

# Taming the bulls (and bears)

**Jennifer Law** knows how to stay poised. After all, she has a 15-month-old and a 3½-year-old at home. And she can tame those often-volatile small-company stocks (which declined by an average of 47% in 2008). As of March 31, Law's Renaissance Canadian Small-Cap Fund, sold by CIBC Asset Management, sported a five-year average annual compound return of 9.7%, compared with just 4.4% for its rivals. The 38-year-old manager corralled **Andrew Bell** and explained how she does it.

**It's a high-risk asset class.** I've been here seven years, and in the down years, it's terrible. But we do a pretty good job of capital preservation.

**We still have 17% to 18% of the portfolio in income trusts.** We have names that are yielding 10% and, because they're in income deposit securities (IDS) format, they won't change.

**I say this to all the CEOs who visit us:** We encourage you to have a dividend yield. Your share-price multiple expands, and when bond yields are low, as they are now, everyone wants more yield.

**I did accounting at university,** but I knew it wasn't going to be a long-term career. It wasn't dynamic enough.

**I started at Montrustco Inc. as an analyst** in 1997, the year before Long-Term Capital Management failed and oil went down to \$12 (U.S.) a barrel. It was a great learning experience—a severe bear market for small caps. You learn what doesn't work.

**I went to Empire Life,** where I got the opportunity to run money. I took over a small fund with returns in the fourth quartile, and got it up to the first quartile. Then a headhunter called: CIBC was looking for a small-cap manager. I was running \$60 million at Empire and I thought I'd love to run 10 times that.

**The No. 1 lesson I've learned** in investing is to know yourself. Know when you want to take risks, and the signs you're getting too complacent.

**Trust your instincts.** After I meet

with management teams and I'm walking out the door, I ask myself: What's your call? Buy or sell? When the interview is fresh, it's usually a pretty good indicator. I've had meetings in which something sort of bothered me—a little lingering thought—and then, a couple of weeks later, something bad happened to the stock.

**You have to be really disciplined** about buying. Your decision will come back to you. We have a buy range. Waiting for a stock to come into it can be painful. You really want the stock, and you don't want to let it run away. But I've found that patience works.

**My unitholders want** to sleep at night. I want to sleep at night. I've got two young kids. I don't need added stress.

**Some people are great momentum traders,** but I'm not one of them. If I chase a stock, I know I'm not at an advantage.

**We have Venture Exchange stocks.** We'll go down to \$50 million market cap or a little lower. We like to seed them with a little cash on the balance sheet.

**I love to look at management information circulars** just to see how much CEOs make. It makes me mad when they're irresponsible about issuing stock and they don't own any of it. That's the worst combo.

**A turnoff for me is when** companies tell me that something isn't important. Well, you know what? Finding out about that is my job.

*Photograph by Liam Sharp*

