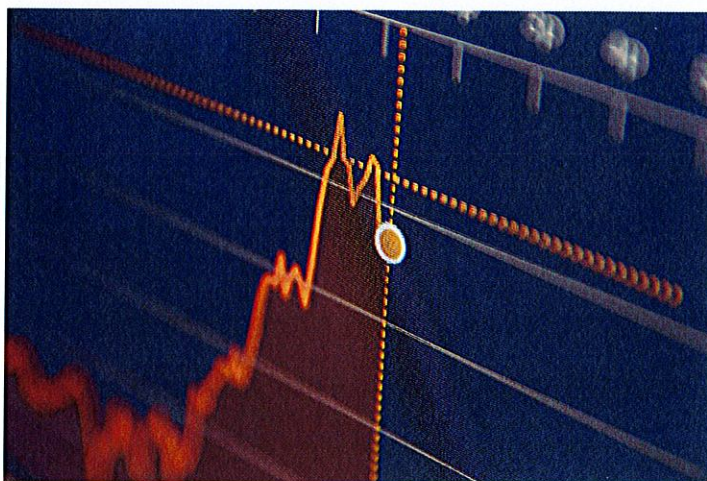


Canadian hedge fund managers offer their top investment ideas in a troubled market

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In a rotten month for the stock market as a whole, the oil and gas sector's problems still stood out.

Canadian energy stocks were among the biggest losers in October, which saw the S&P/TSX Composite Index enter correction territory.

Pipeline politics and transportation limitations have put the domestic energy sector on the outside of what has been the most bullish period for global crude oil in several years.

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That environment has given U.S. investors plenty of reasons to avoid Canada, said Chris Rowan, portfolio manager and head trader at NewGen Asset Management in Toronto.

"There have always been U.S. guys interested in the Canadian energy patch and willing to trade around the names," Mr. Rowan said. He thinks all that incremental buying is now gone – or turned into short-selling.

But sentiment toward Canada has got to improve eventually, at which point the gap between Canadian and U.S. equity performance should narrow.

Mr. Rowan was among some well-known Canadian hedge-fund managers speaking at the Alternative Investments Conference held by Richardson GMP in Toronto on Tuesday.

Each investor on the panel was asked about the greatest risk currently facing investors, the greatest opportunity, as well as for a single investment idea.

Chris Rowan, NewGen Asset Management

Biggest risk: The rise in popularity of passive investment strategies through exchange-traded funds. "When you factor in Canada's lack of liquidity, we think that's a very big risk that's maybe not being appreciated in the market."

Biggest opportunity: Canadian stocks could eventually see "significant outperformance," compared with the United States. "At some point, I'd expect there would be some kind of mean reversion."

Investment idea: (Short) Sleep Country Canada Holdings Inc. Once operating in a virtual monopoly, this company faces intense competition from new entrants. Plus, it's only a matter of time until the next recession, "when historically, people do not buy mattresses."

David Picton, president of Picton Mahoney Asset Management

Biggest risk: Trade disputes between the United States and its trading partners, combined with the U.S. Federal Reserve's monetary tightening measures. "I believe the U.S. is embarking on two major policy mistakes at the same time."

Biggest opportunity: Once the Fed realizes its mistake and changes course, "I believe this market is going to rally huge from that point. We just got to get to that point reasonably intact."

Investment idea: Spin Master Corp. While its shares have come under pressure, this company has the capacity to grow aggressively to meet pent-up demand resulting in part from the Toys "R" Us financial turmoil.

Jean-François Tardif, chief investment officer at Timelo Investment Management

Biggest risk: Computer-assisted trading. "We've had flash crashes before, but the computers are faster and bigger now, and there's more money involved."

Biggest opportunity: None yet. "I really believe the market is going lower," he said, adding that he's waiting to see signs of "capitulation."

Investment idea: Cannabis Strategies Acquisition Corp. This special purpose acquisition corporation is one of the few cannabis investments that is not "deeply overvalued."

Mark Tredgett, managing partner at Vantage Asset Management

Biggest risk: The trade war between the United States and China. "When you start trying to push around one of the key engines of the global economy, you're getting into very dangerous territory."

Biggest opportunity: Value stocks. "You know when the old value guys are throwing in the towel, we're probably at the top of that momentum/growth chase."

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Investment idea: GrafTech International Ltd. This company makes graphite electrodes used in steel-making, which are in increasing demand as China tries to address its air quality issues. "The market has gotten very, very tight."

Peter von Schilling, portfolio manager at Polar Asset Management Partners

Biggest risk: The decline of globalization. "The world has operated for 50 years in this paradigm of global growth, trade, integration and efficient capital flows."

Biggest opportunity: Stocks in general. The earnings yield on equities is still attractive against the yield on government bonds. "I still think that [gap] is massive relative to historical standards."

Investment idea: Universal Display Corp. This company is poised to capitalize on the shift in screen technology to OLED (organic light-emitting diode) from LCD in consumer electronics. "It is profitable

today, it generates good margins, and will continue to generate good cash flow as growth rolls out."

