

# Hartford Global Leaders Class A

## Morningstar Quicktakes™ Report

Esko Mickels

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### Kanko has earned his keep.

After leaving AIM Trimark Investments in 2004, Bill Kanko set up Black Creek Investment Management Inc., and then began managing Hartford Global Leaders in the summer of 2006. He has righted the portfolio by focusing on high-quality businesses with growth prospects. Encouragingly, the fund's small size and flexible mandate leave Kanko free to roam the globe for leading companies.

Kanko brings over 25 years of investment experience, during which time he managed large funds at Trimark and Mackenzie Financial Corp., and developed a keen sense of what he is looking for in a holding. He seeks companies that are growing their earnings and market share, and are leaders in their industry. These companies typically have competitive advantages and barriers to entry, which make them high-quality in nature.

Quality and growth don't always come cheap though, so Kanko often has to pay up. For instance, the price-to-earnings ratio is almost 20 for the fund versus about 14 for the MSCI World index. To reduce the chance of overpaying, Kanko ensures he has an investment thesis that is not shared by others. For example, he could be expecting higher revenue growth or wider margins than the consensus estimate from analysts, in turn leading him to calculate a higher intrinsic value than most.

The fund's flexible mandate allows Kanko to invest in almost any company anywhere in the world. As a result, he holds many companies that may not be well known in Canada, such as Wincor Nixdorf AG, Accor SA and Hamamatsu Photonics K.K. In addition, the fund contains few financial or energy stocks, and is instead focused on information technology (both hardware and software) along with industrial materials and consumer goods. This exposure, provided it doesn't change, makes the fund a nice complement to a typical Canadian portfolio.

Furthermore, at \$260 million the mandate's small asset base provides Kanko with considerable flexibility to invest in smaller companies and trade quickly. Currently, the fund has a mid-cap bias versus the index, with the average market capitalization near \$11 billion for the fund and \$33 billion for the index.

Kanko has built a good performance track record in part by holding up relatively well in falling markets. Since June 2006, the fund is up 3%, while the index (in Canadian dollars) is down 8.6%, and the median fund in the Global Equity category is down 10.3%. Kanko had also demonstrated good downside protection with his previous mandates; under his management Trimark Fund made money between 2000 and 2002 when most of its peers lost significant sums.

### Of Note

- ▶ The 2.35% management-expense ratio on the Series A units is below the category median of 2.51%. Since all series of the fund pay a trailing commission, they are suited for those investing with an advisor.

### Morningstar Rating

★★★★

(as of 31 Mar 10)

### Strategy

The manager selects investments using a bottom-up fundamental process that seeks long-term capital growth. Taking an entrepreneurial perspective the manager considers a company's competitiveness, market share, barriers to entry, growth potential and management. A company is considered worth buying only when the manager holds a differentiated view that is not accounted for in the market's valuation. The fund is concentrated in 20 to 25 stocks (10% maximum weight) that are primarily located in developed markets around the world. Typically the fund is fully invested with only a small cash position.

### Management

Bill Kanko is president of Black Creek Investment Management, a firm he founded in 2004. He is an experienced global equity manager with more than 25 years of investment experience. Prior to founding Black Creek, Kanko was senior vice president and portfolio manager with Trimark Investments, where he supervised a team of international portfolio managers and was lead manager on funds with assets over \$13 billion. Kanko graduated with an Honours B.A. in business administration from the University of Western Ontario and is a CFA charterholder.

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- ▶ The fund will typically hold 20 to 25 stocks, which allows Kanko to keep a close eye on his holdings and maximize opportunities, although this concentration can increase volatility.
- ▶ Low turnover and a lower than average dividend yield help make the fund more tax efficient.
- ▶ The fund is heavily invested in the United States (39%), the eurozone (33%) and Japan (13%). Typically there is no direct emerging market exposure, but many of the fund's holdings have operations in emerging markets.
- ▶ Investors are exposed to currency fluctuations between the Canadian dollars and a basket of foreign currencies.
- ▶ Over the last three years, Kanko has generated risk-adjusted returns that exceed most of his peers.

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### About the Author

Esko Mickels is a fund analyst with Morningstar Canada. Previously, he worked for two Canadian fund companies in equity research, communications and as an advisor. He earned a BA in economics from the University of Western Ontario, an MBA (finance) from the University of Toronto's Rotman School of Management, and has completed all three levels of the CFA program.

### Bulls Say

- ▶ Kanko has a long and successful record of managing global portfolios.
- ▶ The fund's small asset base allows Kanko to take advantage of opportunities in small and mid-sized companies.
- ▶ The fund is relatively tax efficient in a non-registered account.

### Bears Say

- ▶ The firm has limited analyst resources to draw on.