

# FINANCIAL POST

Wednesday, May 07, 2008

## Sprott IPO pricing today

Barry Critchley, **Financial Post** Published: Wednesday, May 07, 2008

The initial public offering by Sprott Asset Management is set to be priced today. SAM, which manages \$6.9-billion of client assets, hopes to raise \$200-million, all by way of a secondary offering. The issue could grow by another \$30-million if the underwriters exercise the overallotment option. When the road show began, the shares were marketed in the range of \$9.50 to \$10.50.

Given the status enjoyed by Eric Sprott, the company's founder, the issue has attracted huge interest, especially from retail investors. Under the original plan, 20% of the deal was to be allocated to retail buyers. But that may change.

Indeed, given the interest by retail investors, the hope is that the final prospectus gives more disclosure than is the norm. The hope would be that the document contains information on SAM's holdings or, at a minimum, its largest holdings.

Normally, a SAM fund is home to lots of stocks, not all of which are stellar performers. Instead, the bulk of the performance can arise because of huge gains made by a few stocks. But in some cases, including Aurelian, Thompson Creek and Timminco, the stocks have had a good run--and may now be a risk factor. And maybe those risks should be pointed out given that retail investors may end up with a larger part of the offering than planned. Over to you, the OSC.

---

Just how much of Timminco does SAM own? The answer, naturally enough, depends on the date we are talking about. For instance: - On April 30, SAM said it "exercises control or direction" over 17,716,700 shares --or 17% of the company. That stake amounted to a net increase of 3,108,400 shares since its last filing. Given that SAM

owns more than 10%, it is required to file a report anytime it changes its ownership. - On Aug. 31, 2007, SAM's ownership was 14,608,300 shares. - On June 30, 2007, in its first filing, SAM owned 10.69 million shares -- a 11.6% stake.

So far, so good. But in Timminco's recently filed circular, it reported that as of April 25, SAM owned 17,756,700 shares -- a 17.07% stake. "This information was obtained by the corporation from Sprott Asset Management" the circular says.

Between April 25 and April 30, SAM sold 40,000 shares. The trading range of that period was \$19.25 to \$19.52. Before that, SAM must have been buying. On April 22, SAM said it added to its position on the stock's weakness. On April 9, the day that SAM filed its IPO, Timminco closed a \$25.90. On April 25, it closed at \$19.25.

---

Trading in Timminco shares was very hectic yesterday: 6.3 million shares changed hands and the stock was up by \$2.96 to \$22.16 on the day. Talk in the market is that Timminco is set to sign a new contract. But unlike a couple of weeks back, Timminco wasn't asked for an explanation.

Christopher Thomas, president of measuredmarkets.com -- a company that alerts investors when a stock's trading pattern changes significantly from its normal behaviour-- has looked at Timminco's trading activity. His model generates alerts that combine price volume and number of trades. On four days in February, 2007, they showed volume and the number of trades were above normal. In mid-April, 2008, just before an article in Barron's, a similar situation prevailed.

[bcritchley@nationalpost.com](mailto:bcritchley@nationalpost.com)