Reprinted from BARRON'S

February 21, 1994

Leaders of the Pack

How Heavy-Hitter Money Managers Did in '93

By JAYE SCHOLL

LOS ANGELES — The 1993 year-end results of the Money Manager Verified Ratings have been tallied, and as usual, the investment performances of the top managers are so dazzling as to skirt the rim of unreality.

Jean Pierre Aguilar, a Parisian who has a facility for statistics and computers, leveraged his $4 million Capital Futures portfolio to the hilt and gained 178.2% for the year. That put him first in the Money Manager Verified Ratings aggressive-growth division.

The two other categories of investment strategies, conservative growth and low risk, were led by two friends who share a knack for buying and selling mutual funds at the right time. Nick Kardasis of Kinemarket Research in Wellesley, Mass., traded in and out of gold funds in 1993 and made 104.7% for his portfolio. In the low-risk division, Gil Blake of Twenty Plus registered a 65.5% return for the $20 million or so that he manages for his family and close friends in Weston, Mass. Blake has won every year since Money Manager Verified Ratings was established in 1989.

Almost as remarkable as the investment returns, however, is the fact that so few of the top performers pay homage to the conventional idea that nothing can beat a strategy of buying and holding stocks. In the low-risk category, for example, six of the seven top performers made money by timing mutual funds.

Similarly, the 14 top-performing portfolios in the conservative growth division were run by mutual-fund timers or, more often, hedge-fund managers, who typically hold both long and short equity positions, trade options and use arbitrage. The portfolios of aggressive-growth managers, meanwhile, resemble financial versions of Paul Simon's world music, with holdings in everything from Chilean infrastructure stocks to Russian vouchers to the Australian dollar and plays on the Nikkei Index.

A number of the managers vastly outperformed the Standard & Poor's 500 Index, which was up only 7% before dividends in 1993. Of the 209 managers who participated, 140 reported positive returns for the year. Not reporting, but nevertheless in possession of a spectacular record for 1993, were Michael Iles and Barclay Isherwood. The Canadian duo racked up a 196% gain by holding four technology stocks in their $17 million portfolio. They dropped out of the program late last year in a bid to keep their assets — and egos — under control.

In 1992, by contrast, fewer than half of the money managers beat the S&P's modest gain. That so many beat the market this time is largely attributable to rising securities prices here and in many foreign markets. As some sage suggested long ago, there may be considerable confusion between genius and a bull market.

Steven Abernathy

Robin Holland for Barron's

The fact that unconventional managers dominate his performance rankings comes as no surprise to Norman Zadeh, the unconventional creator of the Money Manager Verified Rating Service and its smaller sister, the U.S. Investing Championship. "Historically, hedge-fund managers have had higher returns than traditional managers," notes Zadeh. "In part, that's because the opportunity to earn a percentage of profits has attracted many of the world's top managers to hedge funds — Peter Lynch being an obvious exception."

Mutual-fund timers are crowded at the top of the low-risk performance tables partly because there are more of them than ever before. In addition, however, they have an advantage over their competitors in the low-risk division who, by and large, run balanced portfolios that hold half stocks and half bonds. For the purposes of his service, Zadeh considers mutual-fund timers who remain in cash most of the time low-risk, even though they may buy volatile funds.

"Mutual-fund timers also have an advantage over underlying fund managers because they can get out of the market at a moment's notice without any slippage," adds Zadeh, a former mathematics professor and professional poker player. "Furthermore, mutual-fund timers can rotate quickly from one high-performing sector to another, which the underlying fund managers obviously can't do."

Ralph Doudera's Spectrum Multi-Bond Seasonal portfolio placed second to Blake in the low-risk division, up 38.1%. It was the third consecutive year that Doudera, who times mutual funds from his headquarters in Virginia Beach, Va., has ranked second.

