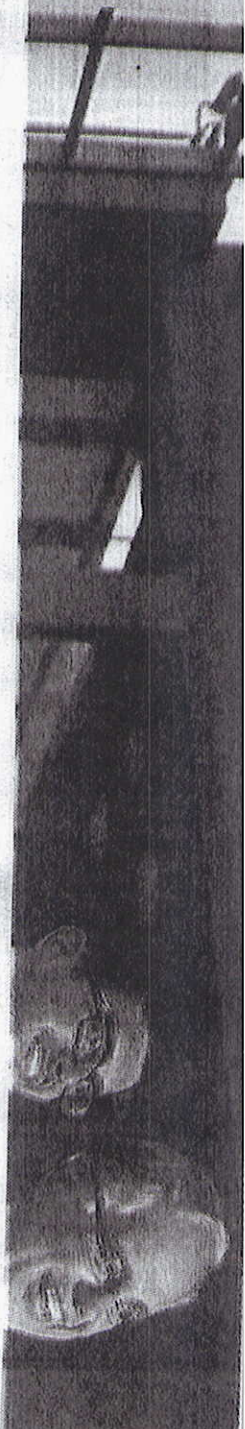


## DRIVEN TO SELL

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NEWS FOR INVESTORS  
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## tax strategy

### 'It's not about scoring a knockout; avoiding losses is key'

With economic problems mounting in Europe and the United States, and prophets of doom predicting another collapse in equity markets, Benjamin Horwood is getting anxious.

Anxious to buy. The president of Montreal-based Value Contrarian Asset Management has found equity prices in Canada and the U.S. a bit stretched in recent months.

A correction of 10 or 15 per cent – as appears to be underway – would make a lot of names more attractive, he said in an interview.

Horwood, 52, considers inflation a much larger risk over the next decade than a



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stagnant (or worse) stock market.

"Politically it'll be easier for governments to print money and inflate their way out of their debt problems," he said. "I'd rather be in a decent dividend-paying stock than cash or bonds for the next five or 10 years. Even if the (stock-market) indexes

trade in a range for several years, that doesn't mean you can't make money."

He noted that the S & P 500 index generated excellent returns during the high-inflation, high-unemployment period from 1975 to 1982, which came right after a two-year bear market.

"Stocks should at least keep up with inflation," he said. Horwood's Value Contrarian mutual fund has been around for 20 years and declined in only two. But like almost everyone else, he got pummelled in 2008.

Waking up to daily market drops for six months was, in retrospect, "one of the defining experiences of my life."

he said. "That was something you could never learn from a book. Thinking you're prepared for a 40-per-cent drop, and living it, are two different things."

It led him to draw up a list of cautions for investors.

These include avoiding fixed-income investments that are hard to understand and products with exotic names that don't trade on public exchanges, being skeptical of rating agencies and economic models ("they're only as good as the data you feed them"), and keeping an eye out for signs of speculative excesses (such as overheated housing markets and exuberant bank lending).

One of the benefits of the bear-market slide, besides the "once-in-a-lifetime" bargains it created, was a tempering of client expectations, Horwood said.

"They're more realistic now, which makes my job easier." Horwood said successful investing depends not only on the companies you buy, but the price you pay.

Microsoft has been a great growth story, but not for investors who bought the shares 10 years ago. The stock has done little for a decade.

"Notwithstanding robust economic growth and strong corporate profit growth, overpaying for an investment

severely limits long-term stock gains," Horwood said. "It's not about scoring the knockout punch. Avoiding losses is the key."

Among the Canadian stocks he likes at current values are information-technology company CGI, valve-maker Velan Inc. and Canadian National Railway, along with the iShares S&P/TSX Capped Energy Index ETF.

For the first time ever, he's also bought some gold. "And when you read in Time magazine that everybody's buying gold, that's when you consider selling it."

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