Fundamental Research Corp has been featured in:

- **Canadian Press – December 9, 2008**
- **Reuters – September 2008**
- **Mergermarket – March 2008**
- **Dow Jones – March 2008**
- **Business in Vancouver – July 2007**
- **Business in Vancouver – April 2007**
- **Business in Vancouver – March 2007**
- **Financial Post – February 2007**
- **Business in Vancouver – July 2006**
- **MarketWatch – June 14, 2006**
- **The Province – April 9, 2006**
- **Business in Vancouver – April 2006**
- **Business in Vancouver – March 2006**
- **Business in Vancouver – January 2006**
- **Reuters – July 15, 2004**
- **The Globe and Mail – June 24, 2004**
- **The Vancouver Sun – March 22, 2004**
- **Edmonton Journal (see quote below) – February 27, 2004**
- **The Ottawa Citizen - November 22, 2003**
- **The Canadian Investment Journal – November 2003 Issue**
- **The Province - November 2, 2003**
- **The Financial Post (see article reprint below) - October 27, 2003**

12:37 24Sep2008 RTRS-UPDATE 1-Chemokine reviews options amid credit crunch

(Adds details; in U.S. dollars unless noted)

TORONTO, Sept 24 (Reuters) - Chemokine Therapeutics <CTI.TO> said it would consider all its options including selling the company as it struggles to fund a key liver cancer trial amid a credit shortfall.

The small biotechnology company, which develops therapies to treat cancer, blood disorders and vascular diseases, said on Wednesday that it hired veteran financial consultant Denmar Dixon to look at its strategic options. These include a merger, sale, licensing or partnership transactions.

The company also said its board had authorized a financing plan to help it resolve its working capital issues and fund its key projects.

At the end of the second quarter, Chemokine had $850,000 in cash and cash equivalents, down from $3.4 million for the same time last year. Working capital was $180,000, compared with $3.3 million.

Among the projects in development is the CTCE-9908 Phase II liver cancer trial, which recently received regulatory approval from both the U.S. Food and Drug Administration and Health Canada.

"Financing is very important for them in terms of progressing their liver studies. It is the most important goal," said Siddharth Rajeev, vice-president at Fundamental Research Corp in Vancouver, British Columbia.

However, Rajeev believes licensing would be a better option at this point, saying that approach would lower Chemokine's risk, trim its costs and reduce dilution.

Chemokine shares have slipped 94 percent since a high of 71 Canadian cents a year ago, as the firm struggles to raise money. The shares were down 11.1 percent at 4 Canadian cents on the Toronto Stock Exchange.

Late last year, the company withdrew its registration statement for a public offering and said it would cut its workforce by 65 percent in a bid to lower costs.

($1=$1.04 Canadian)
(Reporting by Scott Anderson; editing by Rob Wilson)
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Wednesday, 24 September 2008 12:37:50RTRS

MicroPlanet scales up; views going private as 'an option'; sees eventual sale to GE or Johnson Controls, CEO says

MicroPlanet, a listed Seattle, Washington state-based energy efficiency company, is being built but it could be sold to majors such as General Electric or Johnson Controls in the long term, according to chief executive officer Bruce Lisanti.
The CEO said MicroPlanet, in the early stages of commercializing its voltage regulator, would also consider going private in the nearer term if it helped the company grow faster. But he stressed MicroPlanet is not currently looking to do an M&A transaction.
Asked if his background at GE, where he grew the Computer Services Division from start-up to more than USD 1.2bn in revenue, meant it was likely that he would build up MicroPlanet before selling it, Lisanti said: "Sure. In the next three or four years we'll be a USD 400m-USD 500m revenue company. It could quite easily be acquired by GE or any other company."
Siddharth Rajeev, head of research at Vancouver, British Columbia-based Fundamental Research Corp, agreed. "Considering the company's potential and its current market value, we believe it is a good acquisition target. However, note that the company is still in its early stages of commercialization. We believe the majors will want to see more penetration and market share before they make any move," he said. In

addition to GE, Milwaukee-based Johnson Controls could be another potential buyer, said Rajeev.

MicroPlanet expects to conclude a distribution partnership with Johnson Controls in the next 30-60 days, with the industrial giant possibly gaining a small equity position in MicroPlanet through that partnership, Lisanti said.

MicroPlanet, listed on the Toronto Venture Exchange, has a market cap of about CAD 22m (USD 21m). It will only start receiving commercial revenue in about a month, and expects USD 5m in revenue this year, according to Lisanti.

