi and try to make it seem like he made the investment because he tweeted he was doing research, it caused the stock to pop and then he sold it. When if you actually just go back to the four days mentioned in here, the company put out two big press releases about customer wins and also sent the stock up.

Edwin Dorsey (23m 32s):
So to me it's he invested in a company he tweeted he was doing research, wanted to get feedback. The company put out two promotional press releases this week, caused the stock to go up. He sells the stock after seeing the research doesn't pan out the way he want it and he moves on and they're trying to say one tweet where he doesn't give a price target, he doesn't even say he owns the stock. He explicitly says he is still doing research that that somehow is predatory market manipulation. Just doesn't make sense to me. There's other part of the complaint where they say he tried to bolster his reputation by planning to manage third party funds at his hedge fund. Where to me, everybody who knows Andrew left, his reputation comes from exposing bad companies not managing third party funds and they say well he was only managing his own money in his fund but he was managing third party funds in like a separate SMA.

Edwin Dorsey (24m 22s):
Who cares if he is managing third party funds and through what method he is. It's not to bolsters reputation that comes from exposing valiant. I could go on and on and on here. To me it seems like government overreach, it seems like they created an unclear gray area around trading around reports and they are picking on him when there is a lot more egregious actors, it creates a big slippery slope in putting research out there. Any short seller is already heavily disincented. It's very tough to be a skeptic and criticize those in power and this is making that more difficult and it just opening up a Pandora's box to let the SEC question about whether anybody's views are sincerely held. So I have a lot of issues with it. I feel like he is being unfairly targeted. I feel like a lot of portions of the SEC complaint and DOJ indictment just don't make sense or are dishonest. So I wrote that article partly because I know other people feel this way, it just, if you're in the finance community, you cannot criticize regulators. No one can do that. Even if you think you are right because then the regulators could turn on you. The unique thing about me is I don't short any stocks. I don't bet against them. So in my view, my hands are like really clean here and I can look at it more objectively and not need to worry about scrutiny on my own behavior.

David Greely (25m 37s):
And I wanted to come back to that point with you because clearly for anyone who is trading in a market, it's a very complicated issue as to what you say publicly and probably it's safer just to say nothing but then that also keeps a lot of interesting insights and news out of

the market where other people could profit from them, profit literally and also just have the benefit of, as you said, you have drawn a pretty clear line for yourself. So how do you draw the line for yourself between writing on short opportunities versus trying to profit from trading on them and then of course there is also the other piece of what you are doing is work. How are you able to fund your work and your investigations outside of trading to listen to you hear it. A lot of it is kind of a trading model either on not for you but for others or kind of either trading themselves or working with a, you called it a balance sheet partner who is profiting from that.

Edwin Dorsey (26m 33s):
So I would say two things right away you hit the nail on the head. I don't short the companies I write about. I don't buy puts, I don't work with a third party balance sheet partner to get compensated in another way. I only make money from reader subscription got a thousand people paying to read my publication. That's how I make money. Most of the people paying for this are hedge funds. They can typically afford to pay a lot. My subscription now it's $640 a year for the barricade and if you got roughly a thousand people, not very much. The model works. So the model just works because enough people are willing to pay for it and finance luckily is a place where people will pay a lot for good and trustworthy information. I think another benefit I get is I gain a lot of credibility by not taking positions.

Edwin Dorsey (27m 18s):
Because anytime you do take a position, people will say you are just trying to get a short term stock move, don't seem as genuine. And there is just a very real incentive. If you are going to get compensated on a single day stock move, then your incentive is to create a big single day stock move and maybe give really low price targets, use inflammatory language like calling GE the biggest FRT since Enron, things like that. So I don't have any of that and I think because of that I am seeing as a lot more credible. Also, when you take huge positions against the stock, like many of these balance sheet partners do people know you are going to need to be covering the position and sometimes they think the reports bad, they will try to squeeze you a little there. A few years ago there was an example, Gotham City Research published on EO.

