

## Hillsdale head hedging his bets

**'It's not hard to find shorts today,' Chris Guthrie says**

BY DAVE EBNER

While North American equity markets are widely expected to go up, money managers say there are still opportunities for investors who want to profit from declines in particular stocks by short-selling.

Hillsdale Investment Management Inc., a Toronto-based money manager, runs several funds. In its two hedge funds, Hillsdale currently has about \$2 long for every \$1 short.

"Almost all our indicators point the same way: 'buy,'" Hillsdale president Chris Guthrie said. "That said, we've had massive rallies in some stocks, unsubstantiated by fundamentals. It's not hard to find shorts today."

Short-selling is a bet that a stock will fall. An investor borrows shares of a company from his or her broker and sells them. Ideally, the investor repurchases the shares at a lower price and returns them to the broker, pocketing the difference.

But if the shares rise, the investor is in trouble. The potential loss is infinite because there is no limit to how far a stock can rise. Short-selling is risky, but can be a solid strategy for an aggressive investor.

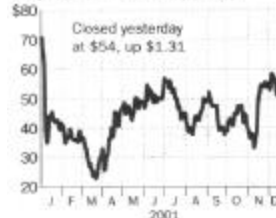
Mr. Guthrie has a "large number" of small biotech firms, often involved in "me-too research," on his short list. "Many of them are looking to cure the same diseases, from a hundred different approaches," he said. "Typically only a minority are successful."

CV Therapeutics Inc. stands out, Mr. Guthrie said. The California-based

### Three stocks poised for a fall?

#### CV Therapeutics

Daily close, CVTX - Nasdaq (\$U.S.)



Source: Thomson Financial Datastream

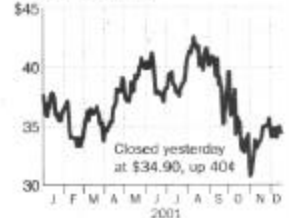
#### Celestica

Daily close, CLS - TSE



#### Quebecor World

Daily close, QW - TSE



The Globe and Mail

biotech researches experimental drugs to treat heart disease. The stock trades at 207 times trailing sales.

"How's that for a start?" Mr. Guthrie said.

CV is a trading stock, Mr. Guthrie said. In the past six months, the stock has twice risen by more than a third and twice fallen by more than a third. Most recently, CV moved toward \$60 (U.S.) in early December on the Nasdaq Stock Market from less than \$35 in early November. It has lost some ground in the past week -- one brokerage house issued a "sell" rating -- and closed at \$54 yesterday.

Among domestic equities, Mr. Guthrie called Montreal-based printer Quebecor World Inc. "something you could short for a while."

"The estimates are plummeting," Mr. Guthrie said. Quebecor World warned of a lower profit in late October and analysts have slashed their outlooks. Three months ago, analysts believed the company would make \$2.42 a share next year, an estimate now down by a third to \$1.62. Further, the range of estimates for next year is wide, from \$1.39 a share to \$1.88.

"It's what you're looking for, a disagreement on the future of the company," Mr. Guthrie said. "And the

trend should be down, which in Quebecor World's case, it is."

Stock exchanges publish regular lists of short positions, although not all are straight short sales because some investors use shorts as part of complex strategies, including arbitrage. In November, Montreal plane and train maker Bombardier Inc., Brampton, Ont.-based network equipment maker Nortel Networks Corp. and Domtar Inc., a Montreal-based forest products company, were the Toronto Stock Exchange's top three shorts. On Nasdaq, San Jose, Calif.-based network equipment maker Cisco Systems Inc. and chip maker Intel Corp. of Santa Clara, Calif., are popular shorts.

Thomas Galvin, chief investment officer at Credit Suisse First Boston in New York, recently surveyed about 200 money managers.

Among other queries, Mr. Galvin asked for short recommendations. Seattle-based Internet retailer Amazon.com Inc., fibre-optics part maker JDS Uniphase Corp. of San Jose, Calif., and Ottawa, and U.S.-based doughnut maker Krispy Kreme Doughnuts Inc. topped the list.

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