He acknowledged that MicroPlanet was not a typical public company because it was still pre-revenue, and that going private was therefore "certainly an option" too. But any private equity firm would have to add "substantial value beyond what we're doing now," he said, such as help MicroPlanet scale its business faster by helping it sell to utilities. MicroPlanet has no interest in a purely financial partner – particularly as it is able to raise enough money alone, Lisanti added.

The company is doing a USD 12m equity offering over the next two weeks to help it scale the business, Lisanti said.

MicroPlanet's product can cut energy consumption 5-12% by reducing voltage in areas where incoming voltage is high. In areas where voltage is low, which causes flickering, MicroPlanet's system can boost voltage.

The company system is being used in pilot installations by 30 utilities worldwide, including the UK, Australia and the US (Hawaii). It has a commercial order from Ergon Energy (in Australia) for 3,000 systems. Hawaii's interest comes because high electricity prices are motivating energy savings there. Australia has low-voltage problems and its government is pressuring utilities to reduce consumption because 80% of electricity comes from coal plants.

by Mark Andress

CIBT Bridging the East-West Education Gap

By Brian Truscott Of DOW JONES NEWSWIRES 820 words

5 March 2008
12:00
Dow Jones News Service
English

VANCOUVER (Dow Jones)--With all the hoopla associated with resource companies these days, it's also important to think about what's behind the basic everyday needs of such companies - a skilled workforce, one that's educated.

When talking to chief executives from around the world, education continually pops up as a key issue, whether it's the need for skilled day labor or an MBA-trained student who can handle the functions of the back office.

The emergence of India, China and southeast Asia mean everything from the English language to diesel repair must be taught in order to equip a giant-size workforce that can work and function in a global economy.

Enter CIBT Education Group Inc. (CPT.V).

It's only been around since 1994, but it's been consistantly growing - more so recently, with its acquisition of Sprott-Shaw Community College, a century-old career and academic college in Canada.

That acquisition has given CIBT President and Chief Executive Toby Chu the wherewithal to further expand a 14-year-old education business outside of China, across Asia and into North America.

Fundamental Research Corp. analyst Brian Tang said in a recent report that "CIBT has been progressing very well with their new spoke-and-hub strategy."

Since December, CIBT has ramped up eight agreements to start vocational and education centers in various locations, he said.

Chu affirms that view. "We continue to expand; we now have 23 locations in China alone and we are still growing," he said. "We've been growing from northern China to the south...because we're building this hub-and-spoke system."

That basically means a central teaching facility and a number of satellite "classrooms" where students can congregate and watch and learn - from a distance.

Taking Education On The Road

And, as mentioned, Chu is finally taking this business model into other parts of Asia, now that the management structure has matured and is firmly in place. He started out by taking a relatively cautious approach to his business, focusing on the northern part of China as he solidified CIBT's team. And now that that's done, he's on a bit of an expansion push across Asia.

"Most of the Asian counties, right from South Korea all the way to China, they all realize that in order for you to make more money, as individuals, you need to move your skills, especially language skills, towards being able to deal with international trade and working for multi-national companies," he said.

In other words, these are people who realize that working for a state-owned enterprise probably isn't the best use of their skills in the long run. And Chu is taking advantage of that by giving people what they want - education, skills and the building blocks to improve themselves.

Ultimately, running an education business is all about healthy margins and what is a fairly predictable revenue stream - students pay for a course or degree and generally stay until that's been obtained after one to four years. CIBT offers everything from MBAs to language courses to casino and hotel management - what can only be a big draw at its Zhuhai campus, which is just down the road from Macau and its many casinos.

"There's not a lot of surprises in this business and the margins are good because it's a service-oriented business," Chu said. "And, on top of that, it's recession-proof because when there is a recession, people tend to go back to school."

What's more, in China, for example, Chu is really only going for the top 5% of the population - that's something in the neighborhood of 100 million people, which is still about three times the population of Canada.

"We look at consumer spending; if you can afford a car - and China has now become the second-biggest automotive market in the world - then you can afford to put your children into school," he said.

Company Web Site: http://www.cibtcorp.com

-Brian Truscott, Dow Jones Newswires; 604-669-1595; brian.truscott@dowjones.com

Business in Vancouver July 24-30, 2007; Issue 926

China lures growing number of B.C. post-graduate business educators
Entrepreneurs, institutions partner to offer MBA schools in the Asian country

Glen Korstrom

Gold rushes typified the 19th century. Today, both entrepreneurs and government-subsidized institutions are eyeing 21st century gold: China-based post-graduate students.

