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Mutual Funds

Alger Rallies After 9/11 Attack

Management Is Rebuilt

Sticking to its approach, the growth-oriented firm has been beating market

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The Sept. 11 terrorist attack in Manhattan knocked Fred Alger Management down. But the firm is confident it will not be knocked out.

All 35 Alger employees in the north tower of the World Trade Center died. The victims included firm president and star manager David Alger.

Right away shareholders wondered whether to stay with the firm — or even if it could survive.

At stake was the future of \$12.4 billion under management, including \$4.5 billion in the firm's 13 nonannuity mutual funds.

"I put a 'sell' on Spectra Fund," said Eric Kobren, publisher of FundsNet Insight. "We downgraded it because we didn't know who was running its money."

Kobren tracks \$591.9 million Spectra because, as a no-load fund, it can be bought without using a broker.

Recruiting Alumni

But Fred Alger Management is fighting to stay alive.

The firm has replaced fallen managers and analysts. Several recruits are Alger alumni.

"That helps us maintain continuity of company culture," said Dan Chung, newly named chief investment officer. At an analysts' meeting on Sept. 11, Chung was the only one of six Alger managers to survive the attack.

Fred Alger, firm founder and David's brother, has resumed the reins as chief executive. He had remained chairman even after moving to Switzerland in 1995.

All along, the firm continued to operate from backup quarters in Morristown, N.J., and an administrative site in Jersey City. Alger's investment team and trad-

ers are moving to midtown Manhattan quarters at 111 Fifth Ave. in January.

The firm has outperformed the S&P 500 index since the market reopened Sept. 17.

The firm's 11 nonannuity portfolios that are old enough to be tracked by Morningstar Inc. averaged a 3.11% gain through Nov. 6. The benchmark averaged a 2.62% loss.

That was better than before. Year-to-date through Nov. 6, the funds averaged a loss of almost 18%. The bogey lost about 14.5%.

"We're not investing differently," said Chung, who is 39 years old. "We continue to look for growth companies, companies outperforming their industries, companies with new or emerging products and companies with life cycle changes." IBD's Growth Funds Vs. Value Funds graphic on A17 shows that growth funds started outperforming value funds last month.

Life-cycle changes involve new managers or regulatory changes.

A new investment is in place. Beside his other duties, Chung manages the firm's mid-cap funds. He also runs the equity portion of Alger's balanced portfolios. He co-manages its large-cap offerings. And he runs tech portfolios that the firm subsidizes for Enterprise Funds.

Dave Hyun co-manages large-cap portfolios. And he runs Alger's all-cap portfolios, including Spectra, \$847.9 million Capital Appreciation and \$220.4 million Retirement Capital Appreciation funds.

Hyun returned to Alger from Oppenhe-

merFunds, where he ran \$346 million Enterprise Fund. He was an analyst and portfolio manager for Alger until 2000.

Former analyst Jill Greenwald returned as manager of small-cap portfolios. She had been a money manager at Seligman.

Alison Barbi runs the fixed-income part of \$317.4 million Alger Balanced and Retirement Balanced.

Back On Its Feet

The steps seem to be working.

The firm says New Hampshire state, which withdrew about \$175 million from a separate account, has returned with a total of \$200 million for Alger to manage.

And insurer American Skandia, which hired Massachusetts Financial Services to co-manage the \$835 million it had with Alger, is considering giving Alger sole power over all the money again, the firm says.

Newsletter publisher Kobren says he has upgraded Spectra to a "hold."

"They hired back people who are familiar with the firm and its investment process," he said. "They also sold a number of tech positions. And they increased their health care weighting. That showed the fund is being actively managed."

Several Alger funds have closed positions in Calpine, Charles Schwab and Stilwell Financial since Sept. 17.

The group's buys include Immunex, Eli Lilly, Merck, Pepsi, Qualcomm and Washington Mutual.

Looking Up

Alger funds' performance before and after Sept. 11

Fund name	YTD return*	Return since Sept. 17*	Net assets, in millions
Alger LargeCap Growth	-16.31%	3.28%	\$1,055
Alger Small Capitalization	-36.15	2.05	249
Alger Growth Retirement	-15.85	3.49	108
Alger Small Capitalization Retirement	-33.13	3.73	127
Alger MidCap Growth Retirement	-12.56	1.84	229
Alger Capital Appreciation Retirement	-20.87	4.61	220
Alger Balanced	-4.80	3.38	343
Alger MidCap Growth	-13.76	1.79	772
Alger Capital Appreciation	-22.49	4.82	1,062
Spectra	-21.39	5.22	591

Source: Morningstar Inc.

*through Nov. 6

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