# CANADA TIP SHEET: Gloomy Start to 2012 Bodes Well, Says Aston Hill's Burchell

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**DOW JONES NEWSWIRES**

-- Burchell of Aston Hill betting on U.S. housing, auto, consumer sectors.

-- Sees a rise in U.S. stock markets in 2012 as expectations are too gloomy.

-- Has long bets in stocks tied to U.S. housing, restaurants.

By Edward Welsch
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CALGARY (Dow Jones)--The market outlook for 2012 is gloomy, but that's actually a good thing for the beat-up sectors of the U.S. equity market, says Jeff Burchell of Aston Hill Asset Management Inc.

The Toronto-based fund manager is making long bets on the U.S. housing, automotive and consumer discretionary sectors at the Aston Hill Capital Growth mutual fund, based on his view that markets have been numbed by a long stretch of bad news about fiscal situations in the U.S. and Europe and are eager to bounce on first signs of recovery in the U.S. economy.

"Everyone is bearish. I certainly think there will be more bad news over the next few months, but we've literally had bad news since April 2011," Burchell said. "My view is that this has actually put the bar much lower for 2012, which sets us up nicely for a rally."

However, Burchell also expects high volatility, which has scared investors into withdrawing money from the equity markets for the last several months. Aston Hill markets the Capital Growth fund to volatility-weary investors, because the fund uses a "hedge fund lite" strategy that shorts highly speculative equities to provide protection during market drops. The fund has C$25 million in assets and is open to all investors with a C$500 minimum investment.

Specifically, Burchell uses a long-short strategy with a net long position of between 35% and 50%. He invests in 60 stocks, mainly large-capitalization U.S. equities, with more speculative long positions to provide upside and speculative short positions to provide downside protection.

Burchell also carries a large cash balance in the fund--he's at 45% now but was at 60% as the market turned down last April--which he uses to rebalance the portfolio of speculative stocks as the market swings up and down.

Burchell is optimistic about signs of recovery in the U.S. housing market and owns home builder Lennar Corp. (LEN) as well as home-products retailer Home Depot Inc. (HD). Two speculative stocks tied to the housing market that he has long positions in are home furnishings retailer La-Z-Boy Inc. (LZB) and wallboard maker Eagle Materials Inc. (EXP).

"La-Z-Boy had been left for dead" after the housing market crash, Burchell said, but they've re-sized their business, and he thinks improvements he's seen in Home Depot, which sells smaller items for home-owners, will start to ripple through into demand for the bigger-ticket items that La-Z-Boy sells. "Home Depot has done well because there's a turnaround in renovation, repair and construction, and as that happens people spend more money on their homes," Burchell said. "They will start buying La-Z-Boy chairs again."

Eagle Materials is the lowest cost U.S. producer of wallboard, which is used in home construction and has been over-supplied since the housing crash. But Eagle Materials announced a price increase recently and Burchell said that, combined with even a slight increase in housing activity, would drive its shares upward.

Burchell also has long investments in U.S. restaurateurs, including Brinker International Inc. (EAT), Cheesecake Factory Inc. (CAKE) and Red Robin Gourmet Burgers Inc. (RRGB), which he thinks will benefit from a weakening in food commodity prices after a long run-up.

But he also has a short position in the restaurant sector, in DineEquity Inc. (DIN), which owns Applebee's and IHOP. Because DineEquity has more of a franchise model, Burchell said the corporation will actually take a hit to its top-line revenues as food and menu prices decrease, and the blow will be magnified by the company's high financial leverage.

Burchell took over the Capital Growth fund in November 2010. It's returned 30.5% over the last twelve months through November 30, 2011, compared with a 5.6% return in the MSCI North America Index over the same period.

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