

Manager Picks: David MacNicol
Posted: February 05, 2008, 8:30 AM by Jonathan Ratner
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Manager: David MacNicol, MacNicol & Associates Asset Management
Style: Value and growth
Fund: Global Equity
Strategy: Mid to large-cap stocks with a focus on the developed world



Buy recommendations:

Agrium Inc.
Canadian Pacific Railway Ltd.
Suntech Power Holdings Co.

Sell recommendation:

Ensign Energy Services Inc.

PREVIOUS PICKS

Commentary:

“There is no question that the financial fallout from the U.S. sub prime mortgage fiasco facing credit markets will negatively impact global growth. We continue to like Canada and the emerging markets, and to a lesser extent Europe. The ongoing transfer of wealth from financial paper assets to tangible assets, otherwise known as ‘store of value’ assets, is a trend which will continue to positively impact commodities. With regards to specific sectors, we continue to recommend minimal exposure to banks, preferring the insurance companies.

Soaring food costs are becoming a global phenomenon and the agricultural sector will provide opportunities. Gold is one of our largest sector weightings right now and we believe strongly that in the long run, both the commodity and the producer are going to do very well. We like agriculture stocks right now.

Both Agrium and Potash have come of quite a bit lately. And while they do tend to go into sort of a soft period in the February to April period, I still think they've been overdone on the downside." He thinks Agrium has good upside and thinks it will be a huge supporter of food chain enhancement in China."

CP Rail's acquisition of Dakota Minnesota & Eastern Railroad Corp. provides it with more exposure to the coal business, Mr. MacNicol said. "You're seeing huge coal shortages over in China... I'm not saying that a great deal of it comes from the United States and through Dakota, but there will be improvement for CP especially if the deal happens." CP has also been beaten up with the market and Mr. MacNicol thinks it has lots of upside.

He has owned solar energy company Suntech Power for about a year and likes it again in the US\$50 range. Their product costs have come down so far that they are now on par with fossil fuels, he noted. "So that's a major breakthrough and the market was really taking notice of that in the fourth quarter of last year."

Mr. MacNicol doesn't like oilfield services provider and driller Ensign Energy Services because he is more interested in alternative energy. In addition to the current bearishness on energy companies, "what typically also happens this time of the year is what's called the 'spring melt.' And these properties aren't as accessible for the drillers, so their business gets a little soft."

Selected holdings:

Silver Wheaton Corp.*
BHP Billiton Ltd.*
Labrador Iron Ore Royalty Trust*
Power Corp.*
TransCanada Corp.*
Goldfields Ltd.*

One-year return: 13.03%
Three-year: return 16.25%
(Through Dec. 31, 2007)

Morningstar rating: N/A

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Photo by Nathan Denette/National Post