

INVESTOR PROFILE - Carey watches for impact of Obama reforms

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- * Sees value in technology, stock independent of subsidy
- * Keeps "at least half eye" on tax changes, reforms

By [Cecilia Valente](#)

LONDON, July 9 (Reuters) - John Carey, the green-fingered manager of Pioneer's huge U.S. equity fund, has nagging doubts about the Obama administration's impact on his portfolio, but lets an affinity for trees inform his view in uncertain times.

"There are seasonal variations," he told Reuters. "You do not get discouraged the first time leaves fall off."

Carey manages the \$6.3 billion Pioneer Fund LP40000312, the Unicredit ([CRDI.MI](#)) unit's oldest fund and the third oldest mutual fund in the United States. He joined the Boston arm of the firm 31 years ago and took over sole responsibility for the fund in 1986.

He has seen a few booms and busts in that time, and says the recent market crisis has not felt unfamiliar to the drama of Black Monday in October 1987, which he said sparked real chaos.

These days 61-year-old Carey, who has a PhD in history from Harvard, is wary of what he sees as President Barack Obama's root and branch reform plans that he expects will lead to the restructuring of parts of corporate America.

"We have in Washington a more active administration than we have had in many years, perhaps since even the Lyndon Johnson administration," he said, referring to the U.S. Democratic president who served from 1963 to 1969.

"It is an administration intent on revising the ground rules for a number of important sectors of the economy -- healthcare, financial services, energy, transportation," he said.

He is watching for changes that might impact earnings, keeping "at least half an eye on Washington and the rest on the companies", he said.

Some of his picks are not glamorous but solid and independent of government subsidies, like medical supply company Becton Dickinson ([BDX.N](#)).

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He has come round to technology stocks in recent months after seeing his fund underperform as he stood back from the sector's rally last year.

The fund underperformed peers by 0.64 percentage points in the year to the end of June with a 12.4 percent return, according to Thomson Reuters' fund research firm Lipper. Over five years the fund has returned a negative 2.01 percent, outperforming fellow U.S. equity funds by 4.8 percentage points.

He owns Motorola ([MOT.N](#)) stock, as well as Citrix ([CTXS.O](#)), and bought into Blackberry-maker Research in Motion ([RIM.TO](#)) after weakness.

"We thought that people were too pessimistic. The company remains quite profitable, they have no debt and they are coming up with new products this fall," he said.

Carey, who has a total \$11.5 billion in assets under management, learned the value of slow but steady growth as a child, when he watched his father planting a scrawny sycamore tree in Los Angeles, which, despite its appearance, eventually caught up with the neighbours' tall trees.

"I go back to my old neighbourhood and the sycamore tree is the biggest in the neighbourhood by far. A portfolio does feel a lot like a garden," he said.

In his current home, in the wealthy Boston suburb of Wellesley, he prefers Chinese redwood even though they "do not grow anywhere as tall as the Californian ones". The reason he likes them is that, much like the stocks he prefers, Chinese redwood trees can cope with a severe climate.

Carey, who kicked off life as an investor in venture capital hunting down funds for an inventor friend, likes stocks which have ridden out a storm.

"We invest exclusively in companies that have had adversity thrown at them, have met competitive challenges and nevertheless remained profitable," he said.

Carey is known for a low churn rate on his fund, and says trading has remained "fairly modest" even in volatile markets. However, there has been some occasional pruning on the 120-stock-strong portfolio.

This year Carey has sold utility First Energy ([9514.T](#)), after a disagreement with management over an acquisition. Walt Disney ([DIS.N](#)) was another sale, which he said was down to the "erratic nature of results from the film business and the lack of growth from other parts of the business."

The Pioneer Fund will remain 90 percent focused on U.S. companies, although "cosmopolitan" in its selection of international equities that make up the balance of the portfolio, he said.

There is a higher risk to returns than geographical concentration, Carey reckons.

"Getting complacent is the real risk, the market is always teaching you new things, there are always surprises," he said.

"You never really get your degree in the stock market." (Editing by [Joel Dimmock](#) and Karen Foster)