



Gains and downside protection

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WINNIPEG (GlobeinvestorGOLD) – Sam Wiseman has been buying conservatively valued financials and upstream oil for growth and portfolio insurance.

His Wise Capital All Cap Canadian Equity Fund generated a 24.2-per-cent return for the 12 months ended Aug. 31, 2007 compared to the 16-per-cent return of the S&P/TSX Total Return index in the period. Mr. Wiseman, chief investment officer of Wise Capital Management Inc. in Toronto, has headed the \$30-million portfolio since inception in June, 2003.

“We do a macroeconomic overview to determine what the price of key commodities should be and where we are on the business cycle,” Mr. Wiseman said. “The top down analysis helps us decide sector allocations. Then we pick stocks based on a 20 factor model that gives heavy weighting to dividend yield, profitability measured by return on equity, price to earnings and price to book. The model works, for we have been in the first quartile of all Canadian equity fund returns for every year the fund has operated.”

Laurentian Bank is a Montreal-based financial institution. Shares purchased at an average cost of \$29.60 have recently traded at \$39.98 with a \$1.16 annual dividend equal to a yield of 2.9 per cent. Laurentian Bank has been ignored by many analysts, but with good news, the stock tends to soar, Mr. Wiseman said. Laurentian Bank has a low return on equity, but it has been taking market share from competitors. Moreover, in the market recovery since mid-August, Laurentian has outperformed other chartered banks. Earnings per share for the year ended Oct. 31, 2008, should rise to \$3.35 from \$2.95 a year earlier and \$2.48 for 2006, he predicted. Within 12 months, shares should hit \$45, Mr. Wiseman said.

Bow Valley Energy Ltd. is a Calgary-based upstream oil and gas developer active in the North Sea. Shares purchased at an average cost of \$5.90 have recently traded at \$5.95 with no dividend. The economics of the North Sea are favourable. Drillers pay no royalties and therefore the netbacks – that’s a form of operating earnings - tend to be relatively high. Cash flow per share should rise to \$1.45 for the year ended Dec. 31, 2008, from fifty cents a year earlier and 28 cents for 2006, Mr. Wiseman said. Within 12 months, shares should rise to \$8.20, he suggested.

Home Capital Group Inc. is a Toronto-based lender that specializes in loans to clients that banks may have turned down. Home Capital’s loan book has a lower default rate than those of the major chartered banks, Mr. Wiseman noted. Shares purchased at an average cost at \$20.50 have recently traded at \$33.82 with a 44 cent annual dividend equal to a yield of 1.3 per cent. Home Capital was beaten down to \$30 in August because of misplaced fears that the banks held subprime mortgages, Mr. Wise noted. But the realization that Home Capital has no exposure to subprimes has allowed the stock to recover since mid-August. Earnings for the year ended Dec. 31, 2008, should rise to \$2.95 per share from \$2.50 for 2007 and \$1.99 for 2006, he said. Within 12 months, shares should hit \$41.00, Mr. Wiseman added.

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