



ON STATE STREET Investor fires on Fidelity buy

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Check out this nasty playground- brawl.

Manuel Asensio, a New York short-seller who launches public attacks on stocks he's pegged as losers, is taking on the granddaddy of stock buyers:

Fidelity Investments.

At stake is a multi-million-dollar bet by Asensio's investment firm, Asensio & Co., that legal troubles will crush the stock of a little California software company, Avant! Corp.

On the opposite side of that bet is Fidelity. The fund giant's big purchases of Avant! shares - despite a snarl of lawsuits - may have helped the stock.

No poster boy for subtlety, Asensio recently penned a couple of threatening letters to Fidelity chief Edward "Ned" Johnson 3d. They allege a dark plot at the core of Fidelity's move to buy the stock.

Avant! shareholders "face the real possibility of losing their entire investment," Asensio wrote on Nov. 10. "I recommend that you investigate each analyst and portfolio manager who owns or has traded Avant! Corp. stock since March 1997."

He made a host of inflammatory accusations against Fidelity, involving stock manipulation and collusion with others to boost Avant!'s stock - none of which he can prove.

Fidelity fired back a letter, saying it doesn't discuss investments with outsiders. "Any suggestion that Fidelity engaged in any illegal conduct is wholly without merit," spokeswoman Anne Crowley told The Herald.

It's clear why Asensio went after Fidelity with such gusto.

He started shorting Avant! stock last year at \$35. (That means he borrowed shares from a broker and sold them, aiming to rebuy the same number later at a much cheaper price, pocketing the difference.) He's since taken short positions as low as \$15. But the stock is holding up, closing yesterday at \$18.56, up \$1.06.

To make money for clients, Asensio admits, "We need events to occur as we predict."

His firm thinks a criminal case against Avant! executives will show they stole technology from their former employer,

Cadence Design Systems Inc. He's not alone in betting such a judgment would hurt Avant! The executives have pleaded not guilty.

Jeff Stuart, a Manchester lawyer who advises investment firms, forecasts that Avant! will be barred from selling its key product. He adds, "I believe that will adversely impact the price of the stock."

If so, life may get ugly for Tony Huang. He's the Fidelity technology analyst who, according to Asensio and another source familiar with Fidelity's decision to invest in Avant!, told fund managers to buy the stock.

Fidelity more than doubled its stake in the stock in the third quarter, to 10.3 percent of all Avant! shares.

Asensio chides Fidelity: "You don't interfere with the market forces that are working to correct a price, to make a stock go up."

Sounds pretty hypocritical, coming from Asensio. But he's taken his story to folks who might listen: the Securities and Exchange Commission and overseers of New York City's pension fund, another big Avant! owner.

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