

HIGH PROFILE

# DIAMOND'S ADVICE IS GOOD AS GOLD

By Brian Sullam

**D**ebra Diamond has always been a few steps ahead of the rest of the world.

In the spring of 1986, after nine months of managing the New Frontier Fund for T. Rowe Price Associates, she recommended that the fund be liquidated and the investors take their profits.

Her advice was unprecedented. The New Frontier Fund was a new business endeavor for the Baltimore investment advisory and mutual fund company. The fund was actually a limited partnership that specialized in investing in very small publicly traded companies and was sold only to large foreign institutional investors. The projected life of the fund was five to seven years.

Even though the fund was less than a year old when she made her recommendation, Mrs. Diamond had increased the fund's value from its initial level of \$20 million to slightly more than \$37 million.

"I told them that I couldn't continue to provide these kinds of returns on an annual basis," she says, sitting in her ninth-floor office overlooking Harborplace. She is dressed in a stylish white blouse and blue skirt. On her desk are spreadsheets and a number of graphs. Her walls are unadorned, but on her bookshelf she has pictures of her family.

There was a lot of resistance to the suggestion that the New Frontier Fund be dissolved. The investors didn't want their money returned because they would just have to find another investment. Since Mrs. Diamond had done so well in so short a time, they figured they couldn't go wrong letting her continue.

"I told them they might be better off putting their money in a money market fund and waiting for another buying opportunity," Mrs. Diamond recounts.

Her concern about the market was well-placed. About 15 months later, when the stock market crashed, some of the investors may have wished they had taken her advice. The value of the holdings in the fund declined to \$22 million.

"She is an absolutely gifted investor. Her record over the years shows that. Her intuitions on the market are remarkable," said Edward J. Mathias, president of the T. Rowe Price New Horizons Fund.

Being early—sometimes very early—has been the story of Mrs. Diamond's life.

She finished high school at the age of 17, zipped through college in three years, and by age 22 had a master's degree in business administration.

"I guess you might say I have always been in a hurry," she admitted.

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DEBRA DIAMOND

She met her husband, Dr. Mark Diamond, when she visited her ailing mother in Cleveland. Dr. Diamond was her mother's physician, and within several weeks after meeting him, Mrs. Diamond decided to move to Cleveland in order to

avoid having to have a commuter relationship. Within a year they were married. "He was in a hurry, too," she says.

Ever since graduating from George Washington University with an MBA in finance, Mrs. Diamond, who is now 36, has had the uncanny ability to find publicly traded companies that produce extremely high returns. She can rattle off a list of companies whose stock appreciated dramatically after she recommended purchasing them: The Limited, Kelly Services, Beverley Enterprises, Medco Containment and Sensormatic.

When Mrs. Diamond recommended these companies, they were obscure stocks ignored by the securities industry. Now, most of them are very well-known and held by a wide variety of large institutional investors.

She traces her interest in investing to her father. "He was an entrepreneur who started a lot of little businesses," Mrs. Diamond says. She says she takes after him because she is always looking for something new. And Mrs. Diamond says she sees the same interest in money in her two-year old son, Alexander. "He is fascinated by money. If he sees a coin on the counter, he will pick it up and say, 'Money.' I know he gets it from me. I have always had this interest in money. I would really like to meet Donald Trump's mother," Mrs. Diamond says laughing.

Mr. Mathias, who helped her establish and market the New Frontier Fund, said that Mrs. Diamond is an extremely focused investor who synthesizes information from a wide variety of sources. "She is very independent. She accepts nothing on face value. She has a very questioning and tough mind. She understands the dynamics of the investment world and makes exceptional investment decisions," he said.

Mrs. Diamond says she raced through school only so she could work. "I never had the patience for school. It's not that I didn't do well, it was the fact that everything sounded better than going to school. There wasn't a lot that interested me in school."

When she was an undergraduate at George Washington University in Washington, Mrs. Diamond got a job at Britches' Georgetown store. "I was so happy to be in the real world working," she says.

The management thought she had done such a good job they wanted her to manage a new store they were going to open in Atlanta. Mrs. Diamond, who had not finished school, was ready

# When it comes to stock investments,

to take the job, but her family convinced her to complete her undergraduate studies.

She graduated in 1973 and got a job as a policy analyst with the Cost of Living Council, the federal agency responsible for administering President Nixon's

wage and price controls. Mrs. Diamond says she got a good flavor of what working for the federal government was like when she was given her first research assignment. She finished it in two days and brought it to her boss. He expressed disappointment with her. "That was supposed to take a week to do," he told her.

"That's when I realized that I didn't want to spend my career in government," Mrs. Diamond says. "I decided then that I could do better than this."

Mrs. Diamond enrolled in George Washington University's graduate program in business administration. By taking an extra load of courses and studying during the summer, she finished early. During this period she worked in the business office at Channel 5 in Washington. "I was fascinated by broadcasting and media. The job was not glamorous, but it was fun. I also learned a little about how the business worked."

After obtaining her MBA, she began to hunt for a job in Washington, but her mother became ill. She flew to Cleveland regularly to see her, and pretty soon she became attracted to the young physician who was caring for her.

"This was a crazy period in my life. I would look for jobs in Washington and Cleveland," she recalls. Within a couple of months she decided that it made more sense for her to work in Cleveland, and she landed a job as an assistant securities analyst with MacDonald & Co., a Cleveland brokerage house.

Since Mrs. Diamond was new to the field, they had her cover the companies nobody else wanted—"the cats and dogs," as Mrs. Diamond puts it.