Doudera rotates the $150 million he has under management through 100 Fidelity sector funds. "I began 1993 investing in Japan, moved to real estate, then to telecommunica-

(over please)

tions, then to Asia and then to emerging market funds," reports Doudera. "I didn't buy gold funds because of the high risk in trading them." As of mid-February, he had split his assets 50-50 between Latin American and health-care funds. Usually he holds his positions just over 30 days to avoid big redemption fees.

Stalker Advisory Services, which placed third in the low-risk division, is run by Michael Stalker, an engaging 38-year-old who moved to Eugene, Ore., a few years ago to escape the stresses of life in Orange County, Calif. "It's nice here," Stalker declares, "but you know how, when someone gunned down five people at McDonald's, and it would be headlines for days? Here, one person gets murdered or raped and it's the same big headlines, so in a way, there's still the stress."

Before he left Southern California, Stalker established an advisory relationship with a couple of wealthy doctors with relatively modest investment goals: Both wanted to acquire $2 million in assets. "We accomplished that," says Stalker, using what he calls a value-driven asset-allocation strategy.

He bought shares in a Philippines closed-end fund in 1991, in what turned out to be a value trough. He bought shares in the Mexico Fund before Congress passed the North American Free Trade Agreement, and shortly thereafter, he bet on Chile as a natural-resource investment play and as a candidate for the next major trading agreement. "It's more important to pick the right market than the right stocks, particularly in foreign stocks," comments Stalker. More recently, he has taken a position in health-care stocks on the theory that much of the risk of health-care reform has already been wrung out of the group.

In the conservative growth division, Victor Resnick finished just behind Kardasis, with a 99.2% gain. Resnick buys stocks in companies with earnings that are better than Wall Street's estimates. "I consider myself the first momentum investor on Wall Street," says Resnick, who credits a physics professor named Bert Fabricant with introducing the concept to him 20 years ago. Last year, Resnick caught the Big Mo in financial stocks, computer networking, autos and semiconductors.

Once he senses the momentum has faltered, Resnick quickly sells the stock, and often shorts it for the ride south. He also tries to hedge his positions — unless he's dead sure of a stock. Last week, his hedges found him long **Tel-Labs** but short **NewBridge**. He's still very bullish on semi-conductors, so he's long **Micron** and **KLA Instruments**, two stocks for which he sees big upside potential, and short **Intel**. He's long **Citicorp** and short **BankAmerica**, long **Chrysler** and short **GM** and **Ford**. But there's no hedging about **Nike**, which Resnick dismisses with his characteristic staccato analysis: "Great fad, but it's history."

Zadeh defines aggressive growth as any investing that involves margin, futures, options or stocks with high volatility. That pretty much sums up the approach of Jean Pierre Aguilar, whose Capital Futures Investments finished first in the aggressive-growth category. Aguilar is the former partner of Bruno Combier, who burned up the performance charts in Zadeh's program a few years ago, and who, incidentally, finished up 20.6% for 1993.

Aguilar, a 33-year-old who holds a double degree in statistics and computer science, plays the futures markets around the world, trading long- and short-term interest rates, currencies, stock indexes and commodities. Aguilar manages $80 million for Global Futures Management, a British Virgin Islands off-shore fund that is not open to U.S. citizens, and three French funds. He uses the same approach for all funds, but only Capital Futures Investments, the $4 millon account that Aguilar submitted to Zadeh, was leveraged 100%. His funds without leverage gained 30% for the year.

"If people like this kind of risk, we can do it for them," Aguilar says. His fees are steep compared with those found in the U.S. He charges 3% of assets under management and takes 25% of the trading profits.

Some 3,000 miles away from Aguilar, and an even greater distance philosophically, is Steven Abernathy of Cowen & Co. in New York. Abernathy placed second in aggressive growth and third in conservative growth.

Abernathy is anything but a cool and detached observer of the investment scene. He spends his days running biotech investment ideas past some of the 200 scientists his group has assembled as both clients and experts, interviewing top management and ruminating over the investment tracks left by the likes of communications mogul John Kluge. "We favor really strong detective work," says the native Virginian. "We're much more subjective than quantitative investors."

