

# 'It's simple, but it's not easy'

BY ELLEN VAN WAGENINGEN, THE WINDSOR STAR

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It is rare these days that ordinary folks get to hear face-to-face from the manager of a mutual fund in which they've invested or are thinking about putting their money.

Two bear markets in the last dozen years have left consumers with a nasty hangover and maybe a bit of financial investment seminar burnout, but Larry Sarbit isn't afraid of a skeptical crowd.

"I love meeting the public because I'm very secure in what I'm doing," said the chief investment officer for Winnipeg-based Sarbit Advisory Services. What he does is manage IA Clarington's Sarbit U.S. Equity Fund.

Sarbit has reason to be confident because his track record is pretty good, said Dan Hallett, vice-president and director of asset management for Highview Financial Group.

"He's done fairly well in three or four incarnations," though there are some gaps during tumultuous markets when he wasn't managing funds, said Hallett, who lives in Windsor and began his career giving financial advice to residents of Canada's motor city 17 years ago. The company he now works for serves high net worth clients.

Hearing from someone like Sarbit, who has been researching U.S. companies for three decades, is a good starting point for consumers thinking about investing in U.S. equities, he said. Hallett noted U.S. stocks haven't been popular in Canada in recent years, partly because of the strong loonie, but they may be a better bet in the next decade.

His advice to consumers is to use Sarbit's pitch as a starting point for a conversation with their financial planner or, for do-it-yourself investors, to do more research.

It's an approach Sarbit said he strongly condones.

Consumers spend more time researching their next vehicle than a mutual fund they invest in, he said. "That's sort of what I've seen. Most people don't know what they own."

He wants those who invest in the fund he manages to understand what they're buying and his approach.

"What we do isn't easy. It's simple, but it's not easy. We deliver very different results than the market .. If you want market results you can buy the market. You can buy it very cheap. You can buy an

index (fund). You can buy an ETF (exchange-traded fund) for almost nothing," Sarbit said. Index funds and ETFs have lower costs and fees than mutual funds.

Investors in Sarbit's U.S. equity fund pay a 2.69 per cent management fee. That might have seemed worthwhile when the fund posted a 32.6 per cent gain for the year ending March 31, during which the S&P 500 composite index in Canadian dollars returned 10.7 per cent. As of Aug. 31, the Sarbit fund was down 7.3 per cent this year.

Sarbit said he looks for long-term profitability, using an approach modelled on that of Warren Buffett, the renowned U.S. billionaire investor and primary shareholder of Berkshire Hathaway.

When Sarbit sold his fund to IA Clarington in 2008, more than half of it was in cash, but since mid-2010 he has been on a buying spree scooping up what he sees as bargain U.S. stocks for a small group of companies that meet his criteria for success. He looks for companies that have little competition, don't require a lot of cash to run and provide a product that is immune to economic downturns.

The fund's current largest holding (10 per cent) is Iconix Brand Group Inc., which has bought up trademarks for clothing lines such as Joe Boxer and London Fog. It refreshes these brands and then licences them to manufacturers and major retailers, such as Walmart, with which it has formed strong alliances. The company has only 300 employees and low overhead, Sarbit said.

He's impressed by the turnaround of the Detroit Three automakers, but he won't be buying any shares. He loves his BlackBerry, but he wouldn't invest in technology companies. He steers clear of those highly competitive sectors that he admits are beyond his expertise.

Sarbit said he focuses on a small number of companies he feels will bring the best return for investors.

"I don't see this as a fund. I see this as a business," he said.

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