"It took me a few months to get the lay of the land, and then I realized that I could do the work of the analysts," she says. She demanded to be made a full analyst and given an area to cover.

Mrs. Diamond began following retailing company stocks. One of the first companies she followed was The Limited Inc., a small specialty retailer based in Columbus, Ohio. She was the first analyst in the country to write up a recommendation on the company. She was very enthusiastic about its potential and promoted it to MacDonald's clients. The Limited took off. The company began an aggressive and successful expansion effort across the country that produced eye-popping financial results, and the stock followed.

Just about the time she was settling in at MacDonald, her husband was accepted into the gastroenterology residency program at the Johns Hopkins University. She applied for a job at T. Rowe Price Associates as a securities analyst.

Tom Barry, who ran the firm's New Horizons Fund, hired her to follow small health-care companies.

She says she likes covering small companies because they have

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tremendous potential. "There's an old saying that the small companies either grow up or blow up," she says. Covering these small companies is entrepreneurial as well. "I am always on the lookout for new and interesting things."

While Mrs. Diamond has developed a reputation as a perceptive buyer of stocks, she is also a perceptive seller. A few years ago, she was looking at the performance of Millipore, a Massachusetts manufacturer of filters to separate and analyze fluids in the chemical, pharmaceutical and other industries, and decided the company was slipping. She recommended that New Horizons sell all its holdings of Millipore and buy shares in a competitor called Pall Co.

Millipore "was a textbook company. It had been a golden company that always sold at a very high multiple," Mrs. Diamond says. "The fact that most analysts didn't understand the business only added to the company's mystique."

She stuck by her guns, and the New Horizons Fund investment committee followed her recommendations. Millipore's shares then "went down a lot," Mrs. Diamond recalls. At the same time, the Pall shares climbed from \$8 each to \$35.

"In investing, there is no value added by jumping on the bandwagon," says Mrs. Diamond, a petite brunette. "People who are great investors don't run with the pack. The best investors think for themselves. I'm convinced there is a gene on a chromosome chain. I am convinced my 2-year-old has it."

Sitting on a credenza in her office is a framed sheet of music. The title of the piece is "Take Me Where the Returns Are." It was written by Meg Dougherty, one of Mrs. Diamond's former assistants who left Price Associates to obtain an MBA. Mrs. Diamond admits that the song was a good metaphor for her career.

Unlike many professional investors who think about nothing but the market and the stocks in their portfolios, Mrs. Diamond divides her time between her investing and her family.

She has three young boys: Daniel, 8, Alexander, 2, and Jed, 6 months. After Mrs. Diamond gave birth to Jed, she worked from home for several months. Price Associates installed a computer in her house and each day delivered to her house the reports and other materials she needed.

Mrs. Diamond says that being a full-time professional investor and mother is possible because she has an exceptional live-in housekeeper. "She is the type of woman who could take care of 10 kids with her arms tied behind her back," says Mrs. Diamond. "I don't think what I do is all that wonderful. I have a lot of support. My husband can do everything I do, and I have a full-time housekeeper. I really admire women—the secretaries and clerks—who work in this firm and have to go home and have to prepare dinner and tend to their families by themselves."

Between 1977 and 1983, Mrs. Diamond served as an analyst, recommending stocks to the portfolio managers at Price Associates. It is up to them to actually execute the recommended purchases and sales.

# Diamond's advice is as good as gold



Debra Diamond of T. Rowe Price is an unusual — and unusually successful — fund manager who does her own research on the stocks in which she invests.

By 1983, Mrs. Diamond had the itch to manage money rather than just make recommendations. "As an analyst, you don't follow the process all the way to the end. You have more control as a portfolio manager," she says.

About the time she wanted to become a portfolio manager, Price Associates was trying to figure out a way to get some European clients. The firm's management committee decided that Europeans would like an investment vehicle that focused on the very small companies. "It was a happy confluence of her talents and our needs," Mr. Mathias said.

It took about two years to get the New Frontier Fund organized and sold. The firm tried to sell the fund itself but made little headway. At a New York securities meeting, Mrs. Diamond ran into an institutional salesman from Drexel, Burnham Lambert who had followed her advice years before and made quite a bit of money for his clients. She told him about the new fund, and pretty soon Drexel had arranged to sell the fund in Europe.

"It was a very tough product to sell because Europeans are very suspicious of Americans. They figure that you are selling them something because you couldn't sell it anywhere else," Mr. Mathias said. "Her performance has allayed many of those fears."

Mr. Mathias said Mrs. Diamond is unusual in that she is one of the only portfolio managers in the firm who relies exclusively on her own research. "She is a hybrid."

When Mrs. Diamond was a securities analyst, she did a great deal of traveling. Since she has become a portfolio manager, that has been cut back. Once in a while she has taken her eldest son with her on a business trip. "I think travel is good for them, and I hope to expose them to as much as possible."

She recalled that on a trip to New York, she couldn't make any babysitting arrangements and Daniel, whom she describes as a serious and scholarly boy who takes after his father, had to accompany her to a presentation by a company. "He sat in the back of the room and read."

Despite her exceptional investment record, Mrs. Diamond says that she does very little personal investing. "I don't invest in stocks. I get emotional about my holdings. I get this sinking feeling that I am wrong," she says. "It is kind of like a doctor taking care of his own kids. I have a lot of liquid investments."

She adds that working for clients is a strong motivator. "I want to do well for them. If they are taken care of, I'll do well," she says. "I want to set the standard for the other funds in the industry."