

Berkshire Hathaway, Agrium – MacNicol's Manager Picks

Posted: October 28, 2008, 4:30 PM by David Pett

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

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



Bullish on:

[Agrium Inc.](#)

[Berkshire Hathaway Inc.](#) (B shares)

[Ritchie Brothers Auctioneers Incorporated](#)

Bearish on:

N/A

[PREVIOUS PICKS](#)

Commentary:

"The market is at unprecedented levels. I don't think we've found the bottom yet because of the massive liquidations going on in hedge funds and soon-to-be liquidations of mutual funds, which have a fiscal year end of November 15. There is some good news, however, relating to the amount of cash currently sitting on the sidelines. Right now, in money market funds around the world there is US\$5.7-trillion.

Of that, US\$3.5-trillion is in the U.S. in money market funds, representing about 25% of the total equity capitalization of all the stocks in the U.S. There is also another \$500-billion of private equity in cash. Meanwhile, global savings accounts have grown from US\$21-trillion in 2003 to US\$35-trillion this year and corporate America holds a ten-year record high cash balance. Sooner or later all this cash will be put into play and fuel a market recovery.

"Agrium has been punished like other commodity stocks because of the mass liquidation going on in the market. For the most part, hedge fund managers made a good profit in Agrium but had to sell their profit stocks first when liquidating. I don't believe the positive fundamentals of the fertilizer business has changed much since last summer and believe Agrium will come out of this downturn with strength.

"We have always wanted to invest in alternative asset classes other than equity markets, and the final leg for us is private equity. That's why we like the B shares of Berkshire Hathaway. Berkshire is a business that has a market cap of US\$203-billion and of course Warren Buffett is at the helm. Importantly for us is the number of private entities it invests in, like Fruit of the Loom just to name one, that have really good shored-up value.

"With the mass liquidation going on in financial assets and the economy potentially getting worse, Ritchie Bros revenues will probably stand to increase from added auction activity. The stock was at \$4.75 in 2002 and peaked out at around \$30 in April of this year. Now it's at \$22 and change, having been beaten down like everything else. It now trades at just less than 20x earnings, which isn't terribly inexpensive but you're paying for solid growth and it pays a nice dividend."

"The only reason to sell in this market would be for tax planning purposes or if a client needed capital in the next six months."

Morningstar rating: N/A

[David Pett](#)

Photo by Peter Redman/National Post