B.C.'s University of British Columbia, Royal Roads University, Capilano College and Thompson Rivers University rank among hundreds of global competitors in this lucrative niche.

And Vancouver's Capital Alliance Group (TSX-V:CPT) is proving that private sector businesses can similarly reap dividends by providing higher education to Chinese residents.

Its CIBT School of Business & Technology Corp. subsidiary is cornering that niche.

CAG president and founder Toby Chu, who took CIBT to China 13 years ago, said the company plans to own a network of 50 CIBT education centres in China by 2010. It had 10 such centres at the end of 2006, and, in the fiscal year ended June 30, $8 million in revenue. Since June 5, Chu has announced four new or expanded partnerships with China-based institutions.

Chu has plenty of future students to draw from: China has more students than the United States has residents.

China's National Bureau of Statistics reports that the country's 1.35 million schools enrol more than 320 million students.

A mere 16.9 million of those students, or 1.3% of the county's 1.3 billion people, take university courses. That rate pales in comparison with the 5%-plus university enrolment rates in western countries.

But China's percentage of students pursuing higher education is slated to grow, according to a report by Vancouver's Fundamental Research Corp., which provides independent analysis of Chu's company.

Fundamental's analysts expect China's university enrolment rate to rise in part because the disposable income of urban Chinese parents is growing, and, thanks to a 28-year-old government family-planning policy, they tend to be limited to having one child.

“Parents depending on only one child are willing to spend more for their education,” Fundamental’s report notes.

CIBT targets career-changers, business operators and other English-speaking Chinese nationals who don’t want to pay the high tuition that some institutions – such as the University of British Columbia’s Sauder School of Business – levy.

Chu charged his 300 MBA students tuition in the $5,000 range. He said tuition for the several thousand students who take his other education programs is less. In contrast, Sauder School MBA program director Wendy Ma told Business in Vancouver that her institution charges its 20 to 30 China-based MBA students approximately $33,000 each in tuition.

“A lot of people who can afford to pay the price, their English levels are too low to be in our program,” Ma said. “Our MBA is strictly taught in English, so we fly our professors in from UBC to teach in the program.”

“Our partner in China is Shanghai Giatong University. In order to operate to offer a degree program in China, you have to have what is called a Chinese university partner.”

Chu has developed plenty of international partnerships.

The 1993 Business in Vancouver 40 under 40 winner’s business model involves partnering with American and U.K. universities to get access to their curriculum. He then partners with Chinese universities to establish learning centres. Chu hires the teachers and absorbs the operational costs. A percentage of his revenue goes to his university partners.

Chu’s partnerships also include established multinationals such as Microsoft, McDonald’s and Johnson and Johnson.

“Those companies are more our clients than partners,” he said.

“We have a large presence in the ex-pat community in China. Many students are working executives from Fortune 500 companies operating in China.

“At least 200 of those Fortune 500 companies have some sort of dealing with CIBT in China: either hiring graduates or sending their employees to us for education.” •

gkorstrom@biv.com

Business in Vancouver March 27-April 2, 2007; issue 909

Mexico major drawcard for US$8.2 billion mega deal

Goldcorp takeover of Glamis seals stellar year for Telfer

Krisendra Bisetty

Kevin McArthur could be forgiven a little deal fatigue.

The president and CEO of Vancouver’s Goldcorp Inc., just 100 days into his new job, is digesting more than $10 billion in acquisitions made in the space of just a year.

A huge chunk of that, of course, was what got McArthur into the Goldcorp (TSX:G; NYSE:GG) saddle in the first place – the US$8.2 billion all-stock buy-out of Nevada-based Glamis Gold Ltd., his former company.

"I wasn't looking for that job," McArthur admitted in an interview. As it turned out, his new role was a requirement, along with Vancouver being retained as its corporate head office, of then Goldcorp president and CEO, Ian Telfer.

Water played a big role in the coming together of the two mining industry veterans. First, in June 2006, during a brief encounter during a fishing trip on B.C.'s Langara Island. Then, two months later, when Telfer was at his lakeside cottage in Muskoka, Ontario, and McArthur was staying at a nearby property owned by then Glamis director Ken Williamson.

"He came across the lake in his boat and tied up, and we spent a better part of the morning and into the afternoon discussing the possibilities of putting our companies together," recalled McArthur. "And it looked like all of the elements were right for that deal to really take place at that time."

