

# Why Canadian equities have become a favourite for this fund manager overseeing billions

BRENDA BOUW - SPECIAL TO THE GLOBE AND MAIL

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**Alfred Lam,**  
CFA, Senior Vice-President and  
Chief Investment Officer,  
CI Multi-Asset Management

Alfred Lam has been preparing for a drop in the markets for some time, which has meant more modest returns in his portfolios.

“Long-term performance is still attractive, but the short term has been more challenging because we purposely want to be more defensive in the late cycle. We also recognize the late cycle might run for a long period of time,” said Mr. Lam, the chief investment officer of CI Investments’ multiasset division, which oversees more than \$40-billion in assets under management.

His 100-per-cent equity portfolio returned about 5 per cent after fees over the past year, as of Sept. 30, while the mostly fixed-income focused portfolio was flat after fees. “These aren’t dramatic numbers and could be more dramatic if we had more exposure to sectors like technology,” he said, adding that his firm has been more defensive in the current market.

“Clients generally give us a long period of time to prove ourselves. We aren’t worried about one-year outperformance or underperformance,” said Mr. Lam, who is also one of three investment professionals participating in the Holland Bloorview Challenge. For the challenge, each of the fund managers start with \$25,000 donated by their respective firms and compete to see who can make the biggest gains. The money raised will go to the Holland Bloorview Kids Rehabilitation Hospital in Toronto, which serves children living with disabilities.

Mr. Lam recently spoke to *The Globe* about his investing approach and said his strategy hasn’t changed after last week’s market gyrations. “The daily volatility doesn’t change our thesis,” he said.

## Describe your investing style.

We position our portfolios based on the investment cycle. In the early phase, when valuations are attractive, we are more aggressive. We purposely want to be more defensive late in the cycle, when valuations are high, which is where we believe we are now. This is the period where we expect to underperform because we aren’t as aggressive.

## What concerns are you hearing from investors today?

Some are concerned that we are not aggressive enough. They’ve gone from wanting more balance to more equity. They look at the best-performing index and wonder why they aren’t doing as well. They are worried about [missing out on some of] the upside, which I understand. However, some don’t understand that valuations are high and there’s an ongoing debt issue that has yet to be resolved.

## What's your take on where the markets are heading in the short term?

We are worried the late cycle will run for a little bit longer. We are also worried about a correction. We aren't overweight or underweight equities, but we do have some protection strategies to protect the downside. In order to manage it, we have put options in most of our portfolios. We view it as low-cost insurance against a dramatic correction. I don't have a view on if we will have a correction or not, but probably the markets are overdue for a correction.

## What have you been buying lately?

We like Canadian equity and emerging markets equity. Emerging markets valuations are attractive and we plan to add them more gradually. Canadian equity has been our favourite recently. People have been concerned about commodity prices being lower. A lot of these concerns are built into the lower valuations of Canadian markets. Expectations are low and valuations are low, but you're starting to see some M&A activity that will potentially drive the value of some of the energy companies. Also, the financial sector is solid with a decent yield. It's attractive here. What's more, volatility in Canadian markets is also lower than in the U.S. If there's a global correction, Canada's downside will likely be lower.

## What have you been selling?

We are reducing U.S. equity weightings. We still believe in U.S. companies because there are a lot of sectors to choose from, but generally, the valuations are getting expensive. That said, we do like the health-care sector in the U.S. and are buying in. It's overlooked and not properly understood by a lot of investors.

## What's the one stock you wish you bought?

If we could go back in time, we would have bought more Amazon stock. It's not just the strong performance, but the volatility was low. Some of our growth managers own it, but the weighting is very small.

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*This interview has been edited and condensed.*

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