

Smart Money

Larry Sarbit



U.S. stock markets have climbed sharply this year. We asked Sarbit, manager of the \$1-million IA Clarington Sarbit U.S. Equity Fund, if there are any bargains left.

Your fund is now about 40% cash. Are U.S. stocks getting too expensive?

In 2010, I was more fully invested. Now, it is getting tougher. But I see cash as a very powerful asset to use. Also, you don't make money by overpaying. The most recent bargain was Sirius XM Radio. I continue to add to stocks I own, like Berkshire Hathaway, Iconix Brand Group and DirecTV Group.

Why are Berkshire Hathaway B shares still compelling?

Warren Buffett has assembled 70-odd extraordinary companies that generate excess cash, have sustainable competitive advantages, and are growing businesses run by good people. Berkshire is trading at about 1.4 times book value per share, which is cheap for a company generating over \$1 billion (U.S.) in free cash flow a month. Leave it alone for 10 years and you'll outperform the S&P 500.

Your new Sarbit Activist Opportunities fund focuses on companies targeted by activist investors. Don't those stocks get pricey quickly?

These companies are cheap because they haven't been managed as well as they should have been. Activist investors are bargain hunters, but then they take it to the next level to drive change. We own Microsoft and CommonWealth REIT, both companies where activists are pushing for change.

/Shirley Won