



HEDGE FUND

ALERT

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Canadian Fund Targets Foreigners

A seasoned hedge-fund manager in Canada is marketing his vehicle in the U.S. and Europe for the first time.

John Clark launched his Toronto-based **Preservation Capital Fund** earlier this month with the goal of generating interest from foreign buyers who haven't had many shots at hedge funds that target Canadian stocks. The entity started trading with C\$100 million (\$64 million). The fund is an unleveraged, offshore version of Clark's Canadian-based vehicles that have produced an average annual return of 17% since May 1999.

Going forward, Clark and his team at **J.C. Clark** intend to continue using the same bottom-up, fundamental-analysis strategy in hopes of producing unleveraged returns of 10% to 15%, after fees. So far this year, one of his similar unleveraged funds has netted 6.9%.

The approach limits the number of sectors in which the fund may invest — currently to consumer-finance, consumer-product, natural-resource and business-service stocks. The fund's investments are about equally divided between Canadian and U.S. equities.

Preservation Capital is charging fees equal to an annual 2% of assets and 20% of profits. The minimum investment requirement is \$100,000.

In marketing documents, Clark argues that Canadian stocks are especially suited to hedge funds because there's little competition for short positions in the nation's market. In fact, the country has fewer than 30 other long/short vehicles running no more than C\$3 billion — even though the Canadian stock market's capitalization of C\$530 billion rivals countries such as Germany and Italy. What's more, Canadian companies are covered by fewer sources of independent research than those in the U.S., creating greater potential for pricing inefficiencies.

Clark employs a three-member management team to run Preservation: assistant portfolio manager **Colin Stewart**, trader **David McCaslin** and analyst **Alan Peranson**. He started J.C. Clark last year, primarily as a vehicle to manage his family's money. During his 37-year career, he founded two other money-management firms, **Connor Clark** and **Connor Clark & Lunn**. He also served two years as chairman of the board of governors of the **Toronto Stock Exchange**. ❖