Reprinted from Canadian Investment Guide 2010

Big-picture smarts

Eric Bushell has a knack for picking up on trends first

BY JADE HEMEON

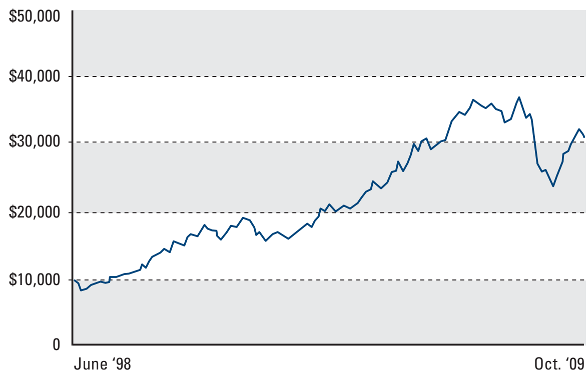
Eric Bushell, this year's winner of the Morningstar Equity Fund Manager of the Year award, has travelled a long way. Only 14 years ago, he was managing a small dividend mutual fund with about $10 million in assets; now, he oversees a massive pile worth $23 billion.

Along the way, the vice president and chief investment officer with the Signature Global Advisors division of CI Investments Inc. in Toronto has built a globally focused team of 21 analysts and portfolio managers. All contribute to the management of the Signature family of funds, a separate group under the CI umbrella.

"Bushell's approach involves a lot of bottom-up research combined with the big-picture approach," says Philip Lee, an analyst with Morningstar Canada. "He looks across the globe to discern the prevailing trends and whether there are headwinds or tailwinds, and he's not afraid to exploit those and move nimbly between sectors."

Bushell's penchant for sniffing the global winds, in combination with astute individual stock-picking, has led to a record of superior performance. That's well illustrated by the performance of his $4-billion CI Signature Select Canadian Fund. The fund had a 10-year average annual return of 11.4% as of Sept. 30, 2009, making it a top-quartile performer and placing it well ahead of the median return for Canadian

CI Signature Select Canadian
The dollar value of $10,000 invested in the fund at inception



Source: Morningstar Canada

focused equity funds of 5.7%, according to Morningstar Canada. The Signature fund has also been a top-quartile performer for shorter periods: during the challenging year ended Sept. 30, it managed to achieve a 5.1% gain, particularly impressive when compared with a loss of 0.1% for the median Canadian equities fund. These healthy one-year returns were assisted by a strategy to become highly defensive in the spring and summer of 2008, which helped insulate the fund when the financial markets collapsed in the autumn of that year. "About 40% of our portfolio was sitting in cash and gold, which is a proxy for cash," Bushell recalls. "It was the biggest asset-allocation call we ever made. Having weathered the worst of the market downturn with cash in their back pockets, Bushell and his team were subsequently able to pick up stocks at enticingly low prices and ride their recovery. With stock markets rising strongly since last March, the Signature fund has recently taken some profits off the table; it is now sitting with about 10% in cash, to be deployed as opportunities arise.

"We want to have some liquidity," Bushell says, "so that we can participate in the corporate reorganizations and recapitalizations that will be occurring in 2010."

Bushell has been focusing on large-capitalization, well-established, economically defensive companies. He expects them to participate in what he views as the next stage of economic recovery – a rationalization trend that will see the strong companies consume the weak.

"We never went back to the small-cap companies or those with weak balance sheets," he says. "We're interested in the large companies that will participate in the cleaning up of their industries. Many have been supporting profit by cutting costs, but that phase has passed. The next step is mergers and acquisitions, and an effective integrator can improve profitability by taking advantage of economies of scale."

Defensive producers of consumer products are a big part of Signature Select Canadian's portfolio, particularly those with the capability of expanding geographically and benefiting from "stealth growth" as they penetrate emerging markets.

The fund acquired some U.S. financial stocks when prices plunged, including Bank of America Corp. and JPMorgan Chase & Co. Bushell expects U.S. financials will see an earnings recovery as they work out problems with non-performing assets and reinstate or raise dividends. He also expects them to benefit from cost-savings measures.

Bushell is big on Canadian financials, with holdings in the big banks, among others. The Signature fund has a significant weighting in health-care companies, including producers of medical devices, which are currently trading at low valuations and high yields. Bushell is maximizing the fund's mandated foreign-content limit: half is invested outside Canada.