

Shoppers Drug Mart and CGI Group – MacNicol's Manager Picks

Posted: June 04, 2008, 4:30 PM by Jonathan Ratner

[Market Call](#), [Manager picks](#)

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:

American Oriental Bioengineering Inc.

Shoppers Drug Mart Corp.

CGI Group Inc.

Sell recommendation:

IAMGOLD Corp.

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Commentary:

"Investors are increasingly turning to assets which do not have their fortunes linked to Wall Street. The U.S. economy is weakening and may be in recession. For the first time in U.S. history, Americans do not believe that their children will lead better lives than they do. This may be why all presidential candidates continue to harp on the word 'change.'"

"China and India, along with a variety of emerging markets, continue to prosper. Although the U.S. remains an important market for commodities, producers now focus their development and marketing plans based on anticipated demand from China. Some experts believe China can grow at 9.0% for the next two decades, keeping growth in the rest of Asia around 7.0%. If this comes to fruition, Asia will produce 50% of global GDP by 2030, regaining the position it held at the beginning of the 19th century. China and the Asian economies are no longer as dependent on exports to the U.S. as they once were."

"The first quarter has already turned out to be a difficult read, and we expect the rest of the year to be a challenge as well. China and India are expected to record 9-10% growth rates stimulating economic activity in Asia and driving growth in major commodity producing regions such as Russia, Latin America, Australia and Western Canada."

"We continue to underweight our exposure to financials, avoiding banks where possible. While there is some value in banks based on forward earnings estimates, earnings momentum is weakening and the risk of further write-offs remains. With regards to the fixed income side of our portfolios we continue to recommend a short duration. Rising energy and food prices, the Federal Reserve's easing monetary policy along with massive injections of liquidity to provide more relief in the spreading credit crisis, will eventually bring inflationary pressures to bear."

Selected holdings:

Manulife Financial Corp.
Canadian National Railway Co.
Labrador Iron Ore Royalty Income Fund
Power Corp. of Canada

One-year return: 3.91%
Three-year: return 13.11%
(Through March 31, 2008)

Morningstar rating: N/A

[Jonathan Ratner](#)

Photo by Nathan Denette/National Post