

Mersch, Lamarche launch energy fund Labour sponsored

**FP INVESTING
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Front Street Capital, a recently formed money manager that reunited Frank Mersch and Norm Lamarche - two colleagues who worked together for many years at Altamira Investment Management, has just launched its first product, the Tuscarora Energy Growth Fund.

The mutual fund will invest in companies - both private and public - that operate in Canada's energy industry.

"It's the type of product that everybody associates with Norm and I: energy patch, junior oil and gas companies and aggressive management," said Mr. Mersch, who worked with Mr. Lamarche at Altamira from 1987 to 1995.

The only difference now is that we are funding the guys who sold their businesses," said Mr. Mersch, referring to the recent slew of mergers and acquisitions activity in the oil patch.

Over the past 2 1/2 years, 65 different management groups in the oil patch have either merged or sold their businesses, he noted, "and they are probably looking to get back into business."

Some oilpatch executives have already returned, albeit in new roles. As well, Mr. Mersch estimates that about \$8-billion to \$10-billion of oil end gas assets will be put up for sale after the acquisition spree. "We are buying to find the next Canadian Natural Resources, Anderson Explorations, Rio Alto's from the management groups that have sold out."

The fund is registered under Ottawa's labour-sponsored venture capital program, which means that it draws a 15% tax credit. It is not registered under the provincial labour-sponsored investment fund category that attracts an additional 15% tax credit.

"We were looking to do a venture fund and wanted to do more than 10% in private equity. And the only way we could do it under a mutual fund structure was to go the labour-sponsored route," said Mr. Mersch, who wants investors to buy the fund for reasons other than the tax credit.