For Jeffrey Vinik , There Is Life
After Magellan , and It Is Sweet
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NEW YORK -- Eat your heart out, Robert **Stansky** .

While **Fidelity** Investments' flagship **Magellan** Fund's performance has roared back under its current manager, Mr. **Stansky** , his performance actually takes a back seat next to the recent work of his predecessor, **Jeffrey Vinik** .

That is because Mr. **Vinik** 's hedge fund, Boston-based **Vinik** Asset Management, recorded a striking 45% gain in 1998, after fees. The results not only topped the 28.58% total return of the Standard & Poor's 500-stock index, but also beat the results of most other hedge funds, as well as the 34% return, including reinvested dividends, of **Magellan** , the giant mutual fund.

Mr. **Vinik** would not comment on his fund's results.

The comparison is provocative, albeit not totally parallel. Hedge funds such as Mr. **Vinik** 's are private, high-stake investment partnerships limited to wealthy investors. In contrast, mutual funds such as **Magellan** cannot use such risky tactics as borrowing money to amplify their investment returns for their small investors. And **Magellan** , to be sure, has roared back under Mr. **Stansky** , trouncing most other stock funds last year.

But Mr. **Vinik** appears to have no reason to regret his leaving **Magellan** . His current fund's big returns will reward him with a fat paycheck that likely will top anything he received at **Fidelity** .

Avoiding the types of investments that felled many hedge funds in 1998, such as risky bonds, currency trades and emerging-market securities, Mr. **Vinik** outperformed the old-fashioned way: buying and selling stocks, often at a furious pace.

"He's very aggressive in terms of moving money around, long and short," says Mark Kenyon, president of the U.S. assetmanagement business of Union Bancaire Privee, Geneva, which has clients in Mr. **Vinik** 's fund.

Some of Mr. **Vinik** 's gains came from short-selling -- or borrowing and selling stocks in the hope to make a profit by buying shares later at a lower price to replace the borrowed stock -- people familiar with his tactics say. While Mr. **Vinik** 's fund's leverage is capped at one times the value of its investment capital-modest compared with funds such as Long-Term Capital Management LP-the borrowing helped amplify his returns.

Perhaps the most impressive aspect of Mr. **Vinik** 's result was his success in betting on small and midcap stocks, which have underperformed the market dramatically in recent years. For the quarter ending Sept. 30, Mr. **Vinik** 's largest holding was Intel Corp. But many of the fund's biggest holdings have been smaller companies, including Waters Corp., Consolidated Graphics Inc., Champion Enterprises Inc. and Intervoice Inc., according to information compiled by New Yorkbased Carson Group from Securities and Exchange Commission filings. Each of these stocks has jumped more than 45% since early October.

Juggling a portfolio of about 200 stocks, Mr. **Vinik** managed to escape the globalmarket mayhem of late summer and early fall relatively unscathed, logging a 2.3% loss in August, a 0.2% gain in September, and a 0.6% loss in October, according to investors in the fund.

The gains have helped swell Mr. **Vinik** 's hedge fund to over $2.2 billion in assets, up from $800 million at its outset.

Along with his two partners, Mr. **Vinik** gets to keep 20% of investment profits as a so-called incentive fee, a higher cut than the industry's typical 15%. That fee will be about $175 million this year, most of which Mr. **Vinik** is expected to take home.

Mr. **Vinik** launched the fund in November 1996 at a difficult time in his career. In May of that year he had quit as head of **Fidelity Magellan** Fund, the world's largest mutual fund, after a big, ill-timed bet on bonds, and amid criticism over his positive comments about a couple of stocks his fund had begun selling-and over his active trading style.

But from the start, Mr. **Vinik** has delivered sizzling returns as a hedge-fund manager. In the last two months of 1996, the fund was up 11%, 10.7% after fees, and in 1997 it soared 77%. The minimum investment in his fund is $2 million, although it has been closed to new investors since shortly after its inception.

"To the extent that there was a bit of a cloud hanging over him when he left **Fidelity** , he's certainly had the final word on that," says G. Moffett Cochran, chairman of Donaldson, Lufkin & Jenrette Inc.'s Asset Management Group, which invested client capital in Mr. **Vinik** 's hedge fund at its outset.

Mr. **Vinik** 's returns stand in contrast to most hedge funds. The average hedge fund lost about 1% of its value in 1998 through November, and, of course, 1998 saw the bailout of Long-Term Capital.

Mr. **Vinik** 's top-notch results have helped silence skeptics who wondered whether he could succeed in the cutthroat hedge-fund world. While he sported an impressive track record for picking stocks at **Fidelity** , Mr. **Vinik** did not have a record shorting stocks, a critical skill for any equity hedge-fund manager.