The deal strengthened Goldcorp's reserves – the attraction for Goldcorp was Glamis' newly acquired Penasquito gold-silver-zinc-lead project in Mexico which, when fully developed, will be the country's biggest mine. Glamis had acquired Penasquito in May 2006 through its US$1 billion takeover of Vancouver-based Western Silver Corp.

The Glamis deal also gave the expanded Goldcorp a dozen operations spread across the Americas, from Canada to Mexico, with just under three million ounces of annual gold production.

But, two years' earlier, the picture was quite different.

At the time, Telfer was the boss of Wheaton River Minerals Ltd., which was courting then Toronto-based Goldcorp, when a US$3.4 billion hostile takeover bid for Goldcorp from Glamis almost derailed the proposed merger.

Glamis lost its bid for Goldcorp then, but it was left to Telfer – Goldcorp's president and CEO following the eventual Wheaton merger in early 2005 – to welcome his former adversary into the fold last November. The move saw Telfer become chairman of the board.

Not before some intense manoeuverings, though, to reduce the "big bid/ask spread" at the time, and to investigate what the mega-deal meant in the way of ounces per share, earnings per share, cash costs per share, as well as net asset value per share.

The deal was thrashed out over two days at a remote Seattle hotel where five-member technical swat teams from both sides worked on the due diligence.

Goldcorp's financial advisers were Merrill Lynch Canada Inc. and CIBC World Markets Inc., and its strategic advisors were GMP Securities L.P., BMO Capital Markets, Canaccord Capital Corp. and Genuity Capital Markets. Cassels Brock & Blackwell LLP and Dorsey & Whitney LLP provided the legal counsel.

But the out-of-town meeting was one of several major bones of contention for Goldcorp shareholder, founder and one-time chairman Robert McEwen. McEwen went to court in an unsuccessful attempt to force Goldcorp to have its shareholders vote on the transaction.

“I think it was unfortunate,” said McArthur, describing McEwen’s opposition as the only “fly in the ointment” of an otherwise straightforward deal.

“We didn’t call him prior to making the deal, nor did we talk about it to any of the shareholders,” he said, “because that’s very much insider information, and we can’t make insiders of people.”

Before the blockbuster Glamis tie-up, Goldcorp started 2006 with two mega-deals in their own right: a US$1.6 billion acquisition of the Canadian assets of former Vancouver miner, Placer Dome Inc., which was taken over the year before by Toronto’s Barrick Gold Corp., and the Éléonore gold project from Virginia Gold Mines Inc., in a deal worth US$420 million.

That year also saw Kinross Gold Corp.’s US$3.1 billion agreement to purchase Vancouver intermediate gold producer Bema Gold Corp., and First Quantum Minerals Ltd. acquiring control of London-based Adastra Minerals Inc.

Last year, copper producer First Quantum had net sales of US$1 billion, an increase of 146% compared to 2005. Net earnings jumped 171% to a record US$414.4 million.

2006 was a record year for mining mergers and acquisitions, said Brian Tang, president of Vancouver based independent equity firm Fundamental Research Corp.

“A lot of the merger activity was based on the fact that a lot of these companies are sitting on so much cash,” said Tang.

The firm believes, however, that while the bull commodity market remains strong for precious metals, it may be close to an end for base metals, a development that’s likely to cool down some of the frenzied mining M&A activity in the year ahead.

Business in Vancouver March 20-26, 2007; issue 908

Burnaby company’s business plan taps growing airline water quality concerns

International Water-Guard Industries set to expand potable water systems technology from business jets sector into lucrative commercial airline market

Krisendra Bisetty

The sky’s the limit for aircraft potable water treatment provider International Water-Guard Industries Inc. (TSX-V:IWG), which is preparing for a launch into what it sees as a revenue-multiplying commercial airline space.

The Burnaby company, a niche player in the business jet segment, and a likely takeover target, believes the shift would be a natural fit for the airline market.

And it comes after its ninth straight quarter of profitability, following several years of losses.

“It’s been a real turnaround for us,” president and CEO David Fox said of the past year in which International was transformed into an aerospace-focused company.

That transformation included a company move into a new 11,700-square-foot facility that consolidated manufacturing, engineering, R&D and administration under one roof.

“We’ve been working very hard at it, and we’ve reached the benchmarks that we wanted to reach,” Fox said.

The company, which had been in “pretty rough shape” as recently as 2004, punched through the million-dollar sales mark in its 2007 first quarter, increasing sales 28% from the same quarter in 2006.