Abernathy bought **Orion Pictures** after it emerged from bankruptcy last November, alerted to the company by what is now Kluge's 57% equity position. Abernathy has sketched an intriguing scenario whereby Kluge, who also owns 25% of LDDS Communications, a long-distance telephone company, builds another communications empire: "He has a foothold in the long-distance carrier through

Ranking Money Managers
(Of $1 Million-Plus Portfolios)

Aggressive Growth

Company (Manager)	1993 %Gain	Company (Manager)	1993 %Gain	Company (Manager)	1993 %Gain
Capital Futures Mgmt	178.2	Famco Capital Partners (Ken Funsten)	52.1	Nordek Associates	32.6
Steven Abernathy	147.2	Oxbridge Associates	49.4	Cedd Moses	31.6
David Dewind	136.0	Kenmar Performance Partners	48.3	Stephen Flaks Investments	31.5
Fortuna Inv Partners (Vannuki/Brenner)	91.2	M.D. Sass Partners	47.8	James Dines	29.4
Lawrence Fund	81.6	Hedge Ventures (Gary Pokiok)	47.4	McKinley Capital Appreciation Fund	28.8
Manhattan Equity Partners (Andrew Weiss)	76.0	R.L. Capital Partners (Ronald Lazar)	46.3	JJL Partners (James J. Leonard)	28.4
Marmolejo & Associates (Mexico)	65.0	John Lam	45.9	Camco Tactical Return Partners	21.9
Hanseatic	64.6	McKinley Capital	43.3	Bruno Combier	20.6
Decameron Partners	56.1	Darwin Partners (Tom T. Hamilton)	41.2	Classic Asset Mgmt (Eduardo P. Lluria)	16.0
Shoreline Fund	55.5	Holmes Partners	39.1	Bay Capital (Robert Thompson)	13.0
Rockies Fund (Stephen Calandrella)	54.2	Jenna Partners	33.7	The Insighter	10.7

LDDS and a foothold in a content company with Orion. All he needs is a cable company to deliver the information locally."

Orion was up a point to $6.50 a share last week on rumors that Barry Diller, licking his wounds, or chops, after losing the Paramount takeover, had met with ny with $2 a share in cash flow and a library of more than 750 films and television shows.

Abernathy remains infatuated with **Merck**. He's also long two companies that help patients absorb drugs more easily, **Alza** and **Matrix Pharmaceuticals**. Matrix makes time-release cap- from its cash reserves in 1994. While demurring from giving specifics, Abernathy sees earnings beginning to flow to the bottom line in 1995, and "going through the roof" in 1996.

Alza, a Big Board stock, is trading around $23 a share, considerably below its high of $36. Alza will earn 90 cents this year and $1.30 in '95. The Street does not share his enthusiasm for these two drug-delivery stocks, in part because competitors have appeared on the scene.

Between his Southern heritage and his exuberance for biotechnology and telecommunications,

Ranking Money Managers

(Of $1 Million-Plus Portfolios)

Conservative Growth

Company (Manager)	1993 %Gain
Kinemarket Research (Nick Kardasis)	104.7
Victor Resnick Investments	99.2
Steven Abernathy	63.8
Boston Provident Partners	56.5
Spectrum Sector	56.3
Marin Capital Mgmt Intl (Eric Fry)	51.3
Bedford Falls Investors	50.3
Marmolejo & Associates (Mexico)	48.1
Redwood Asset Mgmt (S. Braverman)	44.5
Mark Inglehart	43.0
Fundamental Growth Partners (William Saeger)	42.0
M.D. Sass Universe Partnership	38.9
West Highland Asset Mgmt (Paul Frank)	36.2
John Bowen Investment Mgmt	36.1
JMG Capital Partners (Jonathan Glaser)	35.3
Paul Mahler	34.8
TJS Partners (Thomas J. Salvatore)	34.8
Kennedy Capital Management	32.6
Duck Partners (Mitch Hull)	32.2
Wertheim (FMA) High Yield Partnership	32.2
Cedd Moses	31.3
Cain Sector Dimensions (Cain/Spicker)	30.5

