

FINANCIAL POST

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Hillsdale tries hand at the core

It's a path less travelled, indeed it may not have been travelled before in Canada, but after a decade as an alternative asset manager, Hillsdale Investment Management is set to make a move into the mainstream world of institutional money management.

And to show the firm -- founded by Chris Guthrie and Arun Kaul and which has more than \$500-million under management -- is serious about its added focus, it has hired Harry Marmer, a 20-year veteran from the world of institutional money management. Marmer, who spent the past six plus years with Templeton Canada, will be an executive vice-president. His main job will be to work with investors and pension fund consultants to provide sophisticated investment strategies and thereby better meet the needs of the clients. "I will lead the institutional team, educate the market and write thought-leadership pieces that move the institutional market forward," Marmer said.

Guthrie said the time is right for such a natural move because of the ongoing search for alpha, (the out-performance), the increasing quantitative orientation of institutional money management and an enhanced appreciation of a strong risk management. Guthrie described the move as "a natural evolution of our skill set. The skills that are used in the alternative belong in the core. Harry doubles our pedigree in this channel." But Hillsdale isn't planning to forget all that it has learned over the past decade. During that period it has committed increasing resources to research (two weeks back it hired Dr. Taha Jaffer as director of research and gave him the mandate to further develop risk-management, strategy-optimization and portfolio-construction techniques) and built a proprietary electronic trading system. All that takes time and money.

"They think about what they do. Their focus is on building a better portfolio, by taking both returns and risk into account," Marmer said.

Accordingly, it won't be a me-too manager. Indeed, it never has, because its says its investment strategies have been purposely designed to complement core/index products by focusing on distinct ranges of risk and return not correlated with the majority of equity products offered for sale in Canada.

Instead it will take the traditional strategies -- such as Canadian small cap and Canadian all cap--and wrap a series of its currently used advanced strategies around them. Those strategies include equity plus (where the benchmark is local market index plus an international component), an enhanced index (where the goal is to generate an index return with a market neutral overlay) or a 130/30 (where the fund's investment can range between 130% long and 30% short.) For other clients it will add alternative strategies including long/short, market neutral and statistical arbitrage (also known as high-frequency trading.) In time it will add global large cap, global small cap and a global long short.

But through it all, risk management remains the key. "The big difference between us and the others is that we seriously consider the risk side of the equation where risk is measured relative to the benchmark and how those risks come about," Marmer said. "For us, risk is not just a statistical exercise. It is the key to the whole investment process. Unlike a decade back, we now have the science to better manage risk."