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Super Talents

Lifting the masks off some unsung heroes

(the following has been excerpted:)

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EVERY MUTUAL-FUND COMPANY claims to perform its own investment research. They say it right there on their Websites, don't they? Well, when it comes to fund families, not all "research" is created equal. For the majority of firms, analysts are essentially fund managers in waiting, recent business-school recruits expected to move on to portfolio-running duties as soon as they learn the ropes. Just as it is in the army, the credo often is "up or out" — advance to the next career stage or go elsewhere.

Then there are the truly research-intensive shops, those that maintain a deep in-house team of veteran, career analysts charged with combing the markets for fresh ideas and pitching them to the firm's fund managers.

This distinction isn't widely understood, mainly because in the fund business, it's the managers who hog the spotlight, mugging for the cameras in good times and dancing as fast as they can to keep their jobs in bad.

But at those firms where independent, intensive and rigorous investment research is performed, it is the analysts, laboring in obscurity, who generate many of the stock picks and market calls that make or break performance. Their efforts allow portfolio chiefs to rely less on the often-biased and ill-suited stock recommendations from Wall Street brokerage houses, boosting their chances of staying ahead of the pack.

In seeking a selection of outstanding bysides analysts to shine a light on, Bar-

ron's focused on those firms that prize true fundamental research, where analysts stand on equal footing with managers and participate with them in vigorous to-and-fro debate about investment strategy and tactics.

Dan Chung
Fred Alger Management

FRED ALGER MANAGEMENT HAS BEEN a launching pad for some of the most successful money managers in the business. The firm has birthed Janus luminaries Jim Goff, Helen Young Hayes and Warren Lammert and ex-Janus manager Tom Marsico.

Dan Chung could be the next star. The head of Alger's Internet analysts, Chung spends part of his time analyzing companies and part challenging other analysts on their ideas. He describes his leadership style as "more cheerleader than Patton."

Chung worked as a tax lawyer after graduating from Harvard Law School in 1987 and completing a year as a clerk for Supreme Court Justice Anthony Kennedy. His focus on tax law taught him about the financial gear works of corporate transactions, and he came to find finance more interesting than law.

At Alger, he worked his way up from junior analyst by carving out the Internet-research specialty for himself. A 1995 investment in America Online has paid off well for Alger investors and got Chung going onto other Internet stocks such as UUNet, Netscape, Spyglass, Excite and Lycos.

Chung also follows networking infrastructure companies such as Cisco Systems, and business-to-business Internet



firms. At Alger, analysts construct their own financial models for each company, then defend their ideas to other analysts and portfolio managers. "This firm is kind of famous for back and forth," Chung says. "This is a very intense place, make no mistake about it."

Chung looks for what he calls "inflection points" that can change the fate of businesses, which can lead to winning stock ideas. Although technology stocks were hit hard in 2000, Chung says they still have attractive growth rates relative to the rest of the stock market.

Take eBay. The online auctioneer dominates its business, and Chung expects it to double its earnings this year. Because the capital expenditures to set up the auction system have been made, Chung says eBay will be able to expand its margins dramatically as traffic grows on its site. He sees the stock hitting 75, up from 30. eBay also can do well in a slowing economy because people will still want to buy some items cheaply online — and liquidate others — when money gets tight.

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	America Online Inc.	eBay Inc.
Alger Small Capitalization	0.00%	0.00%
Alger MidCap Growth	0.00%	1.89%
Alger LargeCap Growth	1.33%	3.69%
Alger Balanced	1.41%	3.57%
Alger Capital Appreciation	1.01%	3.42%
Spectra Fund	1.02%	3.47%
Alger Retirement Small Capitalization	0.00%	0.00%
Alger Retirement Growth	1.37%	3.74%
Alger Retirement MidCap Growth	0.00%	2.10%
Alger Retirement Capital Appreciation	1.02%	3.46%
Alger Retirement Socially Responsible	1.28%	3.56%
Alger Retirement Balanced	0.00%	0.00%

