



“THE SMALL-CAP MARKET IS VERY INEFFICIENT, AND THAT GIVES US A LOT OF OPPORTUNITY TO ADD VALUE.”

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TERESA LEE
*Co-CIO,
Sionna Investment Managers*

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WHAT BOOK IS NEXT TO YOUR BED RIGHT NOW?

I just finished a book on Lee Kuan Yew, who brought Singapore from a third-world country to a modern first-world country in one generation. It was very inspiring.

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WHEN DID YOU KNOW YOU WANTED TO WORK IN INVESTMENTS?

When I was a summer student in the accounting department at Royal Insurance, I discovered the investment department one floor above me. I started asking people there if I could volunteer to do any work for them when I was finished my accounting responsibilities, and I loved it.

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IF YOU COULD GIVE ONE PIECE OF ADVICE TO YOUR TEENAGE SELF, WHAT WOULD IT BE?

Focus on doing what you love and it will never feel like work.

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STAR WARS OR STAR TREK?

Star Trek. It captures my imagination more because it offers a vision of what might be possible.

THE PERFORMERS

✕ CANADA’S INFLUENTIAL THOUGHT LEADERS ✕

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For Sionna Investment Managers, value investing is a craft, requiring discipline, patience and passion. Fiercely independent and employee-owned, Sionna specializes in equities, and manages money for institutional clients and retail investors. Recently, Benefits Canada sat down with Co-CIO Teresa Lee to discuss team-building, leadership, the best opportunities in small caps and more.

What do you like best about your role as Co-CIO at Sionna Investment Managers?

I like having the opportunity to help build an investment team that strives to outperform in the long term. We have a lot of ideas about how a team works best, and part of that is building a team with divergent opinions and a culture that encourages people to share their perspectives. Our team is very diverse in terms of gender, ethnicity, education and socio-economic background, and we believe that helps us make better investment decisions.

You’re also lead portfolio manager for the small-cap strategy—can you describe your value investment approach?

We’re bottom-up value managers. We build portfolios of high-quality small-cap companies when they’re trading below our estimate of intrinsic value. We screen for the cheapest names in the universe and then find the names that meet our quality criteria. We look at a company’s competitive advantage and whether

that’s backed up by strong, long-term corporate performance. We want a good management team that’s aligned with shareholders – so preferably a management team that owns a significant amount of shares in the company. And we want a management team that allocates capital well, wisely redeploying excess cash flow and earnings.

What excites you about small-cap investing?

The small-cap market is very inefficient, and that gives us a lot of opportunity to add value. In most efficient markets, you can find high-quality businesses or inexpensive companies, but it’s rare to find them together.

Where are you finding the best investment opportunities today?

We’re very interested in the energy market, with oil prices trading well below the marginal cost of production. A lot of high-quality companies are doing well despite a challenging environment and are likely to emerge from the downturn stronger and better positioned. We especially like small-cap energy services companies, which have historically generated good full-cycle returns and which we feel have been unfairly penalized. One example is Pulse Seismic Inc., which owns a library of seismic data that it licenses to energy companies to help them figure out where to drill. They have quite a lot of pricing power and historically high margins, and we continue to think they’re a well-run business with a high-quality asset that will generate good long-term returns.

What is the best way for institutional investors to navigate volatile markets?

One of the most important things is to think about the market in the long term. When we look at a company, we focus on what it will earn in the next two to five years, rather than what it’s going to do in the quarter. That longer-term perspective helps us see there’s a lot of value out there. In general, volatile markets provide good opportunities for long-term, patient investors.

What role has mentoring played in your career?

I’ve been really lucky that I’ve had a lot of good mentors who have given me good advice at crucial moments. When I was younger and had major career decisions on the horizon, a mentor advised me to choose the opportunity that maximized how much I learned as opposed to how much I could earn. For me that advice still holds true, and it’s what I tell people who are entering the industry, too.

How would you describe your leadership style?

I’m a pretty hands-off leader. I think the best decisions come about when people take ownership for their ideas, so I give my team a lot of discretion to come to their own conclusions and make their own decisions. I view my role as holding people accountable for those decisions, whether the outcome is good or bad.



Securities mentioned herein are not to be construed as a recommendation to buy or sell.