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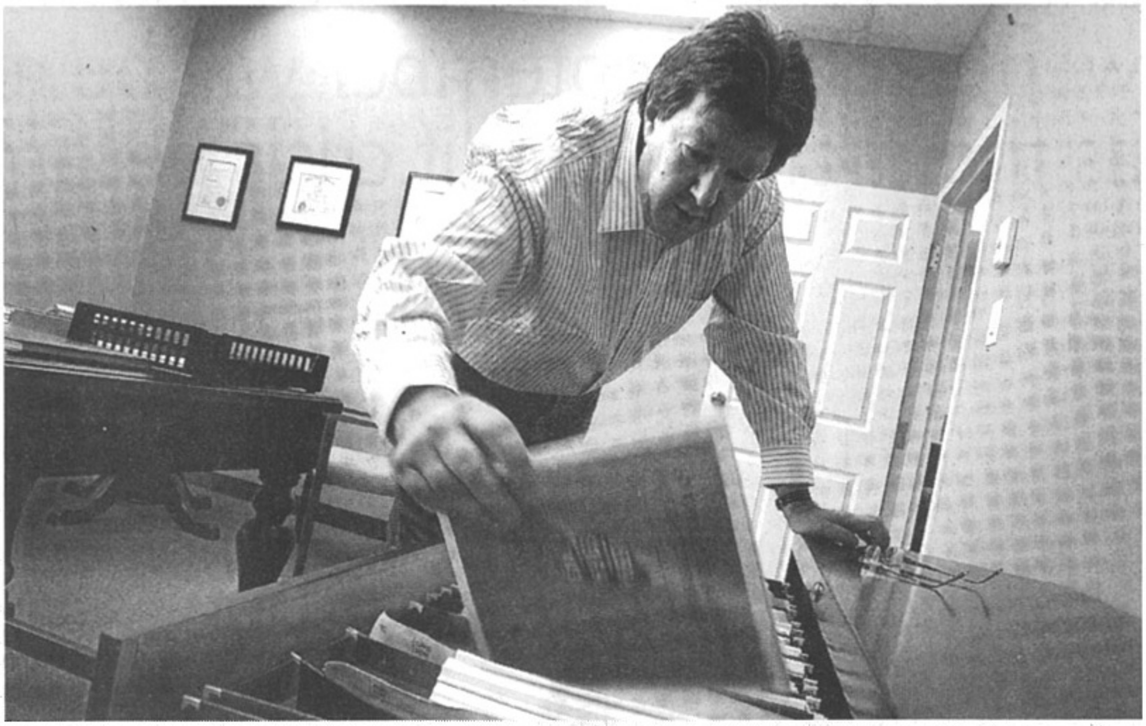
MONEY MANAGERS

A contrarian gets the last laugh

BY DEREK DeCLOET



Vito Maida, who runs a Toronto investment company with a $200-million portfolio, is one of the very few money managers to escape this September with little to no red ink. PETER POWER/THE GLOBE AND MAIL

Vito Maida says he's lucky. But he could just as easily say, "I told you so."

More than four years ago, with stock prices roaring upward and a global real estate boom gaining pace, the Toronto money manager sat down to pen his thoughts on the markets, and realized that his views were out of step with the rest of the financial world.

"A housing bubble exists," he wrote. Of Alan Greenspan, then celebrated as the man who brought the U.S. economy back after the tech bubble and the 9/11 terrorist attacks, Mr. Maida added: "History will judge Mr. Greenspan harshly."

While others bought stocks, he hoarded cash. Later, when a client gave him a mandate to short sell equities, Mr. Maida placed bets against the financial companies he believed had been the most reckless during the five-year credit party that lasted until the summer of 2007: Wachovia Corp., Lehman Brothers Holdings Inc., Merrill Lynch & Co. Inc. and several others.

When the markets are seeing nothing but red, guess who's sitting comfortably in the black?

"We see these as times of opportunity, not times of panic," said the 48-year-old founder of Patient Capital Management Inc., which manages about $200-million, mostly for wealthy individuals or foundations. The firm's portfolios were up about 7 per cent in the year ended Aug. 31, and late yesterday, just before the markets closed, Mr. Maida estimated he would finish this gruesome month incurring little or no losses. (He might have done better, but months ago he covered his short positions against U.S. financial stocks, before regulators put a ban on new short-selling activities on financial shares.)

Even a return of zero in this Black September is something of a feat: The S&P/TSX composite index has lost 14.7 per cent in September, its worst month since the Asian crisis wiped 20.2 per cent off the index in August, 1998.

"When the world's on fire, it's Vito's kind of time," says Keith Graham, a veteran Bay Street fund manager who worked with Mr. Maida at Trimark Financial Corp. in the late 1990s – before the latter was sacked for being too bearish and defensive in a bull market.

Rare is the money manager who can claim to have escaped losses during the carnage. Before yesterday's big rally on North American markets, fewer than a dozen of 1,172 Canadian equity or Canadian focused equity funds tracked by globefund.com had made money in the previous 30 days (though the database does not have up-to-date numbers for all funds).

Even many hedge funds are struggling, despite their ability to engage in short selling and profit from falling stock prices.

"I think it's still the right play to be defensive here," said Colin Stewart, a portfolio manager with JC Clark Ltd., which is one of the exceptions. Before yesterday, its flagship fund, called the Preservation Trust, was up more than 15 per cent on the year, more than 7 per cent in September and had even made a little bit of money during Monday's market crash, Mr. Stewart said.

The firm owns gold, Fairfax Financial Holdings Ltd. – the insurance and investment company that has won big by betting against U.S. corporate credit – and has taken short positions in "businesses with bad balance sheets" that need to refinance, but can't because the credit markets are in chaos.