First quarter earnings were $135,277, compared with $72,122 in the comparable 2006 quarter.

Revenue in fiscal 2006 was $3.66 million, a jump of 17% over 2005 sales; 2006 net earnings rose to $404,545 from $163,597 in 2005.

The increase came even after the company sold off its industrial division assets for land-based water treatment in a restructuring drive in 2005. Fox attributed the revenue growth to strengthened ties with the aerospace market.

More than 1,200 of the company’s water treatment units, which range in price from US$12,000 to US$16,000 depending on the model, are now in use in business jets, with jet manufacturers Gulfstream Aerospace Corp., Dassault Falcon Jet and Bombardier Aerospace having them as standard equipment.

Bombardier, however, is facing a patent infringement lawsuit in Federal Court from International, which accused the jet maker of using an almost identical water system to its own patented circulating potable water system, another major product line.

While International Water-Guard has a major share of the market for its treatment systems in business jets, the company expects that to change in the much bigger and more competitive commercial airline market.

As airline water concerns increase, so will demand increase for onboard treatment, said Fox, citing surveys over the past couple of years by the U.S. Environmental Protection Agency and Health Canada that he said had found substandard airline water quality in both countries.

“In fact, between 15% and 20% of the airplanes surveyed came back with bad results,” he said.

Fox added that as an interim measure while regulators mull how best to implement standards, airliners have been asked to disinfect their water tanks more frequently.

With the global airline industry forecast to return to profitability in 2007 after five years of losses since the U.S. terrorist attacks of September 2001, **Vancouver equity research firm Fundamental Research Corp**. believes International is in a good position to capitalize on the favourable market conditions.

International will have “considerable upside potential” if and when it penetrates the commercial airline sector, **Fundamental analyst Siddharth Rajeev** said in an interview. On the basis of its better than expected first quarter results, **Rajeev raised International’s fair value estimate from $0.30 per share to $0.35 – by press time its shares were trading at $0.15 – and reiterated a “buy” rating on the stock in a recent research note to clients**.

Securities firm built one step at a time
Westwind Partners opens new proprietary group

Barry Critchley, Financial Post

Published: Thursday, February 22, 2007

Acceleware add A footnote to Monday's column about the innovative way in which Acceleware negotiated an out-of-the-money public financing with Northern Securities at the same time as the stock was halted. The halt was announced on Jan 15. When the stock resumed trading on Jan 22, the issuer had two deals to announce: a $2.9-million investment by NVIDIA Corp. and a $5-million bought deal financing with Northern Securities.

The latter deal was unusual because of the pricing structure: The issuer knew it would raise at least $5-million from a bought deal, which could rise to $7-million in the event that the overallotment option was exercised. Acceleware, whose business is speeding up processing runtimes and engineering design simulations by an order of magnitude, also knew it would receive at least $1.30 for each share but also knew that if the stock went too high (like above $1.75), Northern Securities could walk.

Brian Tang, an analyst with Vancouver-based Fundamental Research Corp., sent along a 24-page report that was written during the period when the stock was halted. That report was the first on the issuer by the research house. It was written when there was no public information about the two financings.

Tang and fellow analyst Siddharth Rajeev liked what they saw about the company, which was formed in February, 2004, by three professors and two graduate students at the University of Calgary. (It went public via a reverse takeover in June, 2006.)

"At this stage, we believe Acceleware possesses significant upside potential as it penetrates deeper into the EM (electromagnetic) market and enters new design-simulation markets. We rate Acceleware's shares a BUY (Risk: 3 - average) with a fair value estimate of $4.50," the two wrote, noting that a number of leading companies, including Lucent Technologies, Nokia, Siemens, Sony, Toshiba and Motorola, use Acceleware's products.

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Business in Vancouver June 27 – July 3

Analysts still bullish on precious metals, despite recent volatility

By Krisendra Bisetty

In a research report, Vancouver-based independent equity research firm Fundamental Research Corp. concurred, saying the volatility shows that the market is being driven by speculation rather than fundamentals.

“Therefore, we believe that the drop in prices is a temporary market correction and commodity prices will stay above historical average lows during 2006 and 2007,” the report stated.

The firm said that, even with the recent declines, prices for commodities like gold, silver and copper are still above historic lows and that industrial demand for metals in China, which had initially driven up prices, would continue to be strong as that country’s economy expands.

