

Mayo lessons make analyst wealthy, wise

By Bob Freund

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Three decades ago, the manager of the Mayo Foundation's Endowment Fund had to cut short the barbering career of his new junior investment officer.

The rookie analyst had planned to supplement his salary by snipping hair Saturday mornings, as he had in previous jobs. But no one had told him the clinic staff worked a half-day on Saturdays, and his brain was needed at the office.

Then-manager Slade Schuster was understanding. "He worked it out right there and gave me a raise... (of) \$1,500 to \$2,000," the analyst remembers.

Richard Perkins gave up his barber's shears. And in seven years managing Mayo's money, he picked up key trading strategies that still guide his investment advisory business, Perkins Capital Management Inc. of Wayzata, Minn.

The Investment House, which specializes in regional stocks and bonds, now handles close to \$150 million worth of financial assets for trusts, pension plans, tax-exempt organizations, corporations and individuals.

Recent results have been enormously profitable for clients, roughly doubling the advance of the widely watched Standard & Poor's 500 index. During 1991, all accounts combined recorded total returns of 59.2 percent, after fees. Balanced funds, which include stocks and bonds, returned 34.3 percent. But his equity or stock funds soared a stratospheric 71.9 percent, amazing even Perkins. "We'll never see that again," he said.

In the seven years since striking out on his own, Perkins' firm has averaged a 21.1 percent annual return. Such performance hasn't escaped notice of the financial

press. Barron's, USA Today, the Saint Paul Pioneer Press, the Star Tribune of Minneapolis, Investors Business Daily and Outstanding Investors Digest, to name a few, have written profiles.

Perkins, 61, zeros in on change as the driving force behind corporations and their stocks. "We called it looking for special situations back then (at Mayo). I try to find companies that are changing." For the better, he hastens to add.

Mayo officers also kept the clinic's capital constantly at work to generate maximum income for research.

"Whenever we got a new idea...we had to pretty much sort through the apple barrel and see if we had an apple that we (could) throw away," Perkins said.

"Today, I run the portfolio pretty much fully invested and have the same discipline," he said.

But unlike the Mayo fund, Perkins capital generally stays in its own back yard, the Upper Midwest. "We invest...say, 80 percent, in companies in our region," he said. Most are Minnesota-based.

Perkins latched on to that strategy from a regional investment analyst he met in Cleveland while managing Standard Oil of Ohio's Pension fund.

He took the technique to Bobby Piper of Piper, Jaffray & Hopwood fame and, in 1966, helped establish its research department, one of the first by a regional brokerage. More than 18 1/2 years with Piper, Perkins also developed business with both domestic and foreign institutions as senior vice president.

Today, Perkins Capital's business is about evenly divided between individual accounts and pension or profit-sharing funds, which are considered institutional accounts.

Perkins describes his company's style as stock picking or "bottom-up" investing, as opposed to the "top-down" style of following general market trends to groups of stocks. Perkins and his sons Daniel and Richard C., both active account managers, visit managements on-site to get a hands-on feel for their companies.

Yet, the company also employs an in-house technical analyst to blend the big picture of the market into the stock picking. "We want a company that has undergone some change where fundamentals are (concerned), but we also want to make sure it's in the right place in its market life, as you were," Perkins said. Perkins Capital follows about 400 stocks and owns about 50.

Even with his aggressive, "fully invested" philosophy, Perkins is getting wary. "I'm worried about a fallback in the market," he said, citing historically high price-earnings ratios, among other signs.

After a long-running career, largely springing from his Mayo years, "I've seen these things before, and I recognize them."