Edwin Dorsey (28m 03s):
And EO had fallen three days in a row before this big report. It was falling 5% every day and no one had idea why. And the report comes out, there is a huge squeeze in cur and it ends up that day up 10% or something like that because everyone knew there's a huge balance sheet burner that took a huge short position and now they are going need to cover and let's squeeze them and send them back up the other way. When you use these balance sheet partners and you have research that's not that good, I mean people that are that aren't that credible, you get these really funky dynamics. I think in the long run my model can work really, really great. I keep building credibility. Newsletters are very much a scale game. So whether I have a thousand people or 10,000 people paying to read my newsletter, same amount of work 10 times the amount of money I'm in this for the long term.

Edwin Dorsey (28m 49s):
I think obviously it's going to be a lot more easier from a regulatory perspective. I am just writing a popular blog that people like to read rather than taking these positions. A lot of, I think the regulatory scrutiny comes around trading. I think a lot of litigation comes around taking these positions and trading because again, you are incentivized to be a little inflammatory, maybe cut corners a bit. I don't have any of those incentives so I think it's a lot less likely I ever get sued and if I did, I think it's more protected by free speech. My view is I am functioning more or less like a journalist rather than an activist short seller. The final thing I would also add, Dave, is I don't really view these as short recommendations. The titles are always problems at X, Y, Z company. I do my everything I can to not be inflammatory and be understated and let the evidence speak for itself.

Edwin Dorsey (29m 38s):
I never provide price targets. I never explicitly say to sell. The way I hope people use the barricade is they subscribe and they say, Edwin will give me 24 off the beaten path ideas that I can use as my early stage of research. So I am going to going to get ideas, things people aren't talking about, things that are more off the beaten path. I'm not going to tell you about Tesla and Carvana. I am going to tell you about the joint climate fitness and more obscure stuff and you can use that as your early stage research. I wanted people to not view it as like short recommendations but rather early stage idea generation that's differentiated and in aggregate, if you look at the barricade, it tends, the companies I write on tend to underperform by a lot over the long term, which shows that I am adding value and I'm not just spewing nonsense. So those, those are all factors to keep in mind in the short run. You can't really make more than trying to get single day stock moves and working with a balance sheet partner. But in the long term I think this will lend credibility and I think my model will work.

David Greely (30m 36s):
I was curious, you know on this podcast we often focus on larger systemic issues in markets. Are there certain common themes or patterns that we're seeing over and over that maybe we need to do something about that's more than just a problem at a particular company. So I was curious, when you think about some of the companies you are writing about now, are there common themes that you see kind of popping up or is it really quite idiosyncratic? I guess what I am trying to say is are there some patterns we could be looking at and asking ourselves, how do we make our markets better so that those same patterns don't keep repeating?

Edwin Dorsey (31m 12s):
Maybe let me take it from three different ways. First, one pattern of companies I look at right now is just who's going to be affected by artificial intelligence? I think people in the market try to get really fancy coming up with short ideas, short Duolingo, it will be easy to their languages. Even though the CEO's talented, I am looking for the basic cookie cutter, like lowest, simplest, short thesis, short check the homework help company, you don't need it anymore when you can just ask AI and that's been a phenomenal short down 80% since I wrote on them. I say short tele-performance, a call center company is, call centers are largely going to be replaced with AI agents. Short task us as basic business process outsourcer employing tens of thousand people in the Philippines is that type of work where you are paying someone $5 a day to do really menial labor is going to be replaced by AI.

Edwin Dorsey (31m 59s):
So I am looking a lot at AI just as a theme of companies to look at in terms of like a granular thing that that I see as a pattern. And a lot of companies I write about, I see a lot around tough to cancel subscriptions and unethical billing processes. So I think right now, if you are just a company and you refuse to cancel people's subscriptions, especially if you don't have the risk of credit card disputes 'cause it's direct debit or a CH, there's no real accountability for that. I think it's so ridiculous and we are in 2024 and some businesses, when you go to cancel make you call a number, you should always be able to cancel online. I'm okay with maybe one or two pop-ups. Jake has literally six prompts you need to go through to cancel your subscription. Broadly speaking, it should be about as easy to cancel as it is to sign up.

