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REPORT ON BUSINESS Magazine  
The Globe and Mail  
March 2004

## MONEY MANAGERS SPOTLIGHT: NORMAND LAMARCHE

### Average annual returns to Dec. 31, 2003

	1-Year	3-Year
Front Street Small Cap Canadian Fund	<b>63%</b>	<b>30%</b>
Front Street Special Opportunities Canadian Fund	<b>121%</b>	<b>38%</b>

When mutual fund veteran Norm Lamarche teamed up with colleagues Gary Selke and Frank Mersch in 2002 to found Front Street Capital, none of them wanted to work for a big investment firm ever again. Front Street employs just 15 people, and its airy bare-brick- and-steel office in Toronto's historic St. Lawrence Market district is certainly a cultural departure from Altamira Management Ltd., where Lamarche and Mersch were stars in the 1980's and early 1990's.

Despite their reticence, the duo's memories of the resource stock boom during their heyday at Altamira endured. Their belief that resources were set to take off after the tech boom has looked good so far. Lamarche, 41, was overshadowed by Mersch at Altamira, but Lamarche's Front Street Small Cap Canadian Fund posted a 62.5% return last year, propelled by energy and mining shares. His Front Street Special Opportunities Canadian Fund racked up a much gaudier 121% return, the best performance of any mutual fund in Canada. "We've been the Rodney Dangerfields of investing for a number of years," Lamarche says about resource managers. "Now we're coming back."

The wave of acquisitions and mergers in the last energy cycle is creating unique opportunities, Lamarche explains. Managers who cashed out then are resurfacing as owners of smaller energy outfits, and he says their experience and expertise are unparalleled. He points to tiny Midnight Oil & Gas's CEO Fred Woods and his team, which ran Ulster Petroleum prior to its sale in May, 2000, and little Profico Energy Management Ltd.'s CEO Clayton Woitas, former head of Renaissance Energy. "Their knowledge of the oil patch or the geology hasn't changed," he says. "The only thing that's changed is that their companies are small and the voracious appetite of income trusts for assets offers them an exit down the road that didn't used to be there."

At Altamira, Mersch and Lamarche invested early in future giants such as Canadian Natural Resources and Renaissance—"when they showed the most dramatic per-share growth in production, cash flow and earnings," says Lamarche. It's even better to be in companies before they go public. But conventional mutual funds don't invest venture capital in private companies, so Mersch and Lamarche structured the Front Street Energy Growth Fund they started in 2002 as a labour-sponsored investment fund. LSIFs are supposed to be plays for the poles, investing in job-creating start-up companies. But most LSIFs have posted sorry returns. Investors are attracted by an immediate 15% federal tax credit and another 15% from some provinces.

Lamarche and Mersch bypassed the provincial credit by registering Energy Growth federally. "It's a good fund without the credit," says Lamarche. "All of our companies have assets, reserves, production, cash flow earnings and a solid management team." The three series of the fund have posted average annual returns of more than 20%, beating all other LSIFs—and many mutual funds besides.