

BusinessWeek

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THE BEST OF 1990 SO FAR

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▲ COCOA FUTURES: TASTY MORSELS

▶ GAIA HEDGE: TOPS IN CURRENCY TRADING



▶ THIS OTC STOCK HAS RISEN 186%



1989 was a hard act to follow, and so far 1990 isn't following. The market began on a scary note, plunging in January before staging its recent recovery. But there have been some surprising bright spots—cocoa here, Atlanta real estate there, and, above all, high-technology stocks. They dominate this compilation of the best investments of the year to date.

BEST NYSE STOCK

Until the early 1980s, Storage Technology Corp. was strong and proud. This Louisville (Colo.)-based company, a leading supplier of high-performance computer tape drives, saw its revenues top \$1 billion in 1982. But growth came too fast. Earnings plummeted, and Storage Technology reorganized under Chapter 11 of the Bankruptcy Act. "The company basically spent itself into Chapter 11," says spokesman Michael Klatman. The computer industry's revival has

breathed new life into the company. In the first quarter of 1990, profits rose sixfold. Share prices rose to 31¼ from 11¼ at yearend—a 180% gain.

BEST AMEX STOCK

Diamonds are an investor's best friend—if, that is, you've bought the stock of Lazare Kaplan International Inc., a leading diamond merchant. Lazare's stock rose from 8 to 17¼, a 115% gain since yearend that makes it the best-performing American Stock Exchange issue that began the year at more than \$5 a share.

The New York-based Lazare is growing by leaps and bounds as its customer base swells and the company expands. In the nine-month period that ended on Feb. 28, the company's earnings rose sixfold, from 16¢ a share to 93¢.

BEST OTC STOCK

Over-the-counter stocks have not been sparkling lately. But high-tech companies are shining, and few have outperformed Software Toolworks Inc., based in Chatsworth, Calif. Its NASDAQ-traded

shares have gained 186% so far this year, climbing from 77/16 to 21¼. That's better than any other OTC stock that began the year at \$5 or higher.

Software Toolworks is a major manufacturer of entertainment and utility software. The company's prospects received a boost in March, when it acquired Mindscape Inc., which develops game cartridges for the Nintendo home-entertainment system.

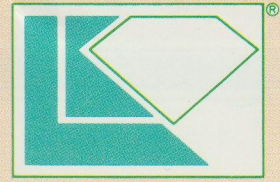
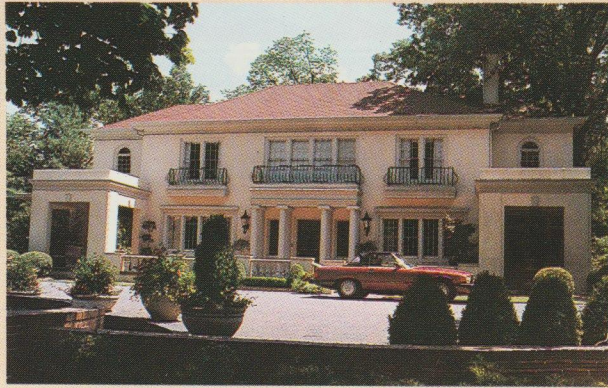
BEST STOCK GROUP

As the stirring performance of Software Toolworks bears out, the computer complex is hot once again. The best-performing stock group of them all are the semiconductor manufacturers—the folks who make the chips that is the heart and soul of the personal computer. Spurred by strong demand for PCs, the stocks of semiconductor manufacturers—led by industry leaders Intel Corp. and Motorola Inc.—have risen 33% so far this year.

Will the strength in semiconductors continue? Quite possibly. The recent introduction by Intel of an advanced com-

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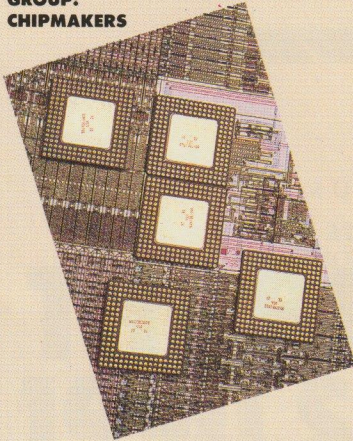


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AT MUTUAL FUNDS



puter chip, the 80486, will help. "Computer cycles tend to last a few years," notes Charles I. Clough Jr., chief investment strategist at Merrill Lynch & Co. "They tend to stay down a long time and stay up a long time." So investors may be shouting "Chips ahoy!" for a long time to come.

BEST MUTUAL FUND MANAGER

No surprise here. The high-tech and semiconductor-laden Fidelity Select-Electronic Funds, managed by Harris Leviton, is the winner among equity mutual funds.

By investing in companies such as Lattice Semiconductor Corp., up 110%, and Anthem Electronics Inc., up 60%, the fund enjoyed a total return of 32.1% through June 8. "It's sort of a stampede," marvels Leviton. And this is one fund that got in ahead of the herd.

BEST COMMODITY FUND MANAGER

Currency trading is one of the trickiest forms of commodity speculation. One of

the smartest players in that game nowadays is the Gaia Hedge II Ltd. Run by Bernard Lietaer, Gaia gained 52% through May 31, better than any other commodity fund.

Using a high degree of leverage, the two-year-old fund invests entirely in currency options and forward contracts. And like many commodities funds, its trading is computer-driven.

BEST REAL ESTATE MARKET

This has been a miserable year for residential real estate. From teeming New York to the pleasant vistas of San Francisco, most major markets have declined or shown only modest increases, according to the Office of Thrift Supervision. One of the few bright spots is Atlanta. Thanks to a still healthy though slowing local economy, the average home sales price there rose by some 20% in the year to date, according to OTS figures.

Trackers of the local economy believe that the OTS figures represent nothing more than a temporary blip. "We're seeing excess supply in the market now

with the accompanying price reductions," says Donald Ratajczak, director of the Economic Forecasting Center at Georgia State University. Still, housing prices in Atlanta are being supported by the numerous service companies and corporate regional offices in the area.

BEST COMMODITIES FUTURE

Attention chocolate lovers: Cocoa prices are skyrocketing. Despite a hefty surplus, the price of cocoa beans has rallied on fears that unrest in the Ivory Coast, the leading cocoa-producer, would disrupt shipments. The most hotly traded cocoa futures contracts have climbed from \$925 a ton at yearend to \$1,211, a mouth-watering 31% gain.

Cocoa's squeeze began in February, when processors, eyeing the Ivory Coast, stocked up on beans. Meanwhile, concerns mounted about the health of this year's crop. Prices rose. But traders are wagering dollars to doughnuts that cocoa won't stay high for long.

By Gary Weiss in New York, with bureau reports

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