The Toll of Being the Best

BY GLENN RIFKIN

Investment wizard Peter Lynch's remarkable run only demanded more.

The only thing more startling than Peter Lynch's run on Wall Street may have been his decision to walk away. It was 1990, the height of the bull run on Wall Street, and at the age of 46, the man who had built the most successful mutual fund in the world decided to call it quits. In doing so, he made it clear that success for any leader can also have its burdens.

For those under 40, the name might not ring a bell. But Lynch's bespectacled, white-haired image, so prevalent on cable business channels in the '80s, might. A fund manager at a time when mutual funds were not yet on the radar of most individual investors, Lynch put together one of Wall Street's most remarkable winning streaks, turning the Magellan Fund into a $14 billion behemoth and helping transform investing as we know it.

How He Changed the Game

29% ANNUAL RETURN OVER 13 YEARS

HE GREW THE MAGELLAN FUND TO $14 BILLION

ONE OUT OF EVERY 100 AMERICANS INVESTED IN MAGELLAN

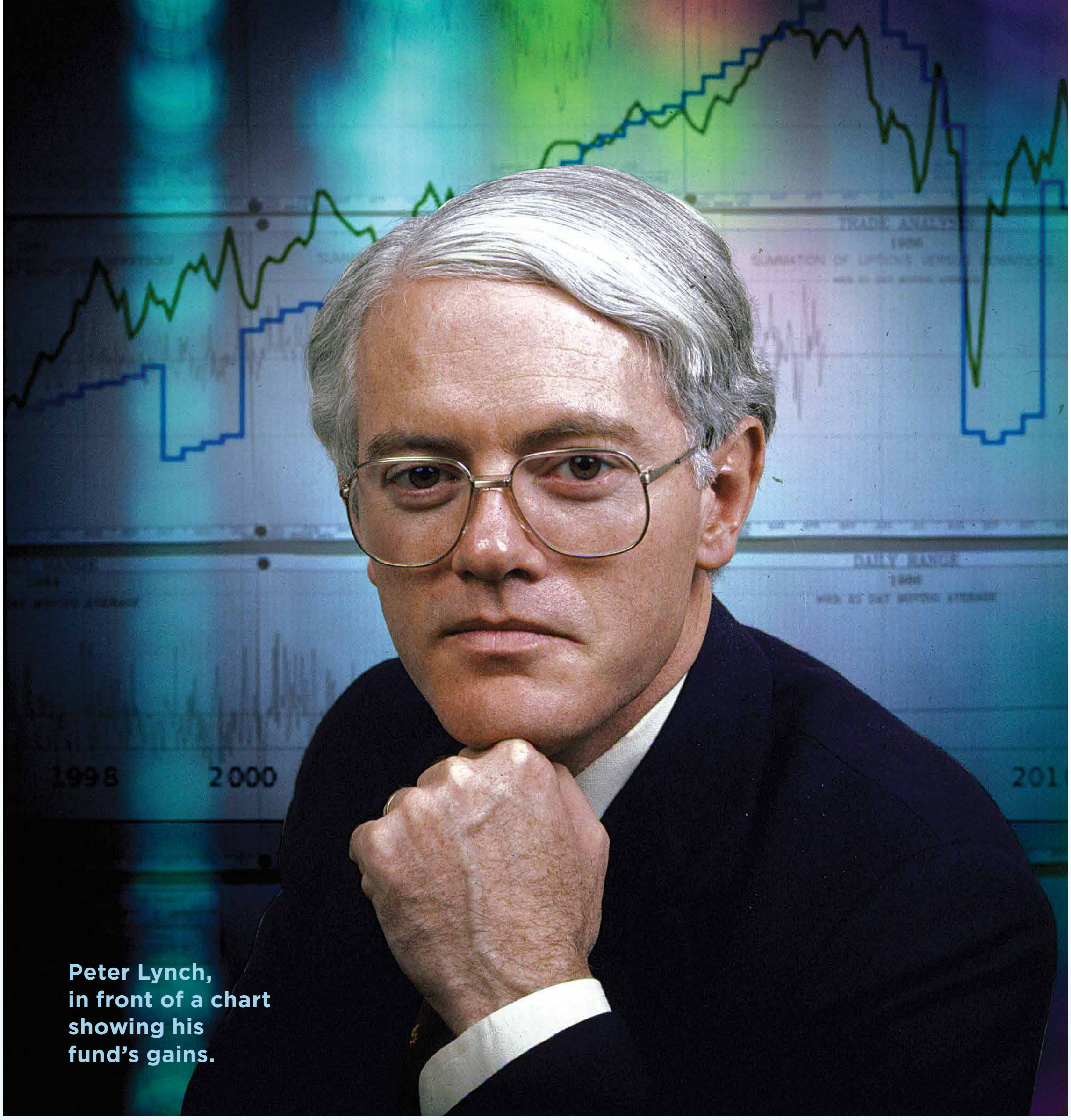
During his 13-year tenure, Lynch provided investors a staggering 29 percent average annual return, outperforming the Standard & Poor's Index 11 out of 13 years and, by his own estimate, inducing one of every 100 Americans to invest in Magellan. Fidelity, for its part, saw its fortunes soar, from assets of $4.8 billion to more than $114 billion, as it helped convince millions of Americans that the stock market could carve a path to retirement.

