

# Tech investor weathers stock market storm

**BY DIANE MERMIGAS**  
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The bumpy stock market has thrown some high-tech investors off the track in the past year. But Steven Abernathy is not one of them.

Mr. Abernathy, hired several years ago to form his own investor group at Cowen & Co., specializes in what he calls "Interactive Investing™" for technology and healthcare professionals.

In this case, interactive isn't a new-media game. It refers to Mr. Abernathy's reliance on the industry insight of leading technology and media executives, many of whom set the trends and the agendas at their companies.

Many of those same executives are investors in The Steven Abernathy Group, which Mr. Abernathy says goes a step beyond the usual investment house research on the 250 or so companies he tracks.

His approach has paid off by delivering 80 percent long-term capital gains for clients over the past two years, he said.

His group invests in only about a dozen of the companies he follows at any given time.

The Abernathy Group continues to steadily grow its investment funds from \$45 million in 1994 to \$100 million in 1995. Mr. Abernathy says he expects the funds—which have outdistanced both the Dow Jones Industrial Average and the Standard & Poor's 500 Index in recent years—to double in size again in 1996, with contributions from individual investors, corporations and pension funds who add value.

Having placed so much stock in technology companies—which until 1995 led the stock market with their strong, steady growth—Mr. Abernathy says he is not concerned about major downward adjustments in a market that has wildly spiraled past the 5200 mark recently.

For example, when the mar-

ket plummeted more than 100 points on Dec. 18, technology stocks lost most of the ground.

"Everyone has to understand we're in a long-term secular market and a changing U.S. economy. People make a grave mistake trying to learn from history, applying it, and moving it forward. There's never been a period like the one we're in," said Mr. Abernathy, formerly a senior vice president at Shearson Lehman.

While the U.S. economy continues its shift from an industrial to a technology-based society, "it is impossible for the technology sector to lose its luster" despite the periodic downward adjustments, Mr. Abernathy said.

The best way to counter swings in the marketplace is to identify well-managed companies with visionary managers and a long-term game plan that appears to make the most of new opportunities, and "then dig in for the long-term," he said.

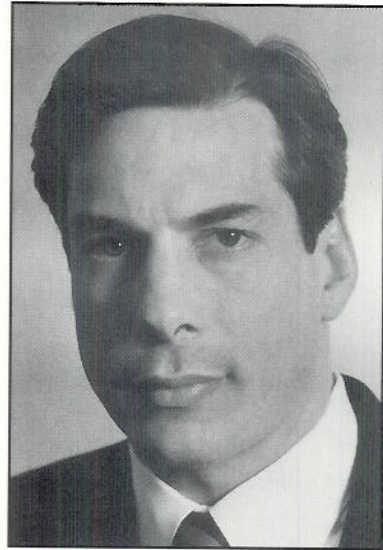
A belief that every desk will eventually be equipped with a computer that can access a world of information, services and entertainment is what attracts more companies and investors to the new-media fray.

However, Mr. Abernathy says, few of the participants understand both the technical and the content sides of the emerging businesses.

"That's where our network of about 120 experts comes in. Whether they are at Bell Labs or at Warner Bros., they keep us apprised of industry trends and situations which can dramatically impact on these companies and their industries. It's taking the pulse of these companies every day," Mr. Abernathy said.

These "shared alliances" have led him to some unlikely investments, in the form of small, specialized companies, which have since paid off handsomely.

One notable example is Zylogics, a \$20 million company that sold for \$5 a share four years ago



**STEVEN ABERNATHY**  
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and has appreciated into a \$500 million company at \$75 a share.

Among the kinds of companies to keep an eye on are those that produce "middleware," which is software that allows diverse media to be made compatible, such as cable TV and computers. Other growth companies are involved in different forms of interactivity.

The estimated 250 companies in which his group invests or recommends range from concerns as small as \$40 million to a \$30 billion entity like Time Warner.

Most of the companies he follows and invests in maintain a 15 percent to 20 percent annual growth rate.

About 70 percent of the smaller companies his group follows never develop into larger concerns. They remain small and narrowly focused with market capitalizations of under \$1 billion.

As long as interest rates remain low, some of these smaller, successful firms will be bought out by bigger software and hardware companies, which can offer investors a windfall of profits, according to Mr. Abernathy.

"The best thing and the most difficult thing," he says, "is to be patient and stable."#