

BY SANDY SERVA



They say that experience

makes the best teacher and Portfolio Manager Timothy McIntosh has used his to build a successful money management firm, Florida's Strategic Investment Partners. He's also penned a book about investing in tough times — *"The Bear Market Survival Guide"* (iUniverse, 2003) and serves as an adjunct finance professor at Eckerd College. McIntosh has practiced what he's taught and written about; Founded in 1998, Strategic Investment Partners weathered the bear market and has not just survived but thrived, recently adding a new partner and portfolio manager, Margaret Coughtrie, who has more than ten years experience in managing international equities for institutional clients. She recently helped launch the firm's new Boca Raton office in February 2004.

A Master of Public Health Degree (MPH) and a four-year stint as a financial analyst with Blue Cross/Blue Shield including contracting with physicians for the HMO fueled McIntosh's vision to merge his interests in investing and healthcare. He shared his insights with several doctors and impressed them enough to let him manage their portfolios. "This generated a lot of interest, so I decided to break away from Blue Cross, change careers and switch to money management fulltime." The firm's client base today is composed primarily of high-net-worth individuals, doctors and a small amount of corporate clients,

RX for a Healthy Portfolio

Manager Combines Interests in Healthcare and Finances to Build Regional Firm

although after building a steady track record, the team is now reaching out to attract institutional investors. McIntosh oversees the firm's accounts and manages the U.S. Growth Leaders and U.S. Balanced Portfolios. "Our U.S. Growth Leaders product was up 42.2% in 2003, and 5.12% annualized since inception," he says. "This versus 29.76% last year and 0.18% annualized since inception for our benchmark (S&P Barra Growth Index)."

McIntosh takes a relative value approach to managing money, looking for the highest growth stocks while paying the least amount for them.

"When I started getting into money management, I looked at the market as a whole and tried to come up with what I thought was a prudent investment theory and one that's worked throughout history," he says. "In looking back at the data over the past 25 years to see which sectors outperformed over time, to my surprise, healthcare was the No. 1 sector by a large margin." McIntosh's background in healthcare serves him well in finding stocks within the space "Right now, healthcare

makes up one-third of our growth portfolio," he says. "It's always going to be our largest sector." Sector weightings following healthcare include technology, financials, and energy. "These four sectors were the only four to outperform the S&P 500 since 1976. So, that's where our concentration is — we're very sector based."

McIntosh points to drug stocks as a big area of growth. "We think the pharmaceuticals offer tremendous value right now," he says. Top pick goes to Aventis (AVE), a maker of prescription drugs, therapeutic proteins and human vaccines. It has an extensive product list

that includes Allegra, cancer drug Taxotere, antithrombotic drug Lovenox and Amaryl for diabetes. "We think that with its current products, Aventis has a nice growth rate of 15% over the next five years," he says. "It also is the No. 1 player worldwide in vaccines, especially for children. Twenty-five percent of their revenue comes from vaccines. We think the vaccine market has good growth aspects as well."

From the energy portion of the portfolio, McIntosh likes Transocean (RIG), a company that specializes in deep water drilling operating in the world's major offshore drilling regions with a market cap

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of \$10 billion. "Energy makes up 10% to 12% of the portfolio," he says. "Right now, we're heavily weighted in the drillers and services companies. They generally do well after the economy has picked up steam, so it's a macro call." McIntosh says that major oil companies like Shell and El Paso recently slashed reserves by about 40%. "What this means is that they're going to have to go out and find more oil, and the oil drillers will benefit the most from reserve replacement. Transocean's stock is currently priced at only \$19. Its all-time high price is \$60 and I think it can definitely get back to \$40 within a two-year period."