

Australian Equities, Growth

Our active and disciplined approach identifies mis-priced opportunities.

The Australian Equities, Growth team is one of the largest and most experienced in the Australian equities market with an average industry experience of almost 20 years. Our diversified set of products, which include small cap, imputation, concentrated, geared and broad based SMAs, are designed to meet a range of investment needs and all share the same investment philosophy.



Growing companies which generate consistent returns and can reinvest above their cost of capital provide the greatest shareholder value.



Changes to company returns on invested capital has high explanatory power for stock performance.



Understanding industry drivers is critical to understanding what drives stock performance.

Our investment approach

We employ a fundamental, bottom-up analytics framework, developed internally with proprietary analysis templates to assess the investment universe. The understanding of what drives industry and company returns on invested capital enables us to better evaluate, model and value a company's financial forecasts and returns.

We favour companies where management respects the capital our clients provide

Equity markets can allocate capital inefficiently, both through time and by degree. Capital is mispriced often enough for a disciplined investment process to extract above-market returns over time.

We rigorously analyse and forecast changes in company return on capital as catalysts for buy and sell decisions as this can strongly influence valuations. The team firmly believe that industry dynamics, such as industry structure, degree of regulation, barriers to entry, competition and relative bargaining power, are key drivers of a company's return on invested capital. Industry profitability is driven by revenue growth, margins and asset growth, where margins are a function of capital intensity. In addition, certain industries display cyclical growth characteristics, while others experience structural growth. The team produces a number of detailed industry studies, using the team's Industry Study template. We believe the broader market does not undertake the same in-depth industry analysis required to identify attractive investment opportunities.

Our team has the resources to make over 600 one-on-one company visits per year, in addition to over 300 meetings with other industry participants. We focus on building long-term, meaningful relationships with companies through our engagement activities, rather than just conducting interviews with senior management. As well as our engagement with listed companies and visits to their operations on the ground, we make a significant effort to obtain information and views from non-listed companies and other unlisted participants. Insights from unlisted competitors, suppliers and industry experts, combined with our company engagement, allow the team to produce industry and stock reviews, and gain insights into the share price drivers of listed companies.

Our Team

The Australian Equities, Growth team is one of the largest and most experienced in the Australian equities market. Current investment team members have an average industry experience of nearly 20 years. The team is led by Dushko Bajic, who has ultimate responsibility for the performance of all Australian Equities, Growth portfolios.

The team is broadly organised into four sub-groups: large caps, small caps, dealing and support.

"In-depth industry, stock and valuation work is at the core of how we identify mis-priced investment opportunities."

David Wilson

Deputy Head of Australian Equities, Growth



"A strong team culture encourages independent thinking from our experienced investment professionals."

Dushko Bajic

Head of Australian Equities, Growth



Current investment team members have an average industry experience of nearly 20 years.

Our investment process

Industry Analysis

We believe that industry dynamics are one of the major determinants of company profitability, as company returns typically mean revert to the industry within three to five years. Therefore, we seek to identify companies that are currently earning a higher return on invested capital than the industry median or, if they are under-earning, have the potential to increase their return on invested capital, as they should outperform their industry peers.