"His performance was really extraordinary," said Alan Marcus, a professor of finance at Boston College's Carroll School of Management. "I doubt what he did could be duplicated today."

Sustained success at the top of the game is rare—in sports, in politics and in business. What Lynch accomplished under the harsh glare of public fascination and scrutiny still shocks investing experts today, decades later. Like star athletes who rise to hall of fame levels, Lynch was a risk-taker who didn't flinch. According to Marcus, as his success grew, so did the freedom Fidelity gave him to be bolder and make bigger bets inside the Magellan portfolio. Many thought Lynch's genius at identifying companies whose stock was poised to skyrocket was all about following his gut. In fact, his success was fueled by a yeoman's appetite for research and analysis of every company whose stock he acquired.

Still, Lynch's decision to retire at such a young age shocked Fidelity and the investment community. Over time, it appears that the pressure to maintain his unprecedented level of success simply grew to be overwhelming. He told The Wall Street Journal at the time that he needed to spend more time with his family and on other personal interests. Being a winner for so long took a physical and emotional toll.

"Since 1982, I've worked every Saturday," he told the Journal. "The last 18 months, I've been working Sunday mornings before church." Citing his dad's early death (at age 46, no less), Lynch said he had no interest in working himself to death so



Peter Lynch, in front of a chart showing his fund's gains.

young. He said that when his doctor asked what he did for regular exercise, "the only thing I could come up with was that I floss my teeth at night."

To be sure, his last few years grew exhausting. As the fund got bigger, the burden increased to find places to invest and the media began to question whether Lynch could continue his successful run. Like the red cape to the bull, such a challenge only fueled Lynch to keep going, until he couldn't.

"The pressure became enormous," Marcus said. "In the best of circumstances, that is a brutal job. Think about how many companies the fund is holding and how many others he had to sift through to decide what to hold. Add the travel schedule, meeting with managers, reading through financial reports. It's really overwhelming." What's more, Marcus added, Lynch did all this without the benefit of the Internet, sophisticated financial software and a tsunami of financial data at his fingertips.

What Lynch set off at Fidelity is still being felt today, more than 25 years after he retired. Fidelity is the world's fourth-largest mutual fund and financial services firm, with more than $5 trillion in customer assets, and serves more than 25 million individuals and nearly 20,000 businesses.

At 71, Lynch is still an active investor, serving on Fidelity's board in Boston and devoting most of his time to philanthropy. He also mentors young Fidelity fund managers. Looking at today's investing world, he recently said in an interview that the greatest change in the industry today is the "deluge of data analysts must process" to run a fund. He recalled having to wait for the quarterly earnings report from Nike to arrive in the mail and peruse it to decide whether to buy more stock. "Unless you were a Nike shareholder, you weren't going to get that letter," Lynch said. "Now when they report quarterly earnings, it's webcast all over the planet and anyone can get a transcript." ●