

## Excerpt from the book “Raging Bull” by David Alger (1991)

### WHY NOT FERRARIS?

Investing in growth stocks or in funds specializing in growth stocks will be a smart move in the 90s. You may ask why should any class of assets (stocks, bonds, etc.) be preferable to any other when it comes to making money? The answer is that there is probably no class of assets that can always be considered the preferred form of investing. All assets have price ranges within which they will trade. Moreover, all assets will change valuation, depending on the circumstances prevalent during a given period of time. However, certain kinds of assets have advantages that others don't. For example, a vintage Ferrari can give its owner great pleasure. It is fun to drive and beautiful to look at. It also confers a certain amount of prestige. A mansion in Beverly Hills also confers prestige and, in addition, provides extremely agreeable shelter. An Impressionist painting gives aesthetic enjoyment. It, too, confers prestige. All of these assets have one other thing in common, they have all appreciated greatly during the last 10 years.

What then are the advantages conferred by common stock? As we have seen, common stocks do not necessarily appreciate as much as do other assets during all periods of time. Indeed, when the stock market hit 3,000 earlier in 1991 (as measured by the Dow Jones Industrial Average), it was only selling for triple the highest price it attained in the mid-1960s. By contrast, a cooperative apartment in New York City on Park Avenue might, on average, have appreciated by 15 times over the same period, even though prices have come down recently.