

## Dana Love

Invesco Trimark Ltd.

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### Manager Monitor

Diana Cawfield

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### Trimark manager is finding "unimaginable" bargains.

Taking advantage of depressed market prices, Invesco Trimark Ltd.'s Dana Love is acting on the best global opportunities that he's seen in his career.

"We've been able to cherry-pick some of the best companies that we can find in every industry," says Love. He is lead manager of the \$185-million Trimark Europlus, a role he has held since November 2003, and in January he was appointed lead manager of the \$1.2-billion Trimark Fund SC.

"To be able to buy Microsoft Corp. -- one of the most profitable companies on the planet -- at the price that you can buy it today would have seemed unimaginable a couple of years ago," Love says.

Whether you love or hate the global "gorilla," he adds, Microsoft is the world's largest software company and meets his key stock-selection criteria. It also fits with his ongoing quest to upgrade the quality of the portfolios by buying better businesses with better risk-adjusted returns.

These criteria include companies with sustainable barriers to entry, sustainable competitive advantages, relatively clean balance sheets, and the ability to generate positive cash flow through tough economic periods. Furthermore, to provide a margin of safety, the team is very sensitive to the prices they pay for company shares.

Many of the concentrated 30 to 40 holdings in the two mandates overlap, with the differentiating factor being size of capitalization. From a practical perspective, says Love, the Trimark fund is a larger pool of money, so it will always tend to have a larger-cap bias.

If there's a European company that's large enough to be in both funds, then it should be in both funds, adds Love. As a result of the bottom-up stock picking, the Trimark fund currently happens to hold about a 50% weight in Europe.

The investment philosophy to seek companies that can grow and be more profitable in the future is identical in both mandates. Hence, over the past year, all of the financial institutions, all of the banks, were sold. "Nobody truly knows what the risks are," says Love, "and with the change in the market accounting, I think that makes them even less analyzable, less transparent."

The undervalued market has presented opportunities in other sectors that previously weren't attractive. Roche Holding, for example, says Love, is the portfolio's largest exposure to health care, with about a 7% individual stock weight in both funds.

"Because it's always been such a well-run company, it's always been very expensive," adds Love, "so we haven't been able to own it. But in the last year it's become one of the biggest positions because of those buying opportunities." Love makes it clear that the purchase of Roche Holding was not a strategic allocation to the health-care sector. Rather, it was the opportunity to buy a great company.

Debates continue over the impact of the global market crisis on Europe. Statistically speaking, Love says that Europe does look as if it has a slight advantage compared to the United States in terms of valuation.

But to some extent, he thinks that things are difficult everywhere, that the problems are broadly based and so are the opportunities. "Asia is somewhere where we are a little bit concerned about opportunities that we may be missing," says Love, "so it's an area where we're putting increased focus."

## Dana Love: Invesco Trimark Ltd.

Very much a hands-on manager, Love travels six to eight weeks every year to speak with company executives. He considers a company's corporate culture one of the single greatest advantages that a business can have, and one that can't be duplicated easily. As well, the "on-the-ground team" will talk to other sources close to the company, such as customers and suppliers.

Love, 40, received a BA in sociology in 1992 from the University of Waterloo. During his university days, where he was initially intent on becoming a lawyer, he began reading investment books and discovered his passion for finance. In 1993, he joined Fortune Financial Corp. in a marketing and business development role. He moved to Guardian Mutual Funds in 1994 in a wealth management capacity. In 1995, he joined Altamira Investment Services Inc. in a client advisory role.

Realizing that he really wanted to analyze businesses, Love returned to school. In 1998, he received an M.Sc. (finance) degree from the UK-based London Business School. He joined what is now Invesco Trimark in February 1999 and received his CFA designation in 2001. He is currently vice-president, investments, and along with his colleagues is responsible for approximately \$5 billion in total assets under management.

During Love's tenure with Trimark Europlus, the fund has an annualized five-year loss of 3% to April 30, nearly identical to the median 2.9% loss among its European equity peers. Love is looking forward to a return to positive returns, but at the same time, he believes the road ahead will be bumpy.

"For people who are willing to take a long-term view of five to 10 years," he says, "it's likely to be very, very rewarding. Notwithstanding the fact that in the short term, things could remain very difficult and they could remain that way for some time."

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### About the Author

Diana Cawfield is an award-winning writer who has been a regular Morningstar contributor since 2000. Her numerous publication credits include the Toronto Star, Advisor's Edge and Chatelaine, as well as the Canadian Securities Institute's online educational services.