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Fund startup lands a dragon in the Canoe

By DAVID PARKINSON
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Reality-TV show panelist and FirstEnergy co-founder Brett Wilson joins Canoe Financial LP

Brett Wilson is un-retiring. This time, the guy who helped build an investment bank where everyone said it couldn't be done is going to try to repeat that success in the mutual fund industry.

Canoe Financial LP has lured the 53-year-old entrepreneur, philanthropist and *Dragons' Den* reality-TV panelist out of his three-year early retirement to become its chairman. The little-known Calgary fund management company filed a final prospectus this past week for the first fund under the Canoe banner, a closed-end fund called the Canoe Go Canada Income Fund that is aiming to raise between \$50-million and \$100-million.

But the offering is just the tip of the iceberg. Mr. Wilson and his associates expect to roll out a range of funds for retail investors over the next few years, including open-end offerings, as they launch an ambitious game plan to build a major new player in the highly competitive Canadian mutual fund industry.

Mr. Wilson is the public face of a high-profile management team that Canoe's founder - renowned energy-sector financier Bruce Chernoff - has quietly assembled over the past seven months. The team - which also includes a former National Hockey League player turned senior mutual-fund executive, and a big-name portfolio manager - has been ramping up a marketing infrastructure as it prepares to expand into the retail investing sphere.

So what enticed Mr. Wilson, who retired from active management at Calgary energy investment bank FirstEnergy Capital Corp. in 2007, to get back into the financial sector rat race?

It was, he says, for the fun, the challenge - and because, as when he co-founded FirstEnergy 17 years ago, people said it couldn't be done.

"We built a business [FirstEnergy] into a declining market that, I was told, didn't have room for a boutique dealer, that was controlled by the bank-owned dealers, that didn't have space for innovation and creativity," he told The Globe and Mail in an interview in Toronto.

It turned out that the market did have space for FirstEnergy, which, despite being headquartered more than 2,500 kilometres from Bay Street, nevertheless became Canada's premier energy investment dealer. Mr. Wilson now hopes to duplicate that formula in the mutual fund space.

"We don't think this industry has a closed door on creativity and innovation," he said.

Canoe already has \$1.6-billion in assets under management, courtesy of Mr. Chernoff's EnerVest group of income funds. Mr. Wilson wants to as much as triple that total within five years - a level that would rank it in the top 20 among Canada's roughly 40 mutual fund providers.

The Canoe Go Canada Income Fund will begin its life as a closed-end fund, but after two years it will convert to an open-end mutual fund. Canoe plans other funds to follow, including additional open-end offerings.

Fund industry analyst Dan Hallett, director of asset management at wealth management firm HighView Financial Group, noted that Canoe's strategy of starting with a closed-end product that it will convert into a mutual fund is strikingly similar to that of Mr. Wilson's most famous co-host on *Dragons' Den* - Kevin O'Leary, who besides his TV career is also chairman of O'Leary Funds.

"Starting with a closed-end fund, from a business standpoint, is a good approach," Mr. Hallett said. "It's a way to raise a lot of money pretty quickly."

He said going this route allows a company to establish a strong asset base and a track record of performance. "That will fuel sales once they move to an open-end [mutual fund] structure."

The Go Canada fund, which Canoe expects will close in mid-January, will focus on Canadian companies with exposure to key areas of global growth, particularly natural resources such as oil and gold. It will have roughly 50 holdings, primarily dividend-paying equities with a smattering of corporate debt and convertible paper. The fund is targeting an initial annual yield of 6 per cent, and is pegging its management expense ratio (MER) at 2.15 per cent.

Mr. Hallett isn't convinced Canoe's first product will do enough to catch investors' eye in a crowded marketplace. "You have to have something unique to offer. At first glance, I can't see what they're offering that you can't get from another firm," he said.

But perhaps Canoe's biggest selling point is the person it landed to manage the fund, as well as others to come: Bob Haber.

In Canadian mutual fund circles, Mr. Haber - head of fund advisory firm Haber Trilix Advisors LP out of Boston - may be a bigger celebrity than Mr. Wilson. He spent a quarter-century at Fidelity, including 12 years as the chief investment officer for the fund giant's Canadian arm, where he oversaw more than \$20-billion in assets.

"No matter what metric you use, we landed one of the top-10 portfolio managers in the country," Mr. Wilson enthused.

Mr. Haber was recruited by another Canoe celebrity- Nevin Markwart, a former NHLer with the Boston Bruins and Calgary Flames, who had been head of Canadian equities at Fidelity before Mr. Chernoff hired him as Canoe's president and chief executive officer in May.

"After meeting Brett and Bruce, I understand that these guys are winners - they've had multiple successes over a long period of time," Mr. Haber said.

Mr. Wilson acknowledges that creating a major new mutual fund company will be a challenge in a sector dominated by big banks and a handful of long-established names. But he believes there's room in the market for another player.

"There's about \$700-billion right now in the [Canadian] mutual fund business. It turns over 5 to 10 per cent a year in terms of people moving their money from one product to another," Mr. Wilson said. "We just need to be a credible, meaningful, creative conduit to capture a portion of that.

"By being nimble and responsive, we should be able to very effectively grow our business - without causing the elephants to stampede."

A Dragon's Life

Born July 1, 1957, North Battleford, Sask. Mother was a social worker and father was a car salesman.

Key Connections:

Murray Edwards: Met him in student politics at the University of Saskatchewan; In 1993, they co-founded FirstEnergy Capital and both are still involved in U of S.

Alma Mater: Gave \$1-million to launch the Brett Wilson Centre for Entrepreneurial Excellence in U of S's Edwards School of Business.

Kevin O'Leary: chairman of O'Leary Funds and one of the co-hosts on Dragons' Den

Philanthropy:

A cancer survivor (diagnosed with prostate cancer in his early 40s), Mr. Wilson has devoted more time to philanthropy. He has booked a venue that holds 5,000 people for his 55th birthday, which will be a fundraiser for the prostate cause.

Staff

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