National Post

Successes despite the meltdown

Monday, March 10, 2008
Page: FP2
Section: Financial Post
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Column: Off The Record
Source: Financial Post

Given the meltdown all markets have experienced over the past nine weeks, the year ended Dec. 31, 2007, seems like a lifetime away. But for those who manage money on a professional basis, the annual performance numbers bring some accolades and a warm smile to their clients.

API Asset Performance, a pension fund consulting firm, has compiled the 2007 top performers among the 653 funds in its pooled database:

Balanced Funds. The fund run by MFC Global returned 11.78% last year. MFC Global's fund was the top performer over three years (average compound gain of 14.63%) and second-best over five years with a 14.90% gain.

Canadian Equities. Montrusco Bolton's TSE 100 Momentum Fund was the best performer with a return of 30.98% --or more than three times the 9.77% index return. Montrusco Bolton was also the winner over three years (31.65% versus the index's 16.95%); and five years (34.36% versus 18.32% for the index.)

U.S. Equities. The U.S. equity fund managed by Goodman & Goodman was the top performer over one year (32.67%,more thanfour times thefund managed by second-place Marvin & Palmer), three years (18.23%); and five years (17.13%.) Hillsdale Investment Management was second-best performer over both three and five years.

Global Equities. Goodman & Goodman was also the top performer for global equities. It collected a triple award with the best performance over one year (47.94%), three years (25.64%) and five years (23.79%).

Bonds. The corporate securities fund managed by Canso Investment Counsel was the leading performer over one year (23.38%); three years (8.9%) and five years (11.94%.)

The song You Ain't Seen Nothing Yet by Bachman-Turner Overdrive made a ton of cash when it was released in 1974. But for Steve Palmer, chief executive of newly formed AlphaOne Asset Management, the words sum up the coming doom and gloom.

"We will test the January lows," said Palmer, who formed his one-fund firm last December with $13-million all from accredited investors.

Palmer bases his negative view on the continued run-up in commodity prices and the market's sharp rebound over the latter part of February. "Something will happen to derail this resource cycle. It's already gone well beyond where it's gone before," said Palmer , whose "small-cap, long-biased hedged fund," has just released its first quarterly numbers. Net asset value is up by 24.1%. (In January, the fund was off by of 5%.) The fund has about $20-million in assets and Palmer said it will be capped at $100-million.

Palmer said "getting onto things early before the brokers and other institutions" is part of the reason for his success. He buys private placements, which normally come with a half-or full warrant, from both private and public companies. "Running out of money is one of the biggest risks in buying small-cap companies. If you can buy into a company when it is doing a financing, you have eliminated that risk in the short term," said Palmer, who uses old-fashioned fundamental analysis which he backs up with technical analysis.

Palmer's fund is home to 30 stocks, three of which are on the short side. His three biggest positions are Bio-Extraction Inc. (BSI/TSX Venture); Colossus Minerals Inc. (CSI/TSX) and Beta Pro bear units (HXD/TSX). The latter is used to hedge market risk.

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