Company (Manager)	1993 %Gain
Curators Capital Mgmt	29.3
Niemann Capital Mgmt	29.1
Garret Nagle & Co.	29.1
Conarb Partners (Murray Rubin)	28.5
F. Martin Koenig (Long Only)	28.3
Lamoreaux Partners	28.3
ICM Asset Mgmt	27.6
T. H. Fitzgerald	26.7
Growth Fund Mgmt (Ben Howe)	26.6
Bob Kargenian (Prudential Securities)	26.0
Sierra Investment Mgmt	25.5
Cain Asset Mgmt	24.5
Impact Financial (Mertes/Murray)	24.4
Cambridge Financial Group (Bauer/Newsome)	23.7
Sondra Taggart	23.6
Infinet Advisory (Morris C. Weisner)	23.5
PaineWebber PMP/Dan Murphy	22.7
Rachor Investment Advisory Services	22.5
Zavanelli Portfolio Research	22.3
Signalert-Appel	22.2
Woodside Asset Mgmt	22.2
Michael Ball	21.8

Company (Manager)	1993 %Gain
Professional Sector Mgmt (M. Ratner)	20.2
Ernst Bank Equity Fund (Robert Bonelli)	19.5
Beacon Equity Advisors (Bernard Schaeffer)	18.1
Fixed Plus Partners (John R. Crowley)	18.0
Astoria Capital Partners	16.7
Bollinger Capital Mgmt	16.5
Akre Capital Mgmt	16.3
Davidson Kempner Partners	15.7
Taylor Capital Mgmt (David C. Taylor)	14.9
Newport Investment Advisors (Ken Holeski)	14.3
Camco Associates	13.5
Fully Hedged Parnters (Barry Zwick)	13.4
Hutchinson/Ifrah Capital Mgmt (P. Huberman)	12.9
Cambridge Capital Mgmt (Peter Huberman)	12.6
Tealwood Asset Mgmt	12.4
Cambridge Equity Advisors	11.3
Excalibur Fund (Jonathan Merriman)	11.0
MRK Capital Mgmt	10.9
Sumnicht & Assoc. (Vern Sumnicht)	10.7
Rohden Capital Mgmt	9.9
Investment Counselors	8.5
PW Partners (Purdy/Wright)	2.0

Kluge. "I don't see Kluge selling Orion to Diller. Kluge is an acquirer," argues Abernathy. Still, Abernathy concedes that Orion has an appeal as a compa- sules. The company, with 10 million shares trading on the Nasdaq system for about $11.75 a share, won't make any money beyond some interest income The company's product permits anti-cancer drugs to be injected locally, sparing patients some of the unpleasant side effects of chemotherapy. Abernathy thinks Abernathy makes compelling arguments for his allocation of the $60 million or so he has under management: "You can buy the airlines and steel and all

Ranking Money Managers

(Of $1 Million-Plus Portfolios)

Low Risk

Company (Manager)	1993 %Gain
Twenty Plus (Gil Blake)	65.5
Spectrum Multi-Bond Seasonal	38.1
Stalker Advisory Services (Michael Stalker)	31.5
Butterfield/Grawe	28.1
LPL Financial Services (Erwine Marine)	24.7
Lori Cooper (Don Linse)	23.7
Trendline Research (Jeffrey Roberts)	22.4
Firebird Partners (Douglas Friedenberg)	22.3
Neil Sirotkin	21.3
Private Mgmt Group (D. Reiland)	21.0
Gerbracht Associates (Don Gerbacht)	20.6
Cedd Moses	19.8
Harding Capital (Sy and Jeff Harding)	18.6
Lindahl Cash Mgmt	17.4

