

**BEST BETS**

# Manager upbeat on small companies

But investors must  
pick their spots,

**CHRISTOPHER FERNYC**  
tells **SHIRLEY WON**

**F**und manager Christopher Fernyc is still upbeat on smaller-company stocks despite their runup, but cautions investors to pick their spots.

"Some stocks have moved very strongly and now have very high valuations," says the manager with Calgary-based **Bissett & Associates Investment Management Inc.**

He says stock selection is now more important to investing in this sector, but remains bullish because smaller firms still trade at a 20- to 25-per-cent discount to their larger peers.

Earnings of small-capitalization stocks are outdistancing their large-cap peers, says the co-manager of the Bissett Microcap and Bissett Small Cap funds.

For the first quarter of 2002, the Nesbitt Burns Canadian small-cap index is up 11.9 per cent, compared with a 2.5-per-cent gain for the Toronto Stock Exchange 300 composite index, including reinvested dividends.

Mr. Fernyc buys growth stocks at reasonable prices. Stocks he recently bought or added to existing positions include:

■ **Home Capital Group Ltd.** (HCG.B-TSE): The Toronto-based financial services company, which closed yesterday at \$14.85, hit a 52-week low of \$6.65 a year ago and a 52-week high of \$15.30 on March 20. Mr. Fernyc says the company provides mortgages to people — like the self-employed — who can't get them from the big banks. Home Capital is well run, expanding its market share and has posted average earnings growth of 20 per cent a year over the past decade, he says. Its stock trades at 12 times the estimated 2002 profit of \$1.15 a share, he adds.