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Toronto manager Stephenson plans to launch C\$40 mln hedge fund

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By [John Tilak](#)

TORONTO, June 25 (Reuters) - John Stephenson, a prominent Toronto-based money manager, said on Wednesday he plans to launch his own hedge fund, a vehicle he thinks will be best-placed to take advantage of potential volatility in stock markets trading near record highs.

A former executive at First Asset Investment Management, Stephenson expects his first product to be a C\$40 million (\$36.86 million) North America-focused fund. He hopes to follow that up with other offerings and sees the money manager playing an activist role in corporations over time.

The long/short Stephenson & Co North American Opportunity Fund LP, which is likely to be launched in August, will initially be weighted heavily toward the U.S. market.

Stephenson believes the U.S. economy is on a firmer footing than its Canadian counterpart.

"The U.S. consumer has dug themselves out of a hole, whereas we continue to dig ourselves into a hole. That's just the reality," he said.

The Toronto Stock Exchange's benchmark index has gained about 27 percent in the last year, and many investors are worried about valuations becoming extended and the risk of a market pullback.

"In the last few years, it probably hasn't mattered if you had alternative investments or not because the market was going straight up," said Stephenson, author of "The Little Book of Commodity Investing."

"You really want a hedge fund when things are choppy," he said. "You want the manager to be able to hopefully turn in positive performance in bad markets. That's the idea."

Stephenson says while valuations in some parts of the market are becoming stretched, shares of large U.S. banks such as Citigroup Inc, JPMorgan Chase & Co and Bank of America Corp were appealing, given the prospect of solid returns and steady dividends.

"They are the most hated group in the market. It's maximum pessimism. But their valuations are incredibly compelling."

He also favors Canadian energy stocks, with his top picks including Suncor Energy Inc, Canadian Natural Resources Ltd, Whitecap Resources Inc and Crescent Point Energy Corp.

"We're into an era of stronger oil prices for at least a number of months," he said.

"Energy is highly linked to global economic growth. And in a world where growth is fairly strong and getting stronger, you're seeing investors start to come back in to energy." (\$1 = 1.0853 Canadian dollars) (Editing by Jeffrey Hodgson and Matthew Lewis)

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