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Digital apps and gaming top manager's picks

David MacNicol is focusing on U.S. companies that won't be hindered by the strong greenback, but is also seeing some opportunities abroad



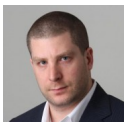
Michelle Siu for National Post

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February 17, 2015
7:00 PM EST

Last Updated
February 23, 2015
8:47 AM EST

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Manager: David MacNicol, MacNicol & Associates Asset Management

Portfolios: Individual growth and value-oriented global portfolios

Description: Combination of equity, fixed-income and alternative-asset strategies

Assets under management: Approaching \$200 million (180 families)

David MacNicol is focusing on U.S. companies that won't be hindered by the strong greenback, but is also seeing some opportunities abroad, specifically in India and South Korea.



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and U.S. companies that have the bulk of their sales south of the border.

"We're really seeing a race to the bottom for currencies, where many countries are trying to devalue to make exports more profitable," he said, forecasting further declines for the Canadian dollar. MacNicol wouldn't be surprised if the loonie levels out in the mid-US70¢ range.

On a sector basis, he's seeing the greatest earnings boost in technology, followed by health care.

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Overseas, MacNicol continues to increase his clients' exposure to India, a market he entered before last spring's election in anticipation of some changes.

"The results led to a shift from a 25-party splintered structure to one party with a majority," he said, noting that many infrastructure projects that have been shelved for years are now starting to come together. "They've also had some rampant inflation, which the new government seems to have under control."

MacNicol also likes the prospects for the rupee, and noted that India has one of the most highly educated workforces in the world.

South Korea is more of a valuation play, but he noted that the emergence of shareholder activism will benefit the broader equity market.

MacNicol, who also offers clients alternative-asset strategies including private equity, real estate and third-party hedge funds, has stayed away from energy for the most part due to excess global supply. However, he believes that in time there will be an opportunity to start doing some stock picking.

"But we don't think it will catch up to the broader indexes for some time since it's not going to be a V-shaped recovery for the sector," he said.

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conditions.

"They've done some quite successful cross-selling and the demographic picture is very strong," he said. "It's a classic grower, is very profitable and we expect it will be paying a dividend by the end of the year."

Biggest risk: Challenges with its acquisition strategy.

Intertain Group Ltd. (IT/TSX)

The position: Purchased last in 2014

Why do you like it? MacNicol believes this online bingo company may prove to be less volatile than another one of his holdings, Amaya Gaming Group Inc., because bingo users, whether in community halls or online, are very loyal.

Intertain recently made a deal to acquire certain Gamesys Ltd. assets, and MacNicol expects the combination of their bingo and casino gaming businesses should boost growth quite a bit.

"Sooner or later, a great amount of tax revenue is going to come from online gaming because governments are in desperate need," he said.

Biggest risk: Potential litigation.

TheScore Inc. (SCR/TSX)

The position: Recently added to existing position

Why do you like it? TheScore's sports app has 10.2 million monthly users, but MacNicol highlighted an emerging revenue stream for the company now that it includes a legal gaming overlay.

He also pointed to TheScore's plans for its eSports app that is focused on competitive video gaming.

"The growth in that area is very impressive and people want to watch competitive video gamers just as they do sporting events," MacNicol said. "They will get the advertising revenue going on both apps, which will fuel the overall business plan."

Biggest risk: Slowing growth.

SELL

Berkshire Hathaway Inc. (BRK.B/NYSE)

than 50%.

"That's where it's historically peaked in the past."

Potential positives: Low energy prices help rail business, auto dealerships and Wal-Mart Stores Inc.

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