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Retired investor a big fan of trusts, small caps

This week, TONY MARTIN profiles an avid squash player who commits both time and effort to looking into the quality of companies

By TONY MARTIN

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An avid golf player, Fred Campbell is an even more committed squash fan, playing four or five times a week. As he jokes, "I say if they don't hit the ball to me, it's my point."

But the Brockville, Ont., man, who retired a year ago at 54 from his job looking after boilers and air compressors and the like with DuPont Canada, expects no such favours from the stock market, and commits both time and effort looking into the quality of companies -- and the character of their management -- before making an investment.

"Investing is a good activity to involved yourself in when you've retired." If you don't remain active and interested, he says, "your world shrinks and you become self-absorbed."

However, he's quick to warn that you've got to be careful it doesn't consume you. "If you're on the golf course and thinking about your stocks or always on the cellphone to your broker, it's not much different than being a workaholic."

How he does it

Mr. Campbell is a big fan of income trusts. As he notes, "Even if I pick a stinker, there's some consolation in receiving a distribution every month." But his favourites are often those with very low profiles. Take Oceanex Income Fund (OAX.UN-TSX), a little-known trust that, of all things, focuses on shipping everything from raw materials to heavy machinery from anywhere in North America to Newfoundland. After dropping from more than \$9 to less than \$7 in late 1999-early-2000, the units have steadily appreciated, last closing at \$14.60, and yield just under 8 per cent. The company, which carries no debt, pays out about 95 per cent of its earnings in dividends.

Another winner has been Trinidad Energy Services (TDG.UN-TSX). The Calgary-based company, which operates 31 drilling rigs and eight service rigs, calls itself "growth oriented," and has expanded through the acquisition of smaller drilling companies. The company's rigs, Mr. Campbell says, are all booked until next spring, and he likes Trinidad's debt-free status, and that the company only distributes about 60 per cent of its cash flow.

Companies that distribute almost everything they earn, he says, may entice you with mouth-watering yields, but "They have very little for day-to-day operations, and what they often have to do is issue more equity." The units have been on a tear, last closing at \$8.25, way up from the 52-week low of \$4.60, and have a yield of 8.73 per cent.

Since last November, he's also had money in Montreal-based MTY Food Group (MTY-TSX-VEN). Another growth-oriented investment that makes few headlines, MTY operates 14 different franchise operations, including Croissant Plus, Cultures, Pad Thai, Tiki-Ming, and Mrs. Vanelli's, an Italian chain.

With many investments he's looking at, Mr. Campbell will regularly take the time to ring up the investor relations person, and often tries to meet management. With MTY, he made the trip to

Montreal to take in the company's shareholders meeting. "When I'm going to give people a big chunk of my money, I like to get up close and personal, and talk to them face to face." The goal, he says, is to find straight-shooters.

He's a lot more skeptical, he says, "If they overstate things or have a room full of cheerleaders clapping at everything."

He also likes to find undiscovered small- and micro-cap stocks. He says they're often much less risky than their size might suggest.

"Some people stick with blue chips like Nortel, which didn't have any earnings, but the little companies I buy have earnings and from my imperfect perspective, have their costs under control, and when I look at the competition there's nobody that's going to blow them out of the water."

For instance, he owns shares in Calgary-based Eyelogic Systems Inc. (EYE.A-TSX-VEN), which makes and markets an automated eyesight testing system, in part because, despite only having just over three million shares out, which last traded at 89 cents, the company began paying a quarterly dividend of 2 cents in March.

He also owns another Calgary small cap, this one since May, called Ginger Beef Corp. (GB-TSX-VEN), which runs franchised Chinese take-out and delivery outlets, as well as making frozen Chinese food products.

He likes the fact the company - which has just 14.4 million shares outstanding -- has put out five press releases about deals since May.

Best move

In 2000, Mr. Campbell landed a winner with Cobequid, which had developed a vaccine for commercially raised fish. At the time it was a small biotech company trading on the Vancouver Stock Exchange, but as he put it, "It was a biotech trading at \$1.25 that was actually making money."

In addition, it had more than one potential product, and he found it was owned by the Working Ventures Fund, a tax-favoured labour-sponsored fund, which, he felt at least at the time, was "known for being vigilant and conservative with its investments."

"It seemed that I wasn't the only one who took note of Cobequid. Novartis came along and took us out at \$4. As nice as it was, I would have rather just stayed with it."

Worst move

Mr. Campbell's preference for looking company management in the eye backfired somewhat with a small U.S. oil and gas exploration company. When he rang the company in 1994, his call was answered with southern charm, a supposed 90- per-cent success rate in drilling, and a smooth appeal for partners. He says he was told \$5,000 (U.S.) would earn him a piece of the next drilling program, which could easily see him receiving payouts of \$150 a month.

But the stream of cheques never materialized, he says, and soon he wasn't getting his calls returned. The only thing that saved him, he figures, is he recorded all his phone conversations, which turned out to be the leverage he needed. "I sent copies with all these grandiose statements of how well these wells were going to be to the local media."

The company soon agreed to pay back all the money over 15 months. But it didn't make up for the heartache. "There was a bit of emotional attachment, because it was my inheritance, and I just thought of all the hard hours my father put in."

Advice

"Learn to spot trends, and then check out companies for earnings and growth."

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The investor

Fred Campbell

Age: 55

Occupation: Retired stationary engineer.

Investment personality: Investigative.

Portfolio: Oceanex Income Fund, MTY Foods, Trinidad Energy Services, Progress Energy Trust, Northern Property REIT, Ginger Beef Corp.

Portfolio size: Six figures.

Rate of return: NA.



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