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How Seeking Alpha Seeks Alpha—from Israel

By Kerry Pechter *Tue, Feb 19, 2019*

At Seeking Alpha's Tel Aviv headquarters, RIJ talked to the firm's CEO, Eli Hoffmann, about how the blogger-clearinghouse makes a ton of money helping people who are trying to make a ton of money in the markets. (Photo of Hoffmann by RIJ.)

Last fall, as the days darkened and the US stock market face-planted itself as if to show the Fed how much it hates rate hikes, millions of investors logged onto **SeekingAlpha.com** for advice, data, forecasts and digital hand-holding from their peers and from the market pundits who post there.

Most of those visitors would probably be surprised to discover that Seeking Alpha is headquartered not in New York City but in the upscale Tel Aviv suburb of Ra'anana ("fresh," in Hebrew). They might also be surprised to find that its editor and CEO is a Haredi or strictly Orthodox Jew who wears a traditional black coat, white shirt, black yarmulke and white beard.

Not to belabor the point, but a slight double-take registers on meeting Eli Hoffmann; it was as if the chief of Bloomberg News, for example, turned out to be an Amish clergyman. In any case, attire becomes immaterial as soon as Hoffmann—the handpicked successor to Seeking Alpha founder David Jackson—begins speaking in colloquial English about the site.

SA's big idea

"The thinking behind Seeking Alpha was, here we are, in the early 2000s, and the Internet is enabling a lot of people to self-publish. Investment professionals started using blogs to say, 'Here's my thesis on a particular stock.' Other investors who followed that stock would discover this cool guy writing about it," said Hoffmann, who is 50 and emigrated to Israel from Toronto in 2006.

Seeking Alpha’s Tel Aviv staff

“So investors developed personal ‘blog rolls,’ and soon they were following a couple of hundred guys. But blogs aren’t an efficient way to consume content, because the guy who wrote about tech stocks also wrote about industrials, and you were only interested in reading his posts about tech stocks. It became overwhelming for people,” he added.

“The idea behind Seeking Alpha was, ‘Let’s consolidate this content and disseminate it to investors.’ We let investors create ‘watch lists’ and just get what they are interested in. We built stock quote pages, an e-mail distribution system and all of those things.

“Then we reached out to all the bloggers and said, ‘We’ll take your posts, make sure they’re formatted and contain the right stock tickers, and build readership for you. You do nothing.’ We don’t take everything the bloggers write. Just what we think is good. Nobody was thinking about monetizing his blog yet. Writers liked the prestige, and the opportunity to demonstrate thought leadership and stress-test their ideas.”

41 million visits per month

On that value proposition, Seeking Alpha was born in 2004. It has since grown from a modest forum for stock bloggers and investors into a searchable clearinghouse of terabyte upon terabyte of curated content. Some 13.5 million traders, wealth managers, and institutional investors visit the website 41 million times each month to read the latest articles from 16,000 contributors about more than 8,600 companies. Much of the content is chatter, some is speculation, a lot is self-promotion and bits of it are red-hot market-moving news, especially about smaller companies that don’t get written up anywhere else.

The company’s workforce of 170 is scattered across the globe. Fifty are in Tel Aviv, 75 in the US, and the rest in Kiev, Ukraine, and several cities in India. The product design, R&D, and finance functions are in Israel. Advertising sales and content generation teams are based in New York. There’s an R&D and testing group in Kiev. Teams in India serve as auxiliaries to the rest.

“What made this different is that we would give you, the reader, only the content you want to view,” Hoffmann told *RIJ*. “We discover that by asking you a few basic questions. It’s a fairly simplistic algorithm. The distribution system is complex, and we watch what you’re reading, but the in-box technology and the notifications we send out are based on what we know about you. It’s not artificial intelligence. It’s not learning as it goes.”

Seeking Alpha’s Tel Aviv HQ

Seeking Alpha was created by David Jackson, an Oxford graduate who analyzed the telecom equipment sector for five years at Morgan Stanley in New York. He left in early 2003 to manage money (long/short) and to look for opportunities in financial publishing. After publishing an e-book on exchange-traded funds, he launched Seeking Alpha in early 2004. Along the way, **Benchmark**, **Accel** and **DAG Ventures** provided venture capital.

Jackson assembled a New York-based ad sales team in 2006. The company ran on ad revenue and venture capital for the next seven or eight years. It charged readers nothing and paid its editorial contributors $10 per 1,000 page views. Its value proposition for advertisers: our readers are ready to buy assets; they're not just kicking tires. (Five years ago, Seeking Alpha developed premium subscription services. See **sidebar** on today's homepage.)

Not 'investo-tainment'

"We realized that we had very valuable readers, because their mindset was about decision-making. They're actually thinking about buying. People don't come to Seeking Alpha to read about sports and politics along with stocks. We're not a very good lunchtime read. We're not investo-tainment. But what we're very good at is that, when people are ready to make an investment decision, this is where they come."

The website's reputation was made in 2013 when professors at Purdue and other US universities gave a series of presentations arguing that Seeking Alpha broke news that moved markets. They analyzed the number of negative words about a stock on Seeking Alpha and linked it to the stock's subsequent performance.

In their **paper**, "Wisdom of Crowds: The Value of Stock Opinions Transmitted to Social Media," the professors wrote, "We attest that the fraction of negative words in SA articles and the fraction of negative words in SA comments both negatively predict stock returns over the ensuing three months." The study appeared to prove that Seeking Alpha was doing more than generating pointless noise or catering to return-chasers.

'You can beat the indexes'

Hoffmann

Seeking Alpha itself professes no particular philosophy about investing; it is the ‘house,’ not the gambler. “We’re mainly a community of self-directed investors who are making their own decisions. We don’t give anybody a guide to investing. We’re not on a mission to convert people to stock pickers. We even have contributors who are anti-stock-picking. For a large number of people, indexing and buying low-cost funds is a reasonable approach. In fact, you will probably end up with a bigger nest egg if you do that,” said Hoffmann, who, years ago, tried his hand at day-trading and gave up.

“But I do think there’s value to be had from investing the time it takes to pick stocks. Here people can buy into stocks with a smaller market. As a Seeking Alpha reader, you may not want to bet on whether GM stock is going to go up or down. There’s no information edge on that. But if you’re buying stocks with market caps of around $250 million, and you’re serious about stock-picking and you’re willing to put in the time, you can beat the indexes.”