

## Wiseman Sees Value In Being Contrarian

By *Ben Dummett*

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TORONTO (Dow Jones)--Unlike many market-watchers, Sam Wiseman, manager of the C\$10.7 million Wise Capital All Cap Canadian Equity fund, is bullish on Magna International Inc. (MGA).

The big auto-parts supplier has seen its stock fall 19% this year, reflecting concerns of slowing growth at the major auto manufacturers and long-standing corporate-governance issues that have plagued the company because of the other business interests of the company's controlling shareholder, Frank Stronach.

While acknowledging these issues, Wiseman believes the market isn't taking into account that about every five years auto companies tend to do exceptionally well.

"There is no immediate sign of (the next turnaround), but by being a long-term thinker, (we know) it's going happen," Wiseman predicted.

Of the fund's biggest holdings, Magna is the fund's most undervalued stock, Wiseman said. He believes Magna's stock is worth C\$120 to C\$130 a share. In Toronto Tuesday, it's trading at C\$80.17.

Mainly using a quantitative methodology, Wiseman looks at every stock in Canada with a goal of identifying the most undervalued stocks, based on his assessment of its value versus the current stock price.

By scouting for the most undervalued stocks on a relative basis, "we find that we are cutting down a lot on the volatility of the market and getting the upswing," Wiseman said.

The fund's performance certainly demonstrates the advantages of this approach. For the one-year period ended March 31, the fund is up 18.3%, handily outpacing the group average return of 11.3% and a 13.9% gain in the relevant index, according to Globefund.

Wiseman said he has also found undervalued stocks in the insurance sector, making substantial gains from a holding in ING Canada Inc. (IIC.LV.T) among others. Wiseman has held the stock since the company's initial public offering in December. Since then, the stock is up 35% from its IPO price of C\$26. Manulife Financial Corp. (MFC), the big life insurance company, has been another of the fund's strong performers.

The insurance sector "is a safe place to be and (the stocks) should outperform the banks," the manager said.

The fund's largest holding is EnCana Corp. (ECA), a big oil and gas producer. Since the stock is widely held, there is a lot of price stability in the stock and "Canadians pay up for price stability," Wiseman said.

To help minimize risk, the manager uses quantitative analysis to determine the optimal weight of each stock held in the fund. Once a stock exceeds this optimal weight, Wiseman will take profits on the issue.

This was the reason why the manager has taken profit in Blackrock Ventures Inc. (BVI.T), an oil producer.

In another instance, Wiseman sold the fund's position in Ipsco Inc. (IPS), a steel producer, taking advantage of the stock's "huge run." Wiseman said the fund generated a return of well over a 100% from the Ipsco holding.

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