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## BUSINESS INSIDER

*Herb Greenberg*

### ***Diamonds in the Rough***

Most big investors shy away from stocks with market capitalizations under \$50 million. Not Debra Diamond, who manages T. Rowe Price's New Frontier Fund. "I don't think it's any more risky than investing in any other size stock," she tells us. "I have a bent toward finding things before other people. The risk is in not knowing what you're doing."

Because small-cap stocks tend to be illiquid, "there's no way out if you make a mistake," Diamond says. She herself hasn't made many: The fund, whose investors are all foreign, gained 78 percent from its inception in May, 1985 through June of this year — more than twice the gain of the Nasdaq index. Her investment ideas come from brokers, among others. "We listen to everybody," she says, but she adds that the fund at any given time only invests in about 50 of the 3,000 companies listed in her files.

Some of her recent acquisitions:

■ Philip Crosby, a Winter Park, Fla., consulting firm that helps companies improve the quality of their products. It has a clean balance sheet, no debt, and should earn as much as 80¢ a share this year vs. 27¢ last year. It sells for \$6.

■ Spartan Motors, a Charlotte, Mich., maker of fire-truck chassis. Earned 32¢ this year, should earn 75¢ next year, probably \$1 in 1990. It's at the midpoint of its upward cycle, and sells for \$6.

California favorites include:

■ American Shared Hospital, based in San Francisco. Operates mobile CAT scan and magnetic resonance units. Earned 42¢ last year, and earnings could rise as high as \$1 this year. Diamond likes the management, and thinks the demand for the company's services is strong. Stock sells for \$10.

■ San Diego-based Foodmaker, which operates Jack-in-the-Box restaurants and recently bought the Chi-Chi's chain of Mexican restaurants. "They're one of the few around that can generate consistent like-store gains." Has room to expand nationally. Stock sells for \$12.