Edwin Dorsey (32m 43s):
I don't think it should ever take more than a minute. I don't think you should ever need to bring a phone out. And the types of businesses playing those games I think are going to suffer because once it becomes easier to cancel either through regulation or being able to dispute debit card transactions, they're going to lose a large portion of their customer base. I joke, I feel like Planet Fitness is an illegal billing operation with gyms on the side rather than a gym. So that's a granular thing and then in terms of a broad regulatory thing, I would like seeing done, David, to get the markets better. I want to see more individual accountability at companies. I don't think finding a company is an effective way of changing behavior. If you go to a CEO and say, Hey, if you do this unethical or questionable or gray area thing, the company could profit a huge amount of money, but we could face this spy, the CEO is going to say, well, I need to act in the best interest of shareholders.

Edwin Dorsey (33m 35s):
I'm obligated to do this thing to maximize the amount of money we are, and that's my job. We are going to work in the best interest of shareholders and we are going to take this risk. But if you go to a CEO with the same issue and say, look, this company could do something in a gray area to earn a large amount of money, but tell the CEO, there's a chance you will be fined and your name will be in a press release and regulators will go after you as the executive in charge. You will say, I would never do such a thing. My reputation matters. So I think when you make it about holding CEOs accountable and c-suite executives accountable, rather than just finding a faceless company, I think that is how you get real behavior to change. So I would love to see, don't find a company, find the individuals who do misconduct.

Edwin Dorsey (34m 16s):
Companies don't do misconduct, individuals do cultures do and hold the people accountable. Who created that culture. I think Wells Fargo kind of got it right going after the CEO and the executives there. I would love to see that more and more and more. Also, some accountability for boards. A board position is a wonderful position. You get paid hundreds of thousands of dollars a year, you get status and you don't need to do much. And here, even when you don't do your job and everything goes bad, you don't even get the money clawed back. There should be a lot when a bank fails all the board members on the bank, you know, pay back five years. Bank failures have a huge negative societal externality. Why doesn't anybody get held accountable other than the taxpayer? I would love to see more individual accountability.

David Greely (34m 56s):
Accountability, short-term, greedy at the expense of long-term growth by hurting your customers areas that are being disrupted by new technology like AI. Is that kind of a fair summary?

Edwin Dorsey (35m 08s):
I think that's a great summary. Dave,

David Greely (35m 10s):
Thank you so much for walking us through this and what you are doing at Bear Cave and what we can be thinking about to make markets better. Before I let you go, I wanted to ask you, this is our summer playlist series and it's become a tradition to ask each of our guests what's on their personal beach reading list this summer. So before I let you go, I wanted to ask you, what are you reading this summer, Edwin?

Edwin Dorsey (35m 31s):
I love that question. Dave. I am reading *Black Girl from Pyongyang*. It's a book by this woman named Monica Macias, who is probably the most fascinating person you have never heard of. Her father, biological father was this dictator, an Equatorial Guinea named Macias, who was accused of some of the most horrific crimes imaginable under him. Equatorial Guinea became very poverty stricken. Hundreds of thousands of people died. The country went in disarray. He was ultimately overthrown by his nephew and lost power. His nephew has now been leader for 80 years and this guy was so isolated from the international community, he only had one friend and that was the leaders of North Korea. When his leadership was toppling, he sent his family and his daughter to live in North Korea under Kimmel sang the dictator there. So this woman was born to one dictator, lived in North Korea under another, and then moved to the US or I think she lives in London now, so she seems like a much more well-rounded person than the people she grew up with. It was interesting to see her takes on having a dictator accused of very bad things as a father who died when she was like eight, living in North Korea with another dictator family, and then now becoming an independent woman.

David Greely (36m 50s):
Thanks again to Edwin Dorsey, author of the Bear Cave on Substack. We hope you enjoyed the episode. We will be back next week with another episode of our Summer Playlist 2024. We hope you will join us.

Announcer (37m 04s):
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