



## Canoe's fund launches aimed mostly at income-seekers

by Rudy Luukko | 09 Jan 12

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### ***Firm sticks with "Go Canada" theme***

With its latest fund launches announced today, Canoe Financial Corp. has shored up the income-producing side of its mutual-fund family while sticking with its "Go Canada" theme.

In all, there are seven new Canoe mutual funds, consisting of five corporate-class funds and mutual-fund trust versions of two of these mandates. They bring to 13 the total number of funds in the Canoe family, joining five corporate-class funds launched in February 2011, and the 11-year-old [EnerVest Natural Resource](#).

Though Calgary-based Canoe manages a total of about \$1.6 billion in closed-end funds, flow-through limited partnerships and mutual funds, the latter are a relatively small part of its total business. The mutual funds had assets of less than \$300 million as of the end of November, according to Morningstar data, making the firm a small craft in a sea of much larger and more established rivals.

Canoe is hoping to make some waves by expanding its appeal to the large pool of conservative retail investors who are seeking tax-advantaged income while wanting to limit their equity-market risk. Four of the five new corporate-class funds -- and both of the new mutual-fund trusts -- are focused on generating income. Playing a prominent role is the newly hired sub-advisor, Toronto-based AEGON Capital Management Inc., which is responsible for managing most of the new mandates.

Privately owned Canoe Financial is headed by chairman W. Brett Wilson, a veteran Alberta investment banker and entrepreneur whose claims to fame include being a former panellist on the popular CBC reality show Dragon's Den. Canoe's president and CEO is Nevin Markwart, formerly an executive and portfolio manager with Fidelity Investments.

The new Canoe offerings are:

#### **Canoe 'GO CANADA!' Bond Advantage Class**

Expected to be invested primarily in investment-grade Canadian corporate bonds, Bond Advantage will be managed by AEGON's head of fixed income Marc Goldfried and his team. They will be able to invest up to 30% of the fund's assets in foreign securities. A portion of the fund may be held in securities that are below investment grade or unrated. The fund won't make big interest-rate bets, with AEGON seeking to maintain the duration of the fund's portfolio within a range of plus or minus two years of the duration of the DEX Universe Bond Index. For reasons of tax efficiency, Bond Advantage Class will employ a swap-based strategy linked to the returns of its reference fund, Bond Advantage. This is being done to enable the distributions of the corporate-class fund to be made in the form of capital gains.

#### **Canoe 'GO CANADA!' Enhanced Income Canoe 'GO CANADA!' Enhanced Income Class**

Also managed by Goldfried and his team, Enhanced Income has a target asset mix target of approximately 80% fixed income and 20% equities. This will place it within the Canadian Fixed Income Balanced category, the most conservative type of balanced mandate. Employing a derivatives-based strategy that is similar to that of the bond corporate-class fund, Enhanced Income Class will employ a swap-based strategy linked to the returns of Enhanced Income so that the corporate-class fund can make capital-gains distributions.

### **Canoe Equity Income Class**

Managed by AEGON's head of equities Stephen Carlin and his team, this Canadian fixed-income balanced fund will have a target asset mix of 80% equity and 20% fixed income. Up to 30% of the portfolio may be held in foreign securities, and the fund may write covered-call options on the equity holdings to generate additional income. Up to 10% of the fund may be held in gold or silver bullion or securities that provide bullion exposure.

### **Canoe Energy Income Class**

This fund will invest primarily in a mix of equity and fixed-income securities of Canadian oil and natural-gas companies, as well as those of their suppliers such as drilling companies. The portfolio manager is Canoe Financial's Rafi Tahmazian, who will continue to manage EnerVest Natural Resource and [Canoe Canadian Energy Class](#).

### **Canoe Capital Appreciation Class**

Investing primarily in Canadian small and medium-capitalization companies, this fund may also hold up to 49% of its portfolio in foreign securities. The fund will be managed by Haber Trilix Advisors LP, the Boston-based firm headed by Bob Haber, who was formerly chief investment officer of Fidelity Investments Canada before leaving Fidelity in 2009 to form his own firm. Haber Trilix continues as the manager of three other Canoe mandates: [Canoe 'GO CANADA!' Canadian Monthly Income](#), [Canoe 'GO CANADA!' Canadian Asset Allocation Class](#) and [Canoe 'GO CANADA!' Canadian Equity Class](#).

The Canoe mutual funds are distributed through brokers and dealers. There are purchase options available for clients of commissioned advisors as well as fee-based advisors. The minimum investment -- which is on the high side for retail mutual funds -- is \$2,500.

Canoe isn't rocking the boat on fees within its distribution channels. Management fees for Series A -- which offers a choice of a sales-charge and a low-load option -- are roughly in line with those charged by many other advisor-sold fund firms. For example, among the new funds, the management fee is 2.10% for Equity Income Class, 1.60% for the Enhanced Income mandate and 1.35% for the Bond Advantage mandate.



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