Stock Analysis

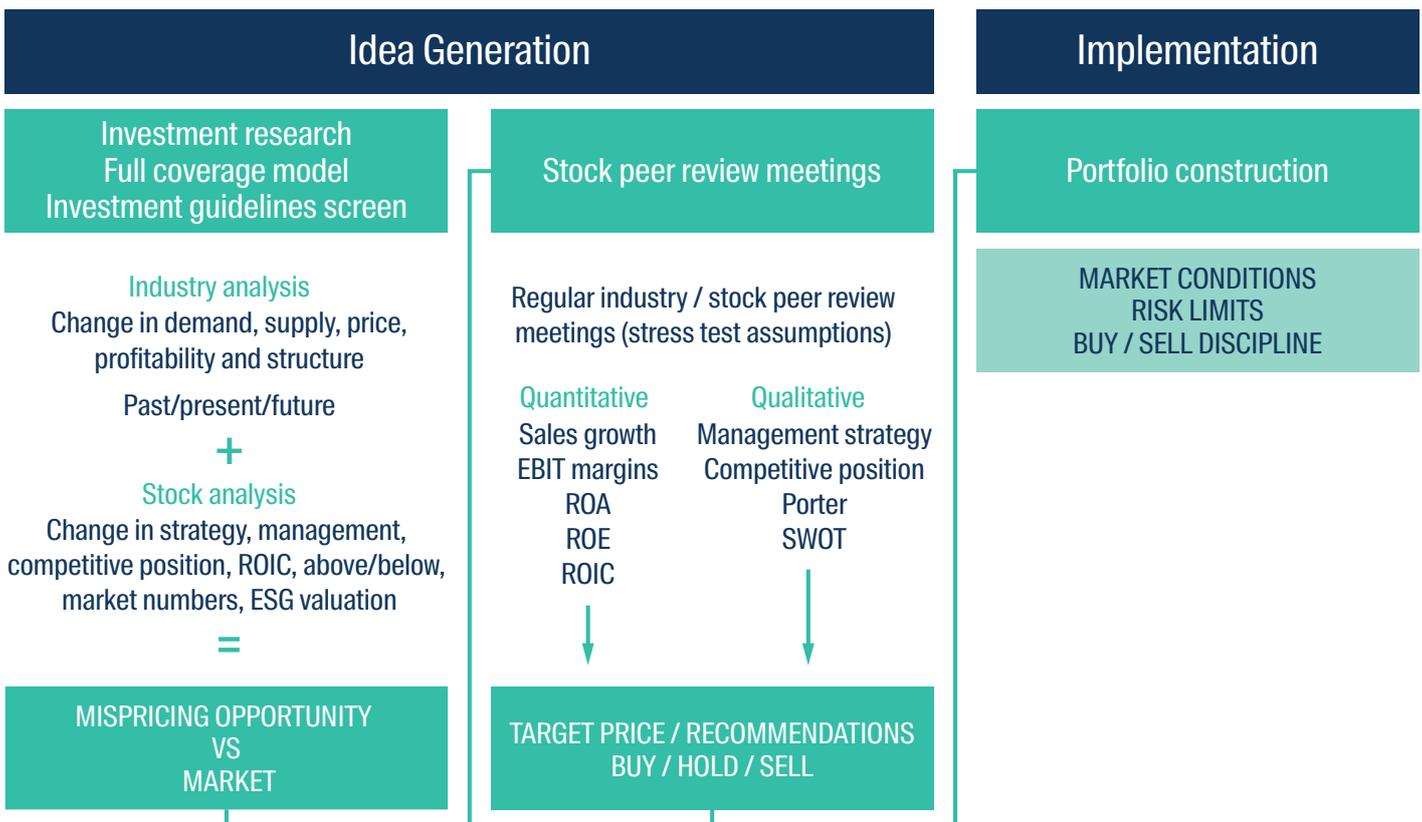
Stock analysis enables us to understand how a company is able to generate returns on invested capital above the industry median. It draws on the industry analysis above and incorporates analysis of the company's competitive position within the industry, in the context of the industry dynamics and profitability. When assessing a company we are primarily concerned with how they position themselves within their industries with respect to cost leadership, differentiation, and qualitative analysis of company specific factors, such as management and strategy.

Analyst Recommendation

Based on the analysis in step 2, the analysts recommend stocks relative to their universe of coverage rather than relative to a benchmark. Each analyst then provides an equal distribution of recommendations between Strong Buy/Buy/Hold/Sell/Strong Sell categories. This approach seeks to extract the analyst's best ideas, independently of a stock's index weighting, which ensures a greater conviction of calls.

Portfolio Construction:

The analyst's recommendation forms the first stage of our portfolio construction process. The portfolio manager may take into consideration other factors in determining a stock's appropriate active weight, including; the strength of investment view, the interrelationship among different companies within the portfolio, sectoral considerations where appropriate, and active weight limits.



Why Australian Equities, Growth?



Depth and experience of team

One of the largest and most experienced investment teams in the Australian equities market.

Nearly 20 years of average investment experience per team member.

Deep understanding of Australian equity investing and an extensive network of industry contacts.

Superior stock picking ability and commercial acumen built from many years of market participation.

Strong team culture and a shared conviction in the investment process.



Deep industry analysis by a team of experts

Strong understanding of industry drivers – critical to understanding what drives stock performance.

Resources and backing to undertake ongoing proprietary research work.

We believe the broader market does not undertake the same in-depth industry analysis required to identify attractive investment opportunities.



Robust, proven investment process

The investment process is robust, repeatable and has a proven long-term track record of outperformance over the full investment cycle.

We employ a fundamental, bottom-up analytical framework, developed internally with proprietary analysis templates to assess the investment universe.

The understanding of what drives industry and company returns on invested capital enables us to better evaluate, model and value a company's financial forecasts and returns.



Large company visitation program

Large size and depth of resources enable the team to have many contact points within the industry and with companies.

Active and ongoing engagement with senior company management and boards.

Focus on building long-term relationships with listed companies.

The team also focuses on unlisted competitors, suppliers and industry experts in order to obtain deep insights into share price drivers of listed companies.



Stewardship and ESG

The team diligently executes its ownership obligations, as stewards of its clients' capital and in line with its investment philosophy.

Environmental, social and governance (ESG) risk factors are considered when developing the quantitative and qualitative assumptions used by analysts in their assessment of industries and stocks.

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