BEST BETS

Manager likes volatile market

BENJAMIN HORWOOD tells **ANGELA BARNES** this is key time for stock-picking skill

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Money manager Benjamin Horwood says, 'We don't know how much the Canadian or U.S. market will go up, but we are quite confident that [in] the next two or three years there will be positive gains.'

Where some investors see unwelcome turbulence and uncertainty in the stock markets, fund manager Benjamin Horwood sees opportunity.

"Basically, as value contrarian investors, we see that war and uncertainty and volatility mean only one thing: stock market opportunities," said the president of Montreal-based Value Contrarian Asset Management Inc.

"We love this type of market because it is where stock-picking skills come into play." And stock selection is key at his Value Contrarian Canadian Equity Fund.

He said the stock markets, although "not a screaming buy," are no longer in a bubble. "Valuations are okay."

And he is optimistic about market prospects. "We don't know how much the Canadian or U.S. market will go up, but we are quite confident that [in] the next two or three years there will be positive gains."

Among the stocks Mr. Horwood has recently bought are:

■ **Del Monte Foods Co.** (DLM-NYSE). The San Francisco-based food processing firm recently doubled its size through the acquisition of certain brands, including Starkist Tuna seafood, 9-Lives cat food, Kibbles 'n Bits and a baby food line, from H.J. Heinz Co., Mr. Horwood noted. In return for those assets, Heinz received approximately 150 million Del Monte shares, which on Dec. 20 were spun off to Heinz shareholders. That created some short-term selling pressure on Del Monte shares because the index funds, which received Del Monte shares through their ownership of Heinz shares, have been forced to sell Del Monte shares because Del Monte, unlike Heinz, is not part of the Standard & Poors 500-stock index. The shares, which closed yesterday at $8.13 (U.S.) on the New York Stock Exchange, were trading at a "reasonable" multiple of about 10 times the 73-cents-a-share earnings of the past fiscal year when he bought them. The shares hit a 52-week high of $12.20 on June 24 and a 52-week low of $6.95 on Oct. 10.

■ **Quebecor World Inc.** (IQW-TSX). Mr. Horwood is drawn to the Montreal-based commercial printing firm for a number of reasons, including the fact that it generates "lots of free cash flow." Therefore, "even if they don't grow the top line in a difficult advertising and printing environment," Quebecor World can increase earnings by using the free cash flow to pay down debt. A short-term buying opportunity in the shares emerged late last year after a share issue that "got bungled," Mr. Horwood said. At their close yesterday of $36.19 (Canadian) on the Toronto Stock Exchange, Quebecor World shares were trading closer to their 52-week low of $32.03 set on Oct. 10 than their 52-week high of $46.60 established on April 19.

■ **Magellan Aerospace Corp.** 8.5-per-cent convertible debentures (MAL.DB-TSX). The 8.5-per-cent convertible unsecured subordinated debentures due Jan. 31, 2008, issued by the Mississauga-based aerospace component and service company are "a classic contrarian investment," Mr. Horwood said. Magellan is "a business suffering due to the downturn in the aerospace industry." So the debentures, which began trading last week, give investors 8.5-per-cent annual interest while they wait for a turnaround in that industry, he said. Moreover, they are convertible into shares at less than book value, he said. Book value is about $4.80 and conversion is at $4.50.

■ **Fidelity Japanese Values PLC** (FJV-LSE). The closed-end fund trades on the London Stock Exchange at about a 17-per-cent discount to its net asset value. "For contrarian investors, this is a diversified and prudent way to buy into Japan at a further discount to an already washed out market." The fund has a diversified portfolio, but "it is important to point out that the fund has no exposure to major Japanese banks or life insurers," which are big problem areas, Mr. Horwood said. Furthermore, he noted that shareholders have the opportunity every three years to vote whether or not to liquidate the fund. The next vote is in April, 2004. Liquidating the fund will eliminate the discount to net asset value. The fund closed at 36.5 British pence (90 cents Canadian).

Mr. Horwood continues to hold shares of Lassonde Industries Inc. (LAS.A-TSX), a Rougemont, Que.-based maker of private label and brand-name fruit juices and drinks in an account, but not in the Value Contrarian Canadian Equity Fund. Lassonde shares have dropped from $20.25 at the time of a May 23 Best Bets interview to $16.95 yesterday. And he continues to like PBB Global Logistics Income Fund (PBB.UN-TSX), describing the Fort Erie, Ont.-based income trust as a "stable business with decent growth prospects." The units have risen from $10.12 on May 22 to $10.99 yesterday.

Shares of FleetBoston Financial Corp. (FBF-NYSE) have fallen from $35.60 (U.S.) to $27.37 as the stock was weighed down by short-term problems with its Argentine operations and the closing of its investment banking operations, Mr. Horwood said. He sees the Boston-based bank as an eventual merger or takeover candidate, given its dominant position in the New England market, and he continues to hold FleetBoston shares in the fund.

Best Bets outlines what professional money managers are buying and selling.

abarnes@globeandmail.ca