

# Key in tech stocks is not to overpay



**SONITA HORVITCH**  
*Buy & Sell*

**P**hilip Strathy and Peter Schendel, money managers at Strathy Investment Management in Toronto, have sold holdings in several blue-chip Canadian high-tech firms, but continue to pick spots carefully in this sector.

"Stocks don't defy gravity and some of these stocks have become overvalued," Strathy says.

He notes that there has been a large flow of funds into the sector through listed stocks and venture capital firms investing in companies yet to be listed. "A number of private offerings of emerging tech companies that we are offered are very richly priced, given that the IPO is some 12 to 18 months off."

Schendel says investors must stay tuned; if the huge flow of funds into technology dries up, the sector could experience severe problems, such as what impact a major upset in a particular tech company would have on the sector. Meantime, he says there's enough money chasing these stocks to keep the situation going. "Canada is producing some excellent technology companies, but the key is to not overpay for them."

The managers have taken profits in long-time favourite, **Research In Motion Ltd.** (RIM/TSE), which closed recently at \$189 and trades in a 52-week range of \$260-\$12.95. The maker of two-way pagers is trading at more than 100 times trailing fourth-quarter sales. They also sold: **JDS Uniphase Corp.** (JDU/TSE) \$180 (\$219-\$28.75), which provides advanced fibre-optic components and modules; **Descartes Systems Group Inc.** (DSG/TSE) \$84.45 (\$134.95-\$3.50), which provides supply chain management software; and **Nortel Networks Corp.** (NT/TSE) \$186.50 (\$192.74-\$44).

Nortel has had a great run, Strathy says, but BCE Inc. is distributing its stake in Nortel to its shareholders. This means institutional investors holding shares in both companies will find themselves overweight in Nortel and forced to sell down their holdings.

For the more aggressive investor, Strathy recommends:

■ **Basis 100 Inc.** (BAS/TSE) \$18.50 (\$24.80-\$2.25). The Toronto-based firm designs electronic commerce applications for the online mortgage market. "It is a start-up situation, but its business model is good as it will help financial services institutions reduce the cost of providing mortgages." It has developed partnerships with some of the major banks.

■ **Westaim Corp.** (WED/TSE) \$16.90 (\$23.75-\$5.20). This Calgary firm specializes in launching technologies into the market place. Strathy likes it for its leading-edge flat panel displays for television screens, which were pioneered by subsidiary iFire Technology Inc. in Toronto.

Schendel picked three early stage software companies that have good products:

■ **Intrinsyc Software Inc.** (ICS/CD-NX) \$7.25 (\$9.70-77¢). The Vancouver-based software developer focuses on embedded systems. One application of the software allows management to run production facilities through the Internet. The idea is to broaden its application to a wide range of manufacturing uses as well as to manage household appliances via computers.

■ **Tecsys Inc.** (TCS/TSE) \$39.75 (\$51.80-\$3.55). The Montreal-based firm develops order fulfilment software used by companies to manage inventories and customers orders. This is being used by dot-com companies as well as more traditional manufacturers to fill orders taken over the Internet.

■ **BakBone Software Inc.**, formerly known as Net Resources Inc. (NRH/TSE), \$39.50 (\$56.50-11¢). The storage management software firm, is moving its headquarters from Calgary to San Diego, Calif.

In early March, the company announced it would acquire Tracer Technologies Inc. of Gaithersburg, Md., which is in the optical storage industry.

BakBone also bought NVS Holding Inc., which included British subsidiary NetVault Ltd. which is also a storage management software business. "This business is providing software that maximized the efficient flow of data from the transaction side of the Internet to the storage side," Schendel says.

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*Strathy Investment Management may hold positions in the securities mentioned.*