Company (Manager)	1993 %Gain
James Investment Mgmt (Kenneth James)	17.0
Newport Investment Advisors (Ken Holeski)	16.6
ICM Asset Mgmt	16.1
Aragorn (David M. Sutcliffe)	15.8
Capital Growth Mgmt.	14.5
Sarantos	14.5
Altos Financial (David Hildreth)	14.4
Dominion Financial Services (Jim Edwards)	13.3
Fixed Plus Cash	13.2
Arka Securities (Daniel Barba)	13.1
Bay Capital (Robert Thompson)	11.8
Ranchor Investment Advisory Services	11.4
Protected Equities (Mark Ettinger)	10.9
London Investment Advisors	10.6

Company (Manager)	1993 %Gain
Condor Capital Mgmt.	10.4
Bay Isle Financial (Bill Schaff)	10.3
Steven J. Williams	10.2
Concord Investment	9.8
Karpus Investment Mgmt	8.7
Bridgecorp Securities (Bill Curren)	7.6
WestAmerica Investment (E.R. Foraker)	7.4
Welsh Money Mgmt (E. James Welsh)	6.7
W. David Dileo	6.5
Green Mountain Asset Mgmt (B[illegible] Bose)	6.1
Terri Brothers	4.0
West America Investment Group (Bob Giauque)	3.1
New World (SPH) F. Martin Koenig	2.3

that stuff. But we can't compete with others in manufacturing. We're going to lose those low-paying jobs. The real wealth in this country will be technology."

David Dewind of Strome Susskind & Co. in Santa Monica, Calif., one of the most successful hedge funds in recent years, gained 136% in 1993. Dewind's $17 million portfolio and the $1.2 billion Mark Strome and Jeffrey Susskind manage probably represent the most eclectic portfolio in the world. When *Barron's* chatted with Dewind last November, the firm's fax machine was spewing forth investment ideas 24 hours a day, each ring of the telephone brought in another investment idea and the firm had big positions in the Hong Kong stock market, telecommunications companies in Asia and the Czech stock market.

When we caught up with Dewind two weeks ago, lots had changed. "We sold **Telecom Asia**, the Thai telecommunications company, after a triple," he reports. "We have nothing in Hong Kong and nothing in China because the markets are expensive." Attention has now shifted to Latin America, where Dewind says the markets sell at 11-13 times earnings compared with 20 or 30 times earnings in the Far East stock markets.

"Mexico, Brazil, Argentina, Venezuela and Chile — those markets just screamed in the third and fourth quarter and they're still going up," Dewind observes. "Brazil is the most interesting because the population is so big, its gross domestic product is $442 billion compared to Mexico's $336 billion, and it's a cheaper market." Dewind thinks Brazil's finance minister has political support for his program to fight corruption and inflation. "The market is already up 35% in 1994. We think it could go up 100%."

Dewind's newest find is Russian vouchers, issues in companies that are being privatized. According to Dewind, the vouchers sold for about $23 each last fall, but plummeted to $10.50 after the December election's surprising support for ultraconservative Vladimir Zhirinovsky. They have since crept up to $14.

"Our feeling is Russia may be an early Czechoslovakia or Poland," says Dewind, citing the two Eastern European countries that have made the most successful transition to free-market economies. "We think it will be hard to reverse what has already happened."

It's hard to put a value on vouchers for which there is no liquid market, and Zadeh doesn't pretend to try. For the entries of Dewind and others, including Bruno Combier and Martin Marmelejo, Zadeh has been forced to rely on audit statements prepared by the money managers' accountants. "Their statements are a nightmare," says Zadeh. "There are so many instruments we never heard of that we have to say, 'Get us the auditors' report.' "

Which is too bad. If Zadeh's service becomes the Money Manager Reported Ratings, it will join a dull group of performance-evaluation companies that take the money manager's word for it.