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Advisers warn that the end is nigh for 2010 investment trends

Metals rally likely to be replaced by a bull run in U.S. large cap stocks

By Glen Korstrom

Investors should mark the new year by devising new strategies for where they put assets, according to some of Vancouver's most successful financial advisers.

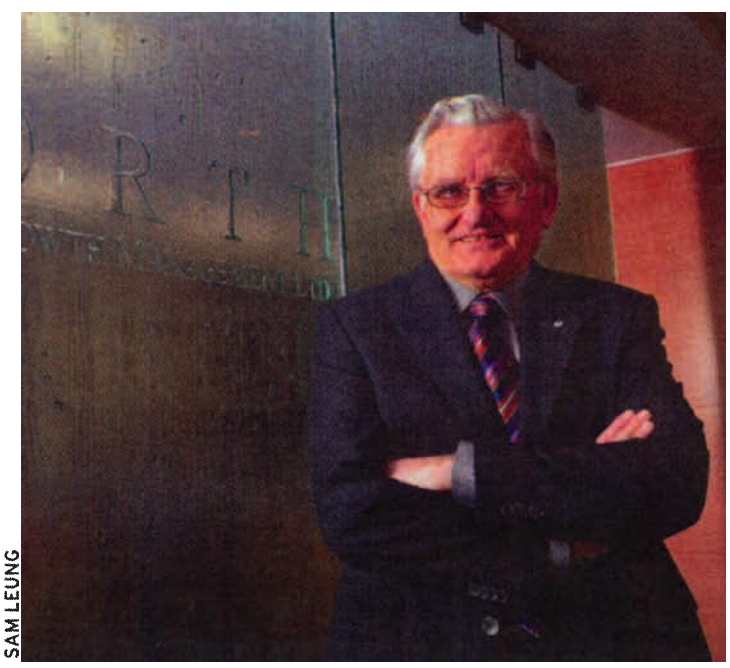
Money managers such as **North Growth Management Ltd.** CEO **Rudy North** and **Stenner Investment Partners** director of wealth management **Thane Stenner** both say clients should buy stocks in large American firms in 2011 and shift assets out of Canada while the Canadian dollar hovers around par with the U.S. greenback.

This is an about face compared with advice a year ago when virtually all investment strategists expected the Canadian dollar to rise.

The Canadian dollar gained 5.6% against its U.S. counterpart in 2010 while the TSX gained 14.3% – a better performance than the 11% gain the **Dow Jones Industrial Average** posted during the year.

Uber-successful businesspeople such as **Fairchild Group** owner **Thomas Fung** remain bullish on the Canadian dollar, but their voices are increasingly being drowned out by people who believe not only that the American dollar will start rising in value compared with the Canadian currency, but also that American stocks are better value than those in Canada.

"We just suffered the worst decade in the U.S. stock market in history – worse than the 1930s, if you can believe it. Stocks are cheap," said North, who co-founded **Phillips, Hager & North Investment Management Ltd.** in 1964 and has been in the investment business ever since.



SAM LEUNG

North Growth Management CEO Rudy North compares the recent steep rise in gold prices with the dot-com bubble in the late 1990s

"The U.S. large cap technology stocks that got terribly over-bought in 2000 are now selling in the low end of their price-to-earnings range. They're getting excellent earnings and have strong balance sheets. We think there's a great opportunity here and that they're extremely attractive by historic standards."

What about the mining stocks that have been fuelling the TSX's rise and are still the darling of experienced investment types such as **Canaccord Financial Inc.** chairman **Peter Brown**?

Neither North nor Stenner would be surprised if those stocks continued to rise in the short term.

North, however, has sounded the alarm bell that we could be in a metals bubble.

"You shouldn't hang around, because [the metals rally] has room to run," he said.

He argues that the underlying argument for buying gold – that it has inherent value at a time when governments are debasing currencies by borrowing to fund stimulus spending – is bunk.

> **"[U.S. large cap stocks] are extremely attractive by historic standards"**
>
> – Rudy North, CEO, North Growth Management

"It's not very rational. It's almost superstition because gold could never be the base of the world monetary system," he said.

"People keep piling into [buying gold] because they're just hopping onto the trend. That's how we get dangerous overpriced markets like we had in 2000. That's where I think gold is today."

Stenner is not as bearish on the yellow metal.

He agreed with North that investors should not buy gold in the short term at prices that hover around US$1,400 per ounce. Instead, he said, they should wait for prices to dip a bit and then buy, because, by 2014, gold will be "quite a bit" higher than it is today.

Stenner is most bearish on government bonds.

"In this past week, there was the largest redemption out of bond portfolios in the U.S. in about 22 months. What that tells me is that things are starting to ebb in the other direction," said Stenner, who spent the end of December reading more than a dozen year-end outlook reports from global financial organizations and banks.

He now advises clients to sell Canadian dollars and have about 50% of their assets in a mix of U.S. and global investments.

Fung has expanded his financial empire on the back of successful entrepreneurial ventures and by taking real estate risks, but he added to his substantial wealth by buying funds that shorted the stock market during the global economic downturn.

He told *BIV* in December that he remains bullish on commodities and the Canadian dollar.

"I like copper. There are a quite a few commodities [that I like]," he said. "Selectively, some may have higher potential than the others, but the prices should remain on the upside." ■

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