

## Small cap, high performance

WINNIPEG (GlobeinvestorGOLD) Roger Dent has run up a small cap performance record.

**H**is \$23.6-million Mavrix Strategic Small Cap Fund produced a 20.5-per-cent return for the 12 months ended March 31, 2007. That was a top decile gain and more than twice the 8.4-per-cent average return of peer Canadian small cap equity Funds for the period. For three years, the Fund produced a 37.7-per-cent average annual return, also more than twice the 15.4-per-cent average annual return of peers and the highest of all Canadian small cap Funds in the period. Mr. Dent, a portfolio manager at Mavrix Fund Management Inc. in Toronto, has headed the Fund, which started in November, 1996, since February, 2005.

"We look for companies with market caps of \$30-million to \$200-million that are attractively valued and not on the radar screen of mainstream investors," Mr. Dent said. "Some are making their debut or have been seriously misunderstood by the market. But they need to have a hook that will attract the attention of the wider market within a period of three to six months. One can never be sure that other

investors will sit up and take notice, so we typically have a portfolio of 50 to 70 stocks."

"Hammond Power Solutions Inc. is a Guelph, Ont.-based maker of transformers. Shares purchased at an

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- Roger Dent, *Portfolio Manager*

average cost of \$1.66 have recently traded at \$11.80. Recovering from a series of losses, the company returned to profitability in 2005. Events have justified the investment, made as the turnaround got underway. Earnings for the year ended Dec. 31, 2008 should rise to

\$1.40 per share from \$1.20 a year earlier and 76 cents for 2006," he predicted. "Within 12 months, shares should rise to \$17," he suggested.

"Peer 1 Enterprises Inc. is a Vancouver-based company that provides web hosting and other data centre services. Shares purchased at an average cost of 40 cents have recently traded at \$1.42. The company specializes in serving small to medium sized enterprises. Earnings per share for the

year ended June 30, 2008 should rise to 10 cents (U.S.) per share from 2 cents a year earlier and a 4 cent loss for 2006," Mr. Dent said. "Within 12 months, shares should hit \$2," he forecasted.

"Blue Note Mining Inc. is a Montreal-based company that has developed a zinc mine in New Brunswick. Shares purchased at an average cost of 31 cents in early 2006 have recently traded at 45 1/2 cents. Blue Note should begin active mining in June, 2007," Mr. Dent said. "At that point, the discount on the company's potential profitability will shift to a multiple of its cash flow," he explained. "That cash flow should rise to 40 cents per share for the year ended Dec. 31, 2008 from 20 cents for 2007," he added. "The transition to a producing mine should push up the share price to \$1 within 12 months," he suggested.

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