

DAVID

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DAVID ALGER, PRESIDENT AND CHIEF INVESTMENT officer of the Alger Fund, says that “people get very confused about us.” Especially when it comes to describing his firm’s investing style.

No wonder. On the one hand, Alger, 53, is known for his fast and frenetic trading. Consider the record of his Alger Capital Appreciation Portfolio, which in 1995 registered gains of 79 percent while similar funds averaged 35 percent. Alger grabbed those gains through huge turnover—in one year, every stock in his portfolio was replaced 2.32 times.

On the other hand, Alger might stick to a stock even when the rest of the known universe is dumping it. In 1993, for example, Alger took a large stake in McCaw Cellular, one of the year’s big tech stocks. Suddenly, a ghastly national news story appeared alleging that cell phones posed a risk of brain cancer. Many investors dumped McCaw, but Alger held on, not only surviving the slide but establishing an excellent position for himself when the stock resumed its climb later that year.

The thread common to both moves can be summed up in one word: research. Alger, whose firm now operates six growth-stock funds and a money-market fund, relies heavily on 18 in-house analysts. “We do all of our work based on really solid fundamental research,” he says. “We are not momentum players. I don’t trade for five-point swings.”

Alger’s brother, Fred, was known as one of the hottest money managers in town when he founded Fred Alger Management in the mid-1960s. David went to work for Fred as an analyst in 1971. He underwent the requisite baptism by fire during the 1973 correction, when the company’s premier fund of the period (no longer in existence) fell by 23 percent.

Things have never been quite as tough since (though there was the matter of the 32.7 percent dip in Alger Growth in the fall of 1987), but Alger expects occasional difficulties. “Our history has been one of having two mediocre years followed by a spectacular year,” he says, “and it tends to work for us. Last year was awful; I’m not shrinking from it. But the values are there for a spectacular growth-stock market within the next two years.”

Alger often takes huge positions in technology companies—as much as 55 percent of his Alger Small Capitalization Portfolio was invested in tech stocks in 1995. And he has been riding the tech roller coaster. Small Cap was the market’s top performer in 1995—up 48.9 percent—and then turned into a

real stinker last year, when it was up just 4 percent.

Lately, Alger has put much of his energy into Spectra, a small aggressive-growth fund. Spectra has actually been around since 1975, but between 1978 and late 1995 was a closed-end fund. When Alger brought the fund into the open-end market, he immediately pumped 40 percent of its assets into technology stocks like Ascend Communications (Nasdaq: ASND) and Cisco Systems (Nasdaq: CSCO), and the fund more than doubled in size, to \$25 million. Spectra (which is listed separately, not under the Alger name) has beaten the Standard & Poor’s 500 Stock Index by a minimum of three annualized percentage points for the past 3-, 5-, 10-, 15-, and 20-year rating periods.

Alger has 26 years’ worth of perspective on the dips and rises in Spectra and in all his funds. “When we get a lot of press coverage, it doesn’t make me impressed by myself,” he says. “I talk to everyone in the press because it’s good for busi-



It’s not really burning: Alger loves to trade, but he can stick with a troubled stock.

ness, but I don’t really believe that I’m a brilliant guy. My head doesn’t get so swollen on the good days that I get really depressed on the bad days. I’ve been through this before.”

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