

Four Fund Names to Watch in 2011

December 21, 2010

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Despite a decade of mergers and acquisitions, the entrepreneurial spirit is alive and well in the Canadian mutual-fund industry. It's not only the rapidly growing managers of exchange-traded funds that are challenging the industry giants. So are a small number of mutual-fund independents that are breathing new life into the competitive landscape. Here are four firms to watch in 2011:

EdgePoint Wealth Management: The Toronto firm offers four funds—Canadian equity, Canadian balanced, global equity and global balanced—the same as when they opened for business in November 2008.

“We’re an investor-led organization. We’re not about product proliferation to gather assets,” says Tye Bousada, who co-manages the funds with Geoff MacDonald. They and the other two founding partners—Patrick Farmer and Bob Krembil—were money managers for the Trimark funds, which Krembil co-founded and which now are sponsored by a subsidiary of U.S.-based Invesco Ltd.

Sold across Canada, the EdgePoint funds have grown to \$1.5 billion in assets. They require a minimum investment of \$15,000 per fund, which helps keep fees down. “We’re not trying to be everything to everyone,” Bousada says. EdgePoint’s key goals include “top flight performance” over 10 year periods, strong relationships, and open and timely communications.

Excel Funds Management: Founder and CEO Bhim Asdhir launched the firm’s first fund, Excel India, 12 years ago as he began to build a company specializing in emerging markets. Mississauga-based Excel, which hires overseas investment teams, now manages \$900 million in 11 funds sold across Canada. They include multi-region, regional and country funds, and bond funds.

Emerging markets made up just six per cent of the world’s stock-market capitalization in 1998, says Asdhir, but now it’s one third and rising. He says he’s received multiple takeover

offers, “but I can assure you we’re not going anywhere, at least for the next five to 10 years.”

NexGen Financial: Launched in 2006 by entrepreneurs led by Jim Hunter, a former top executive at fund manager Mackenzie Financial Corp., the now \$800-million NexGen fund family features a unique corporate-class structure designed to maximize tax efficiency.

You can buy NexGen fund shares that pay only capital gains, or only Canadian dividends, or only return of capital. The most popular share class, compound growth, pays no distributions. RRSP versions are also available. In all, Toronto-based NexGen offers 18 distinct investment mandates managed by three external firms and its in-house team. They’re available in five provinces, including Ontario.

NexGen’s corporate classes enable financial advisors to defer and minimize their clients’ tax bills, says president Laurie Munro, another former Mackenzie executive. “We allow mutual fund investors to regain control over their tax treatment,” he says.

Steadyhand Investment Funds: Offered since 2007, the no-load Steadyhand family of five funds—three equity funds, one fixed income fund and a money market fund—are aimed at self-directed investors who want low-fee, actively managed funds in core asset classes.

Vancouver-based Steadyhand is led by Tom Bradley, a former president of Phillips Hager & North Investment Management, now owned by Royal Bank of Canada. Unlike the giant firms, says Bradley, Steadyhand’s fund managers can accumulate meaningful positions, particularly in small and mid-cap companies, without having to bid up stock prices.

Sold in Ontario and the four western provinces, the \$120-million Steadyhand family keeps costs low by not paying trailer fees to distributors, and by requiring a minimum investment of \$10,000. Among Steadyhand’s other key attributes are its timely and informative client communications, and the personal touch that a small firm can more readily provide.

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