

Franco Nevada and Labrador Iron Ore – MacNicol's Manager Picks

Posted: August 25, 2008, 4:30 PM by David Pett

[Market Call](#), [Manager picks](#)

Manager: David MacNicol, [MacNicol & Associates Asset Management](#)

Style: Value and growth

Fund: Global Equity

Strategy: Mid to large-cap stocks with a focus on the developed world



Buy recommendations:

Franco Nevada Corp.

BMG Bullion Fund

Labrador Iron Ore Royalty Income Fund

Sell recommendation:

Asia Pacific Fund

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Commentary:

"I've been doing this since 1986 and I've never experienced a July and August like this year. It has just been a terrible market. To stay positive right now is very difficult but I really think parts of the market have been beaten up so much that there will be some recovery soon. But not a broad based one. We have positioned our accounts to have heavy ownership in gold and inflation-adjusted investments.

"Franco Nevada is a great company. It used to be the best returning stock in the '80s and '90s. It has over \$100-million a year in revenues and a market cap of \$1.8-billion. It's a gold company but you don't have to worry about the operational risk of the gold business like for instance, the effect of up and down oil prices on a mine's capacity. It's more of a financial engineering company that earns royalties off the top with 80% of the business earned purely off the top of gold mines and some oil wells.

"I don't usually buy mutual funds for clients but I like BMG Bullion because with it you are buying physical gold, silver and platinum. As such, you move in lockstep with the commodity prices. Gold has been trading down, but I think buyers will stop sitting on their hands starting after the Labour Day weekend.

"Labrador – much like Franco-Nevada – earns a fixed percentage royalty off the top from the Iron Ore Company of Canada. It has held up pretty well recently in this market and had a strong first quarter. I think the stock will rally in the fall.

"Asia Pacific Fund is breaking down right now and I'm selling it. China has recently taken over from Vietnam as the worst performing stock market in the world and this fund is being dragged down by that. Eventually, there will probably be a buying opportunity on this, but not until later in the fall."

#### Selected holdings:

Manulife Financial Corp.  
Canadian National Railway Co.  
Labrador Iron Ore Royalty Income Fund  
Power Corp. of Canada

One-year return: 3.2%  
Three-year return: 12.88%  
(Through June 30, 2008)

Morningstar rating: N/A

[David Pett](#)

*Photo by Nathan Denette/National Post*