

30 YEARS
DRIVING
OUR
ECONOMY.

FONDS
de solidarité FTQ

PHILIP FINE

In 1994, the Fonds de solidarité FTQ made an important decision that would help the \$8.8-billion fund nimbly move from aerospace to natural resources, from consumer goods to life sciences, and to the myriad other industries in which it invests. It also avoided casting itself as the stereotypical outsider venture capitalist that knows little about the industry of its partner company.

Its decision? To specialize.

The Fonds has made sure that all its analysts, even those who came into the Quebec fund as generalists, learn to eventually know an industry as if they were insiders.

The Fonds' executive vice-president of corporate development and investments, Gaétan Morin, said in a recent interview that specializing has allowed the Fonds to predict which companies will weather a downturn in an industry and which will come out winners in an emerging sector.

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And having someone familiar with a specific sector means getting an analysis done sooner than had it been done by a financial person needing to first get up to speed on the ins and outs of that specialty.

The Fonds recently hired a former engineer and business owner as a specialist to advise on investments in the plastics sector, Morin said by way of illustration. "He knows the people, he knows all the good companies, and knows the challenges the plastics sector faces."

The Fonds' diversity has meant a health-care technology company like Logibec was able to privatize and keep its head office and jobs in Quebec through a \$30-million investment, and Groupe BMR, a purchasing group made up of 183 renovation-centre merchants, with a \$20-million investment, was able to expand.

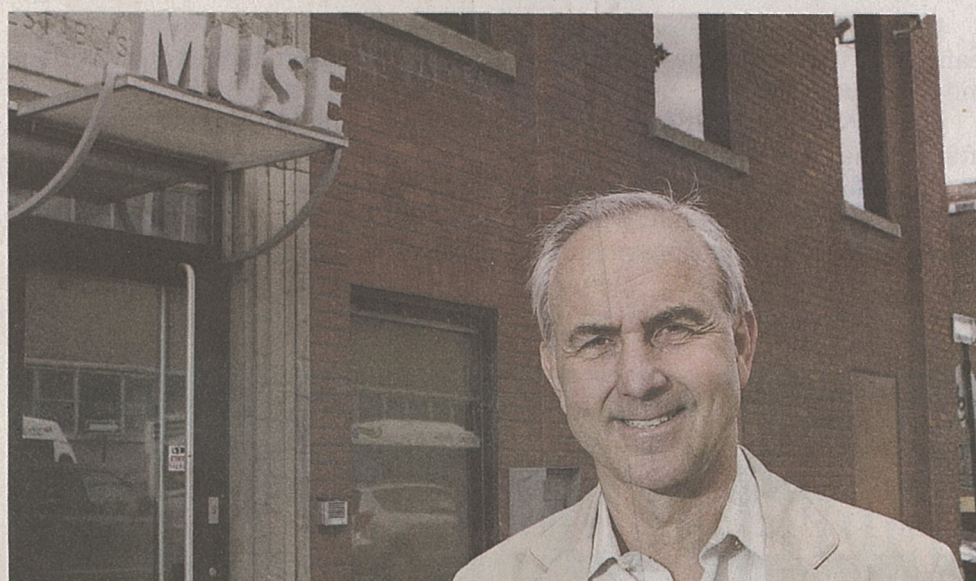
Bois de Plancher PG, a hardwood

Specialization is key to the success of the Fonds



Vincenzo d'Alto, The Gazette

Gaétan Morin, vice-president of corporate development and investments, says his specialized investor team helps the Fonds to understand the challenges companies face.



John Kenney, Gazette files

Michael Prupas, CEO of Muse Entertainment, says his company spent \$50 million in film production in Montreal last year. The Fonds' investments in such cultural-sector partners have helped create and maintain almost 900 jobs, including those at Muse Entertainment.

flooring business in the Chaudières-Apalaches region, is one of the more than 2,300 companies with which the Fonds partners. Last year, the Fonds invested \$2 million, buying up shares and helping the family-run company put together a succession plan. In 2010, it had also invested in a key supplier, Scierie

Dion, as well as the owner of the land where the hardwood is harvested.

And just because they end up knowing an industry really well, does not mean the Fonds is going to take over a company and tell them how to run it, as Morin offers an example from one of its sports investments. "We are one of the owners of

the Canadiens but we are not on the ice, and we don't coach the game," he said.

For Claude Garneau, president of Bois de Plancher PG, the Fonds' investment includes an exit strategy, which makes things easier than dealing with a private partner. "It's not for life," he said.

One of the Fonds' many specialized sectors is culture. Investments in the Fonds' current 46 cultural-sector partners have helped create, maintain and protect almost 900 jobs, including those at Muse Entertainment. CEO Michael Prupas says while his industry's preoccupation involves making sales to other countries, film production is a classic job creator.

"Think about where our sales are and think about where our production is and it's very clear we're an export industry," said Prupas, adding that his company spent \$50 million in production in Montreal last year. Muse, which has produced the Kennedys miniseries and the Bomb Girls TV series, is looking to use the Fonds

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investment to expand the reach and strength of its productions.

It is getting harder for everyone to see where the economy and the manufacturing sector is going, Morin said, but the diversity and specialized knowledge of the Fonds appears to have helped them get through some of the worst economic conditions. It saw a muscular 9.2-per-cent and 8.8-per-cent return in 2010 and 2011 respectively, the two years that followed the financial meltdown that hurt so many funds, including theirs. This past year, the Fonds earned a modest 2.6-per-cent return.

Morin points to those 2,300 partners around the province for some of the Fonds' success. They allow the fund to have its antennae up, tracking trends, he said. But he places most of the success on his specialized investor team, who speak the same language as the companies they serve and are on the ground, seeing up close all the challenges facing the many sectors in which the Fonds finds itself.