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EnerVest performance energized by focus on juniors

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Screen looks for leaders and laggards among natural resource equity funds

What are we looking for?

Let's see how natural resource equity funds are faring, given the recent rout in commodity stocks and concerns about slower global growth.

The screen

We look at the leaders and laggards this year to May 12. U.S. dollar, segregated and duplicate versions of the funds were excluded, as well as those targeted at accredited or sophisticated investors.

What did we find?

Energy-oriented funds are leading the pack, while a uranium-focused fund is mired in red ink.

EnerVest Natural Resource Fund gained nearly 17 per cent, trailed closely by Bissett Energy with a 15.4-per-cent return. Middlefield Uranium Focused Metals shed the most, losing 26.7 per cent.

Despite its name, EnerVest Natural Resource is now only invested in oil and gas stocks since Rafi Tahmazian of Canoe Financial LP took over in January, 2010. "I cut my teeth in energy, and that is what I know the best," said the former managing director at FirstEnergy Capital Corp.

His fund's performance has largely been driven by oil service stocks that now make up about 60 per cent of the portfolio, and some private investments. "I focus primarily on the junior-sector names that I think might be vulnerable to a takeover," Mr. Tahmazian said. He owned names such as Stoneham Drilling Trust and Technicoil Corp., which were taken over or merged with another company.

Ten per cent of his fund is in private companies, including Cutpick Energy Inc., which was marked up to $8 a share in February from $4.50 when it raised $80-million in a brokerage-led financing. Cutpick could be valued at this higher price because it is what investors were willing to pay for its shares, he said. "That constitutes a market."

Middlefield Uranium Focused Metals has lagged the most because its uranium stocks, including Cameco Corp., Paladin Energy Ltd. and Uranium One Inc., took big hits because of Japan's nuclear crisis at its Fukushima Daiichi power plant following the recent earthquake and tsunami.

"There will be six months to a year where you will have this overhang on the sector," but eventually, there will be a realization that newer nuclear plants with their higher standards are safer, said Rob Lauzon, a portfolio manager with Middlefield Capital Corp. "We shouldn't see problems like we did in Japan if you don't build a nuclear plant on a fault line, or a major earthquake zone."

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