

BN Former First Asset Manager Stephenson Starts Canadian Hedge Fund
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By Eric Lam and Divya Balji

June 25 (Bloomberg) -- John Stephenson, who spent eight years tracking resources at fund manager First Asset Investment Management Inc., is creating his own hedge fund to favor U.S. equities over Canada.

Stephenson, who helped manage about C\$3.1 billion (\$2.89 billion) at First Asset before leaving in May, has set up Toronto-based Stephenson & Co. Capital Management. He's targeting C\$40 million to C\$50 million for his Stephenson and Company North American Opportunity Fund LP which he expects to start in August.

"The single biggest theme of the next year or so is the U.S. over Canada," Stephenson, 51, said in an interview at Bloomberg News Toronto office this week. "There are pockets of opportunity. Commodities will take a back seat for the next few years."

The long-short hedge fund will have an asset allocation of about 70 percent U.S. equities and 30 percent Canada to start, he said.

Part of Stephenson's strategy will likely include a short on dividend-yielding stocks including pipelines and utilities companies such as Pembina Pipeline Corp., Keyera Corp., Enbridge Inc. and TransCanada Corp., he said.

"It's a reasonable short if you think the world is getting better," Stephenson said. "If we see rates go higher, utilities are hugely sensitive. It would be easy to see a 10 or 20 percent correction with not much of a back up in yields."

Yields

TransCanada, Pembina and Keyera, which belong to the Standard & Poor's/TSX Energy Index, had dividend yields of 3.1 percent to 3.7 percent in the past year, compared with 2.8 percent for the broader energy index. Keyera and Pembina have each climbed more than 20 percent this year, compared with an 18 percent advance in the S&P/TSX Energy Index.

Enbridge, which won approval from the federal government on June 17 to build the Northern Gateway crude oil pipeline to the British Columbian coast, has gained 9.1 percent in 2014.

The S&P/TSX Utilities Index yields 4.3 percent compared with 2.7 percent for the S&P/TSX Composite Index.

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