METALS STOCKS
Gold futures tally a seven-session loss
Silver, copper move up; indexes mark first gain in eight sessions

By Myra P. Saefong, MarketWatch
Last Update: 4:29 PM ET Jun 14, 2006

SAN FRANCISCO (MarketWatch) -- Gold futures closed lower Wednesday -- failing to hold earlier gains despite weakness in the U.S. dollar, to tally a seven-session loss of more than $82 an ounce.

The plunge was so severe Tuesday that some analysts said the commodities rally that sent gold to a 26-year high above $730 an ounce in May was over. But others disagree.

"Higher oil prices, the approach of a peak in U.S. short-term rates, an increase in political tensions in the Middle East, and the expected increase in commercial demand for gold in Asia (as the price stabilizes) are catalysts for increased demand for gold," **said Brian Tang, analyst at Fundamental Research Corp**.

However, with the dollar now expected to appreciate in the third and fourth quarters, gold prices may weaken in 2006 before starting to rise again in 2007, **he said**.

Gold's pullback from its May high was caused partly by the volatility in the metal's price, which reduced wealth-preservation demand for it, **said Tang**. At the same time, rising interest rates -- last week alone, the European Central Bank, India, South Korea, Turkey, Denmark and South Africa all raised rates -- have reduced demand for gold as an inflation hedge.

Molymania worth millions to B.C.
MINING: Usage is entering a new era driven by demand from Asia, steel and energy industries

Paul Luke, The Province
Published: Sunday, April 09, 2006

…In addition, B.C. has 17 major moly exploration projects under way, Fundamental Research Corp. says in a research report.

"Moly prices have been increasing at a faster rate than other metals," Fundamental says.

"Usage of the metal is entering a new era driven by Asian demand and growth for uses in the steel and especially energy industries," Fundamental says…

Business in Vancouver

April 4-10, 2006, Issue

Tungsten price spike drives resource companies up BIV's top performing stocks list

Demand grows as global steel industry booms and Asian industrial market expands

Krisendra Bisetty

… Companies are working to restart inactive mines around the world, said **Brian Tang, president of Vancouver-based Fundamental Research Corp**. "Continued growth will depend on the economic performance of major consuming countries, including China.

" It will also depend on the success of the Chinese government in controlling supply."

March 14-20, 2006, Issue

‘Moly-mania’ hits local mining companies

…More than 15 other companies also have major exploration projects in areas ranging from Port Hardy to Kamloops, said **Brian Tang, president of Vancouver independent equity research firm Fundamental Research Corp**. But Adanac’s advantage is its 18-month lead over its nearest main competitors.

“The prospect of obtaining approvals and starting construction this year appear to be favourable,” **said Tang**.

Molybdenum was initially used as an alloying element to make armour plates in the late 19th century. Today, its use in the steel and energy industries is growing.

Increased demand for molybdenum is being driven by the Asian marketplace, according to a recent **Fundamental report**.

Demand comes primarily from the steel industry, where molybdenum is used in stainless steel to increase resistance to corrosion. Globally, the steel sector accounts for about 75 per cent of total consumption.

Molybdenum is also used in lubricants and in the production of catalysts for the oil refining industry.

Canada is the world’s fourth-largest molybdenum producer, but the **Fundamental report** said there has been no major investment in primary production for many years.

Mining industry rides the resource wave

Expansion and consolidation are the watchwords for gold miners and other producers in 2006

By Krisendra Bisetty

“… But while the mining industry is preparing for an active year, it's also facing extreme manpower shortages, said David Pow, mining adviser at Fundamental Research in Vancouver…..”

Reuters

LIFTING THE LID: Paid-for stock research scores with investors

July 15, 2004

By Ritu Kalra

NEW YORK, July 15 (Reuters) - Stock research commissioned by listed companies has traditionally gotten little respect.

Institutional investors saw it as the bottom of the food chain, even below the Internet-era reports peddled by brokerage firms that regulators showed were tainted by ties to investment banking business.

Lately, however, portfolio managers are overcoming their skepticism. They cite impressive performance and access to information on companies that the large Wall Street investment banks don't bother covering.

Although questions of objectivity and the potential for stock scams remain, experts say some of the research is on par with the best -- and takes an independent line no matter who paid for it.

Taglich Brothers and J.M. Dutton & Associates, which both get paid by the companies they write about, were among the top five equity research firms last year, according to Investars, a Hoboken, New Jersey, firm that tracks the performance of analysts' stock picks.

