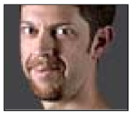
PERSONAL FINANCE: MUTUAL FUNDS

Manulife shows Mawer the love with promotion of small firm



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Insurance giant **Manulife Financial** just loves the tiny Calgary-based money manager called Mawer Investment Management, and with good reason.

Mawer is that rarity in the mutual fund industry, a company that does everything well, whether it be Canadian equity, U.S. and international equity, balanced or bond funds. You've probably never heard of Mawer, but Manulife certainly has. Just recently, it introduced a new lineup of Mawer-managed funds that are sold by Manulife agents.

Announcements like this aren't rare in the fund industry. Many insurers strike deals in which they stick their names on funds run by smart outside firms. What's different here is the marketing fuss that Manulife is making over its new lineup of Mawer funds. You'd almost think Warren Buffet himself was on board.

Manulife has actually done all investors a favour with its ads promoting the Mawer link. More people should know about this company, which only has about $700-million from rank-and-file retail investors out of a total pool of $5.2-billion or so in assets under management.

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Mawer was founded in 1974 by Chuck Mawer, a onetime stockbroker. The firm focused on looking after money for high net worth individuals, pension funds and the like, and it established a family of investment funds for their use.

"With the success of these funds, retail investors started to find out about them and enquire about how they could put money in," said Craig Senyk, Mawer's director of portfolio management and a 10-year veteran of the firm.

Today, there are nine funds in the Mawer family, virtually all of them characterized by very low fees and consistently strong returns. The Mawer philosophy, according to Mr. Senyk, is to "systematically buy wealth-creating companies at a discount to their intrinsic value." Translation: They buy strong, growing companies when they're cheap. They're not true value investors buying the stuff everyone else is dumping, and they're not growth investors chasing the companies with the hottest profit and revenue growth.

The biggest fund in the family is Mawer World Investment, which is an oddity because firms like Mawer often do Canadian equity funds very well but make a mess out of global and U.S. equities (to be fair, almost no one in the fund industry seems capable these days of running a foreign fund without wasting investors' time and money).

Mawer World Investment, an international equity fund (everywhere but North America), lost 11.9 per cent in the 12 months to June 30. Disappointed? Then get this - the average international fund lost 17.2 per cent over the same period. Moreover, Mawer World Investment made 5.9 per cent annually in the past 10 years, while the average peer fund return was a deplorable 1.5 per cent.

Canadians, cautious investors that they are, have a thing for balanced funds. Mawer has a pair of them that offer everything a fund in this category should, which means consistent returns coupled with a containment of risk.

What could be the company's best fund, a small-capitalization offering called Mawer New Canada, is capped for new and existing investors. However, there's a new global small-cap fund, as well as a strong bond fund and a Canadian equity fund that has struggled a bit lately but has solid long-term numbers.

Low fees are a given at Mawer, as they are at similar firms that run mutual funds as a sideline to their main business of managing money for rich people and institutions. Quick example: Mawer World Investment has a management expense ratio of 1.43 per cent, compared with at least 2 to 2.5 per cent for most of the big funds in the category. "Frankly," Mr. Senyk said, "low fees are one of the competitive advantages we have at the firm."

Predictably, the MERs for the Manulife versions of Mawer's funds will be considerably higher. Quick example: Manulife Mawer Canadian Bond will have an MER of 1.7 per cent, compared with 0.93 per cent for the straight-up Mawer version.

Some of the extra fees go to Manulife advisers, who are presumably earning them with services provided to clients. If you want the lower-fee funds, you can buy through an online broker and you'll need a minimum $5,000 instead of $500 for Manulife's Mawer lineup. Investors in British Columbia, Alberta, Saskatchewan and Ontario can buy directly through Mawer, but require a minimum account size of $50,000.

Mawer is quite happy with the attention it's been getting through Manulife, but Mr. Senyk said there are no other plans to raise the firm's profile. "We're interested in getting the message out as long as we don't have to pay for it, which means that our clients don't have to pay for it."

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Manulife Mawer

The insurer Manulife Financial has created a new group of funds that will be run by Mawer Investment Management, a small Calgary firm with its own excellent family of funds. Here's the Manulife Mawer lineup, along with the comparable fund in the Mawer group.

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Manulife Mawer Fund	Category	Fee*	Fee for Comparable Mawer Fund
Canadian Bond	Canadian fixed income	1.7	0.93
Diversified Investment	Global equity balanced	2.45	1.02
Canadian Equity Class	Canadian equity	2.44	1.18
U.S. Equity	U.S. Equity	2.65	1.23
Global Small Cap	Global small/mid-cap	2.7	2.96
World Investment Class	International equity	2.7	1.43

*Projected management expense ratio

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