

## **Stars emerge among Canadian fund managers**

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When it comes to posting hot performance numbers in the exotic world of hedge funds, Canada is no slouch.

A group of domestic managers have emerged in the top 200 of nearly 2,280 hedge funds around the globe that have been ranked by one-year returns, according to U.S.-dollar data from Bloomberg Financial Services.

It can be difficult to get information on hedge products, and this list - by no means exhaustive - includes funds sold domestically and offshore.

Some Canadian funds have posted returns of 40 per cent or more over the past year even though, with growing interest by foreigners, they have become larger and may not be able to move in and out of stocks as quickly.

The top performing managers range from veterans such as Rohit Sehgal, chief investment strategist at Dynamic Mutual Funds Ltd., and Warren Irwin, president of Rosseau Asset Management Ltd., to newer names such as Hugh Cleland, co-founder of Northern Rivers Capital Management Inc. and Otto Spork, president of Sextant Capital Management.

"They are beneficiaries of being in a great [Canadian] market," said Raynor Burke, fund analyst at National Bank Financial Inc. "They get a head start being here, and maybe they were smart enough to predict the resource boom.

"A lot of American hedge fund investors are still learning about investing in the energy patch," Mr. Burke said.

Bob Thompson, an alternative investment strategist with Canaccord Capital Inc., agrees that some Canadian managers have outperformed because they have been investing heavily in the hot resource sector. The \$444.1-million **Dynamic Power Hedge** and \$144.8-million **Dynamic Power Emerging Markets** funds run by Mr. Sehgal have racked up robust returns because of their concentration in commodities.

Gold stocks have helped to power the \$152.9-million **Rosseau Limited Partnership** run by Mr. Irwin. While the fund has lost some steam with the falling price of the yellow metal, he is sticking by his miners.

Mr. Cleland said he reduced the resource weighting in his \$115.1-million **Northern Rivers Innovation Fund** to about 25 per cent recently from 50 per cent in early 2006. "I was concerned unjustifiably about the resource cycle," he said.

The fund is now 75-per-cent invested in technology stocks such as Systems Xcellence Inc. and Absolute Software Corp., and health care firms such as Neptune Technologies & Bioresources Inc., Mr. Cleland added.

There is a "lot more opportunity in Canada" for domestic hedge fund managers because the markets are less developed, and there is less competition, Mr. Thompson said. "They are in kind of a sweet spot."

Still, some hedge managers have outperformed because their funds are "small and nimble," he said.

Mr. Spork, who runs the \$13-million (Canadian) **Sextant Strategic Opportunities Hedge Fund**, has benefited from investing in smaller companies in the mining and energy sector. "We think long term there is at least another five to 10 years left in the commodity bull market," he said. But the fund has been taking advantage of a recent pullback in commodity prices, he said.

He's been buying stocks such as uranium explorer Uranium Star Corp. "Uranium prices have come off a little bit, but we think uranium over the long term will be much higher priced than it is now."

He's bought Blue Pearl Mining Ltd., and Adanac Molybdenum Corp. to get exposure to molybdenum, a specialty metal used in furnaces, pipelines and aircraft engine parts.

While Mr. Spork tends to hold stocks for the longer term, he will short the commodity through exchanged-traded funds, or by going into the futures or options markets. "When gold [bullion] pulls back, the gold stocks also pull back, but we are making profits on the short side of gold."

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## Top hedge funds

### Canadian managers beat many of their global peers over one year.

Name	Fund Manager	Management company	Assets (\$million U.S.)	One-year total return
Dynamic Power Hedge Fund	Rohit Sehgal	Goodman & Co.	\$144.80	65.8%
Northern Rivers Innovation	Hugh Cleland	Northern Rivers Capital Mgmt.	\$115.10	60.9%
Altma Ormond Sub-Fund	N/A	National Bank of Canada Global	N/A	57.2%
BTR Global Opportunity	Danny Guy	Salida Capital Corp.	\$279.00	53.1%
Dynamic Power Hedge Fund	Rohit Sehgal	Goodman & Co.	\$444.10	50.1%
BTR Global Prospector	Brian Trenholm	Salida Capital Corp.	\$127.00	49.5%
G10 - Rosseau Special Situations	Warren Irwin	G10 Global Asset Management	\$43.00	48.4%
Sextant Strategic Opportunities Hedge	Otto Spork	Sextant Capital Management Inc.	*\$13.0	48.1%
Rosseau Limited Partnership	Warren Irwin	Rosseau Asset Management Ltd.	\$152.90	45.4%

Jemekk Long/Short Fund	Gerard Ferguson	Jemekk Capital Management Inc.	\$89.50	42.1%
Jemekk Long/Short Canada	Gerard Ferguson	Jemekk Capital International Inc.	\$70.20	41.2%
<b>Northern Rivers Conservative Growth</b>	<b>Alex Ruus</b>	<b>Northern Rivers Capital Mgmt.</b>	<b>\$14.60</b>	<b>40.0%</b>
Front Street Resource Hedge	Normand Lamarche	Front Street Capital	\$187.00	39.6%
Landry Morin Small-Cap Momentum	Jean-Luc Landry	Landry Morin Inc.	\$4.8	39.5%

\*Canadian dollars

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