"I'm more apt to look at a Taglich report than I am a major firm," said Evan Greenberg, who manages about $30 million at New York-based Meadowbrook Capital Management. "They're one of the best-performing brokerages I work with."

StarMine, a San Francisco-based performance tracker, gives two of Dutton's 18 U.S. analysts five stars for their stock picks over the last two years, a designation reserved for the top 10 percent of analysts.

Investors who followed the advice of energy analyst Les Childress, for example, got a 64 percent return, nearly 23 percentage points above the average return on the companies he covers.

LACK OF COVERAGE

Without Childress' direction, investors would have been hard pressed to find those companies. As Wall Street firms cut analysts' ties with their investment banking operations and struggle to support the high costs of research with trading commissions alone, they have pruned the number of companies they cover to the biggest names.

For companies whose market capitalization is less than $500 million, overall coverage is down by more than 35 percent since 2001, according to research firm Thomson First Call. And nearly 60 percent of all publicly traded companies in the United States get no coverage at all.

This severely hinders smaller companies' ability to attract capital, experts say.

In response to the drop in coverage, many small companies have sponsored their own reports. For $25,000 to $40,000 a year, they get third-party earnings estimates and stock ratings that are distributed on their Web sites, through broker-dealers, and on platforms such as Reuters Estimates, Thomson First Call and Yahoo Finance.

The opinions aren't always glowing, as evidenced by Fundamental Research Corp's downgrade on June 9 of technology company Resin Systems Inc. to "hold" from "buy" due to production delays.

"You're not buying the research to make your company look better than what it is," said Resin Chief Executive Greg Pendura. "You're simply going the awareness route. For small companies, it's very difficult to attract institutional attention."

Investors are listening. In May, more than 200 institutions, including Merrill Lynch Investment Management and BlackRock Advisors, downloaded Dutton's reports from Thomson First Call.

Meanwhile, New York-based Crystal Research Associates, which focuses on the health care industry, said it distributes its reports to more than 5,000 investors each month.

"If a company's looking for research coverage, usually there's a good story to tell, and it's not being told anywhere else," says Meadowbrook's Greenberg. "I need this model."

CAVEAT EMPTOR

Strange as it may seem, sponsored research is considered independent because it has no ties to investment banking. And unless the research firm also happens to be a registered broker-dealer, as Taglich Brothers is, it is largely unregulated.

"This is obviously fraught with all kinds of conflicts of interest," says Jonathan Boersma, vice president of professional standards at trade association CFA, formerly the Association for Investment Management and Research.

His organization has proposed guidelines to help the nascent industry police itself. To ensure objectivity, research firms should be paid upfront in cash, and companies should have no influence on the content of the reports, Boersma says.

Although those guidelines are not enforceable, the research firms do have to comply with SEC rule 17(b), which requires them to disclose their form of compensation to investors.

But concerns about the company-sponsored model remain.

"I think the desire for repeat business will cause many analysts to butter up their clients" with inflated forecasts and ratings, said John Coffee, a professor of securities law at Columbia University. "The disclosures don't end the real basic conflict, which is that you want future business."

To that fear, investors have one response: performance.

"You can only fool the buy-side once," says Adam Epstein, portfolio manager at San Francisco-based investment fund Enable Growth Partners. "Our job is to focus on substance, not form, no matter where that substance comes from."

Edmonton Journal

Meet city's most exotic publicly traded company
Gary Lamphier
Edmonton Journal
Friday, February 27, 2004

"…Analyst Brian Tang, who began following Datec for Vancouver-based Fundamental Research last fall, rates its stock a "buy" with an estimated "fair value" of $1.20 a share. Datec's shares closed Thursday at 65 cents on the TSX, giving the company a market cap of about $19 million, on a fully-diluted basis.

Tang estimates Datec will earn about $1.5 million or a nickel a share on revenues of $55 million for the year ended Dec. 31, 2003. Datec is expected to release its results soon.

"We thought this stock was undervalued, based on comparable IT companies in Canada and the U.S., and given Datec's dominant position in its markets," says Tang…"

Financial Post

Fund fees soar over three years
Industry's dry spell has forced many mutual fund firms to hike fees since 2000

Keith Kalawsky

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The management and operating expenses of many Canadian mutual funds have risen steadily over the past three years, gobbling up an increasing proportion of fund assets and crimping investor returns.

The management expense ratio, or MER -- the percentage of fund assets spent on management fees and operating expenses -- has increased significantly in several fund categories, according to research compiled by Fundata Canada Inc.

