

money manager spotlight: Wilfred Hahn

By Fabrice Taylor

Grimsey, Ont., is a long way from King and Bay in downtown Toronto. The quiet little town of trim homes and big yards sits high on the Niagara Escarpment, exactly 97 kilometres southwest of the financial hub. On days when the city's smog isn't too bad, you can just make out the bank towers across Lake Ontario. Otherwise, the two locales may as well be separated by time zones. And that's just the way Wilfred Hahn likes it. Hahn, 47, is something of a Bay Street escapee. He toiled away in money management for 10 years before the Royal Bank bought his firm in 1991. He hung around, running the bank's global investment operations, but left in 1999, near the peak of the stock market mania. "I knew it was a bubble, but I couldn't do anything about it," he says. "I didn't want to be around for the aftermath." In his view, the business had become all about selling, not preserving capital. "There were a lot of agendas at work and a lot of people got thoroughly burned."

Hahn now wants to play a role in what he thinks is an imminent revolution in financial services. Time was when only the wealthy—those with \$1 million or more in savings—could get upscale, customized money management service. The plebs had to settle for expensive mutual funds that put them at the mercy of their fellow fund unitholders. If a flurry of investors redeem their funds, for instance, it can force a fund manager to sell winning stocks, triggering capital-gains taxes and higher expenses for all unitholders. Also, Hahn wonders why funds aren't getting any cheaper: "We expect our cellphones to get cheaper every day. Why not our funds?"

His new venture, Hahn Investment Stewards & Co., has launched a bespoke money management service for clients with as little as \$250,000. The fee? About 1.25%, less than half the management expense ratio of the average equity mutual fund in Canada. He takes advantage of technology and passes savings on to investors.

Hahn's accounts emphasize exchange-traded funds (ETF), which track major market indexes and subindexes around the world, and have very low fees. They also allow Hahn to make macro-calls on asset classes or regional economies, rather than individual stocks and bonds. Investment evidence is on his side: Asset allocation, not individual stock or bond picking, is where the bulk of performance comes from.



Asked how much money he's handling, Hahn quips that he's "still working on my first billion." Disclosing the value of assets under management, he adds, is "supposed to be a testimonial to your skill. It isn't." It's safe to assume, however, that it's not a lot yet, given that he's only been back in business for a year. But he's convinced there's a future for him in the revolution: "The mutual fund era is over."