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BEST BETS

Manager sees small-cap opportunity

Post-slowdown bargain hunting helps small firms, **RANDY OLIVER** tells **ANGELA BARNES**

Fund manager Randy Oliver thinks small-capitalization stocks, which have outshone their big-cap counterparts so far this year, will continue to outperform for the foreseeable future.

"Small-cap stocks tend to outperform following a recession," said Mr. Oliver, president of Calgary-based Hesperian Capital Management Ltd. At such times, consumers and businesses alike, having weathered the recession, are more price and service sensitive and so search out deals, and that in turn opens niches for smaller companies, he explained.

Small caps have also generally fared better than their larger peers over the last 56 years, but it has been an uneven record over that period, he said. "From 1991 until the year 2000, they had underperformed the large caps and now there is room for some significant catch-up."

The BMO Nesbitt Burns small-cap index had a total return of 3.4 per cent, including dividends last year, while the Toronto Stock Exchange's S&P/TSX composite index fell 13.9 per cent. And so far this year, the Nesbitt index is down 6.7 per cent, while the S&P/TSX has dropped 20.9 per cent.

Mr. Oliver, who co-manages the Norrep and Norrep II funds, says he has been finding opportunities across the whole range of industries.

Among the stocks he recently bought or added to positions are:

- **Home Capital Group Inc.** (HCG.B—TSX): The Toronto-based firm is the holding company for Home Trust Co., which specializes in making mortgages to consumers turned down by the banks. "They have a disciplined lending system," Mr. Oliver said. Furthermore, the company has proportionately lower loan losses than the major banks and it has a much better return on equity than the banks do, he added. Home Capital shares climbed to a 52-week high of $15.60 on June 11, well above the 52-week low of $7.40 set last September. They closed yesterday on the TSX at $12.65.