Since 2000, for example, the MER of Canadian short-term bond funds jumped

20.6%, while the expense ratio rose 15.5% for Canadian mortgage funds and 11.3% for Japanese equity funds. The median MER of a North American equity fund increased 8.7%, while the MER for Canadian equity funds rose 8.9%, Fundata found.

The findings again highlight the need for investors to vigilantly track what they are paying asset managers and whether the cost is justified by the performance of their funds. As equity markets strengthen, mutual fund companies are increasingly optimistic that the worst is behind them; redemptions appear to be slowing and many asset managers are expecting one of the strongest RRSP seasons in years.

A high MER is an obvious sign that a fund may be overcharging its unitholders. But some smaller mutual funds may post relatively high expense ratios because they are spreading their costs over a smaller asset base. As Dan Hallett, head of research firm Dan Hallett & Associates Inc., recently noted, some smaller funds use outside advisors to manage their funds, which increases costs. And to attract new money, they must dangle attractive commissions in front of financial advisors, which again leads to higher expenses. In general, smaller niche funds cost more than broad-based funds.

The expense ratios compiled by Fundata for each fund category were not asset-weighted. (That is, small funds with few assets were given equal weight to funds that have attracted a large amount of money from investors.)

To battle the three-year bear market, which triggered billions of dollars of redemptions from mutual funds as investors retreated to the sidelines, many large asset managers have been consolidating their fund lineups, dropping or changing sub-advisors, and taking other measures to cut costs and boost efficiency, which should be reflected in lower expense ratios compared to smaller funds.

For example, the median MER of the largest 50 Canadian equity funds (more than $100-million in assets under management) is 2.5%. For the bottom 50 (less than $10-million in assets), the median MER is 2.76%, Fundata said.

In some cases, however, increases in expense ratios over the past three years have been significant. For instance, the expense ratio of the StrategicNova Canadian Large Cap Value Fund, now called the Dynamic Focus Plus Canadian Fund, jumped 102%, from 1.5% in 2000 to 3.03% in 2003, Fundata said. Managed by Ned Goodman, this Canadian equity fund has beaten the S&P/TSX total return index over the past three years.

Among Canadian short-term bond funds, the expense ratio of the Mackenzie Short Term Bond Fund surged 41.4% to 1.64% from 1.16%, Fundata said.

There were several mortgage funds that posted expense ratio increases exceeding 25%, including the Clarica Premier Mortgage Fund and the London Life Mortgage Fund. The performance of this category has generally been strong, relative to equity funds.

In the science and technology category, the MER of the Acker Finley QSA e-business Fund, which managed about $7.8-million in assets at the end of 2002, down from $18.6-million in 2001, rose 215.4% to 7.6% from 2.41% in 2000, according to Fundata.
Among North American equity funds, the Desjardins Ethical North American

Fund posted one of the largest MER increases at 25%, from 2.6% in 2000 to 3.25% in 2003.

In the International Equity category, the expense ratio of the Optima Strategy International Equity Divers Pool, which manages about $160-million, jumped 591%, from 0.46% in 2000 to 3.18% in 2003. The fund, managed by Assante Asset Management Ltd., is down more than 12% over the past three years.

Few investors questioned fees when equity markets were hot and mutual funds routinely generated double-digit returns. But after examining Fundata's research, investors might question whether they should keep plugging their cash into mutual funds if expenses are outpacing performance.

In a recent report, **Brian Tang, an analyst at Fundamental Research Corp., an independent research firm in Vancouver**, compared the expense ratios and 10-year performance of 116 Canadian equity mutual funds.

His conclusion: "Investors may be surprised that the saying, 'you get what you pay for,' applies to most things -- but not always to mutual funds."

In fact, **Mr. Tang** found that funds with higher than average expense ratios actually posted below-average performance.

Overall, the average Canadian equity fund had an MER of 2.21% and a 10-year return on 7.47%. The S&P/TSX Total Return Index posted an 8.36% return during the same period.

"Contrary to logic," **he wrote**, "when purchasing mutual funds, it is not necessarily the case that the more you pay the 'better quality' product you receive."

Of the 116 equity funds, **Mr. Tang** found only 25 that maintained a below-average MER but still outperformed the S&P/TSX total return index. Among the top performers were the Sceptre Equity Growth fund, with a 1.78% MER and 14.51% 10-year return. Similarly, the Acuity Pooled Canadian Equity fund posted a 14.11% return over 10 years with a 0.29% MER.