C is for Cundill

Robert MacKenzie

Our national penchant to ignore non-hockey national superstars notwithstanding, the stellar 30-year record of mutual fund manager Peter Cundill is something to be celebrated. Taking a cue from the letter C, there are several aspects of Peter Cundill that sets him apart from the crowd of current fund managers.

Consistent - Following his graduation from McGill in 1960, Cundill worked for several brokerage houses and then for fund company AGF from 1972-75. In 1975 he became a partner in a Vancouver fund firm and soon after renamed its main offering the Cundill Value fund.

His "value" strategy netted him returns of 20 to 40% per year in his first five years and consistently high returns thereafter, averaging about 16% per year since inception. Of the 30 years under his management, the Value fund was negative for only three years (1990, 1998 and 2002). Over those 3 decades the cumulative gain of his fund doubled that of the relevant MSCI world index and gained him the title of "Fund Manager of All Time" in 2004.

Consistency of this kind is something we advisors love to see. Why would someone want to pay fees for mediocre fund or brokerage management when going with the best costs nothing more? Unfortunately, consistency is hard to find. Faced with pressures from fund company executives to change proven investment strategies in order to offer what will sell well at any given moment, too many managers relent or resign. Cundill has had few periods in his career when he was not on top of his game.

Competitive - Peter Cundill is highly competitive in both his sporting and his investing life. But he is competitive in the best sense of the term. Whether it is in running marathons or taking advantage of financial opportunities as they arise, he prepares himself thoroughly for the task and maintains the continual personal discipline necessary to succeed at high levels in both spheres. Moreover, like all top competitors, he hates to lose or to miss his personal goals.

At a recent advisor conference, Cundill, who is approaching 70, left more than a few younger advisors gasping for air in an afternoon desert-biking activity. Likewise with investing, we individual investors do well when markets are rising and making money is easy. But winning when times get tough and the market is in confusion takes talent and careful research. It also takes the hard discipline of patience to wait until an opportunity presents itself and it's prudent to take a gain and move on. That's easier said than done for most of us!

Curious - Warren Buffett has said that to be a successful investor, character is more important than intelligence. For Cundill, to be a great investor one has to be curious. That is, a person must be aware of what is happening in the field and constantly analyzing situations to understand how they can be turned to one's profit. Good markets or bad, there are always bargains to be found for those who have a deep-seated delight in finding them.

For 2006, Cundill sees only a few stocks worldwide that meet the stringent standards of deep-value managers. Value funds, while remaining solid investments, will probably not continue to produce the big gains achieved in the past few years into the future.

What is his current strategy? For his own personal portfolio he is investigating in distressed bonds of companies such as GM and spending time looking at "growth" as well as "value" opportunities. He cites the founder of security analysis and value investing, Benjamin Graham, who he says was quite prepared to be flexible and consider growth stocks in the early 1960s when there were no value plays available. The science and technology fund managed by Brian Ashford-Russell, reputed to be the top manager worldwide in this area, is one place that he has begun to put some of his own money. Ashford-Russell expects significant growth in this area in 2007 as governments and corporations increase their capital expenditures after years of economizing.

Committed - One thing that both advisors and investors have appreciated about Peter Cundill is that he has remained faithful to them for so many decades. Other excellent managers have resigned in a huff, gone from firm to firm looking for greener pastures or else cashed in their chips when they had enough money for a comfortable lifestyle. Cundill has not only stayed on the job serving the retail investor, he has flourished as a manager in the last decade, partnering with Mackenzie Financial who put their formidable marketing programme at his disposal.

But making pots of money is not all he has done for Canadian investors. His work as a mentor to his associate managers should leave a lasting legacy of talented and well-trained managers for Canadians. As advisors we are always on the lookout for the great managers of the future and it seems that his firm's managers are among the prime candidates. Tim McElvaine, who now runs his own company with Cundill as a major investor, is already well-known as a star performer. And I appreciated the comment of the talented Cundill Canadian Security fund manager, Wade Burton, when I chatted briefly with him about ethical investing that one of his main contributions to general social improvement was to act as steward of those who trusted him with their pension savings.

At the risk of singing his praise too loudly (he is the very model of the modern mutual manager), I hope that others will step up to the plate and follow his lead when eventually Cundill withdraws from active management. But he is still in good health and enjoying his work, so I don't think we need to write him out of the current scene just yet. I, for one, will be watching to see how he handles our current investment environment.

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