

LET'S BUILD TRUST



[LEARN MORE >](#)

# Bifurcated market reminds these fund managers of the dotcom bubble

*MacNicol & Associates, with about \$400M in assets under management, tends to focus on stocks that may have been left behind*



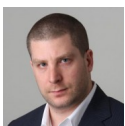
MacNicol & Associates Asset Management Inc.'s portfolio manager Ross Healy (left), president David MacNicol (centre), and portfolio manager Joseph Pochodyniak. *Peter J Thompson/National Post*

LET'S BUILD A BETTER WORLD



[LEARN MORE >](#)

© 2018 CFA Institute. All rights reserved.



JONATHAN RATNER

February 22, 2018  
11:23 AM EST

Filed under  
[Investing](#) > [Buy & Sell](#)

When it comes to valuations, the market appears to have split itself into two parts: stocks that are extremely expensive, and those that trudged along and still offer decent upside potential.

That reminds the portfolio management team at MacNicol & Associates Asset Management of the peak of the tech bubble in 2000.



Reddit



Email



More

investment philosophy, and therefore tends to focus on stocks that may have been left behind.

“Going forward, we expect that the willingness of investors to take outlandish risks will diminish substantially, so these kinds of stocks should shine,” said senior portfolio manager Ross Healy. “We are also cognizant that overall risks are significant — from interest rates to Trump — and we want to be investing to minimize our equity risk exposure.”

That doesn’t mean avoiding equities, but rather ensuring that the fundamentals are sound and improving, and volatility and risk are contained. The portfolio managers have also raised cash recently, which they believe will provide the opportunity to invest at lower levels in both the equity market and in the alternative asset space.

MacNicol noted that recent movements in the bond market suggest that U.S. deficit spending will “borrow” the American economy into prosperity. At the same time, Chinese demand for U.S. Treasuries has waned.

“Taken together, inflation can thus be defined quantitatively as a devaluation of the U.S. dollar,” he said.

The portfolio manager also noted that foreign investors couldn’t have been pleased by the greenback’s eight per cent decline in 2017 or the meager yields they were receiving. As a result, he believes the market may be anticipating fewer participants in upcoming treasury auctions, and pushing rates up sharply as a result.

“Perhaps more pressing than the direction of the movements in U.S. 10-year yields was their speed,” MacNicol said. “In an environment where equity valuations are elevated, the bond market may have caught equities looking the other way.”

MacNicol & Associates is offering its clients a new way to achieve stable yields in what now appears to be a rising rate environment through a new Alternative Asset Debt Fund.

“The safest asset class used to be bonds, but that has all changed recently,” said portfolio manager Joseph Pochodyniak. “We like the alternative space a lot, and feel that it is an asset class that is insufficiently represented in the portfolios of Canadian investors. So clearly it’s an opportunity for investors.”

Get the latest news in your mailbox as it happens

*Sign Up*

## NEWS VIDEOS

How much is steel and aluminum worth? 1:45

cash flow that comes from a well-executed value add strategy.

The firm focuses on underperforming assets in healthy markets, like the Texas Triangle (Houston, Dallas/Fort Worth and Austin), the Greater Miami area and select neighbourhoods in Toronto and Ottawa.

MacNicol & Associates continues to believe in precious metals as a store of value, as well as a hard asset that performs well against inflation, and government debt/deficit challenges.

One related holding, B2Gold Corp. (BTO/TSX), is trading at a discount relative to its closest peers on a market cap per ounce basis.

MacNicol noted that the company had record output of 630,000 ounces last year, and is among the lowest-cost producers.

“We expect B2Gold shares to get a rerating upwards,” he said.

After being a longtime investor in Berkshire Hathaway Inc., the firm moved out of Warren Buffett’s conglomerate due to its relatively high valuation, and into Fairfax Financial Holdings Ltd. (FFH/TSX).

“We like the management team, and respect the fact that they are able to see that they had made a mistake concerning the markets, and have removed all of their extremely expensive hedges,” MacNicol said. “Their insurance business is also flourishing globally.”

 **Comments**  
*Share your thoughts*

## FEATURED STORIES



### "Weapons of mass destruction for trade": The many ways China can hit back against...

China has said it will take 'all necessary measures' to defend its interests and expectations are high that President Xi Jinping won't hold back

[Read More](#)



-0:23

[← Previous](#)

[Next →](#)



Playing both sides of the electric vehicle and autonomous driving trade



There is plenty of value in real estate stocks, if you know where to look



Finding value in founder-run companies one of this fund manager's keys to success



Why this energy fund manager isn't being cautious



Risks rise for dividend stocks as rate cycle turns, fund manager says

### TOP STORIES



All this massive LNG project needs is the thumbs up from its owners to snap Canada's energy losing streak

With B.C.'s NDP government onside, the LNG Canada project is tantalizingly close to going ahead and 'would be a real missed opportunity for Canada' if it doesn't



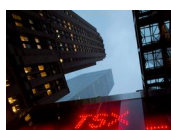
'Weapons of mass destruction for trade': The many ways China can hit back against Trump's tariffs

China has said it will take 'all necessary measures' to defend its interests and expectations are high that President Xi Jinping won't hold back



Liberals have no time for facts in their war on the gender gap

Peter Shawn Taylor: Morneau's figure for the gender earnings gap is absolutely not right. And StatsCan offers the evidence necessary to prove it's wrong



Canadian stocks look cheap — until you factor in record debt

Strategist thinks that if companies don't start deleveraging, stocks could fall to the lowest level relative to the S&P 500 since before the tech bubble popped



---

### Classifieds

- Remembering
- Celebrating
- Classifieds Marketplace
- Careers
- FlyerCity
- Post a Classifieds ad

### Advertise With Us

- Partnerships
- Resources
- Content Works

### Sales Directory

- About Us

### My Account

- Subscriber Self-Serve
- ePaper
- eNewsletters

### Stay Connected

