



Might as well jump

Star mutual fund manager **David Taylor** was the talk of the industry's annual awards gala last December—and not just because his Dynamic Value Fund of Canada was the top Canadian equity fund for the third time in five years. He boisterously declared that he worked for the best fund company in the world—the Dynamic Group, whose parent had just been purchased by Scotiabank. The bank's executives, he blurted, “don't even know how good we are.” Just over a year later, Taylor, 48, has left Dynamic, most likely to launch his own money management firm, and he's wondering how the world turns so quickly.

Why did you leave?

It was time to re-create what we had at Dynamic 10 years ago. There was a lot of fun in my early days there; it was about being a little guy up against the big banks, us against them, David vs. Goliath. But we ended up selling to a bank. That feeling was lost.

So is this a classic story of an entrepreneurial shop that gets built, gets taken over and the culture changes overnight?

Actually, the bank came in and said, “We're not going to change the culture. We'll leave it alone.” And I give them credit: They did leave us alone. But the mere fact that they bought us changed the culture. To go from an

organization with a stock market value of \$3 billion to one valued at \$53 billion itself changes the company.

Are you going to be raiding Dynamic for people?

I have a non-solicit clause, so that's not something I'm allowed to do. But I've got a lot of great friends there, some incredible employees whom I really, really miss. This has been very difficult. **How big a firm will you build?** That's going to be a function of the clients, but it is certainly a lot easier to manage people's assets well when there is a smaller amount. My thought was to leave and set up Taylor Asset Management, and form a relationship with another

mutual fund company that has strong distribution. If an incredible opportunity came along, I could join another investment management firm, but it would have to be a company that reminds me of what Dynamic was like 10 years ago.

Did you try to make some deal with the bank?

I tried desperately to make it work. When Scotia bought us, I went to them and said, How do I get that excitement? Can we work out some arrangement where I could stay and utilize the bank to help me grow my assets? I tried to negotiate, but nothing was ever resolved. So I said, “Okay, I resign.” I actually quit in March, 2011.

So why did you stay more than six months longer?

The bank came and said, “Oh David, let's work out a deal.” I said, “I'll do it. I'll sit here as long as you like and I will work my ass off and run these funds, provided that my 12-month non-compete clause starts ticking right away.” They said, “Done.” In October, we started negotiating and I thought things were going well. The game plan was for me to set up my firm and be a sub-adviser to the bank for the assets I was running. Then all of sudden they called me in and said, “We accept your resignation on Oct. 11.” And they showed me the door.

Was that upsetting?

The most upsetting thing was that I was asked to leave at the bottom of the market. A lot of clients are probably thinking that I left because of my funds' lower performance. That couldn't be further from the truth. I would work for free to stay and try to turn my funds around. And I truly believed the stock market was cheap. I had the portfolio spring-loaded for when the market rebounded, and it did. My biggest regret was that I couldn't see the turnaround in the funds. It pains me.

So it's a cold world?

At the end of the day, people have to make an economic decision. The bank probably liked the style of the new manager of the fund, which is far less volatile than the way I run money.

Do you feel betrayed by the Goodman family, which sold DundeeWealth, including Dynamic, to Scotia?

I don't feel betrayed. They were entitled to do whatever they liked. They were my parents, and then they put me up for adoption and my new parents were Scotia. There is nowhere in any contract that says I necessarily have to report for duty to my new parents. It was time for me to find my own apartment. —Gordon Pitts