

Dynamic newcomer eschews star status

Newcomer MIR Investment Management has made a stunning debut, returning 43.8 per cent for the year to December 2004 to clinch the top spot in Mercer's Australian share managers survey.

As it outpaced the benchmark S&P/ASX 200 index by more than 15 per cent, its performance has caught the attention of investors concerned that fund managers do not deliver results that are adequate enough to offset fees.

While MIR would not consider itself a star manager, it does have a star team. It includes MIR director Michael Triguboff and the two other founding partners, Ray King, formerly of Towers Perrin, and Ron Bird, an academic and founder of GMO Australia.

Triguboff used to be the managing director of Lazard Asset Management Australasia with \$8 billion of funds under management.

But he insists that process is the

MIR Investment Management has managed to come out on top in its first year, but its founders warn investors not to be taken in by the hype, as **Tracy Lee** reports.

star at MIR and is passionate on the subject.

"So often fund managers cloud their investment process in an air of mystique and, frankly, underneath the emperor wears no clothes.

"If you've got a process that you're proud of you can show enough of it without giving proprietary info that you can allow people to look under the hood."

Triguboff places a lot of emphasis on academic research and believes this is an important part of the manager's strategy.

MIR's strategy is divided equally between quantitative and qualitative stock-picking methodologies.

The quantitative analysts trawl through the top 300 stocks to come up with a list of undervalued stocks every month.

The potential buy list of 30 to 40 stocks is then vetted by qualitative

analysts, who pull out the stocks that may be value traps which may never recover.

Last year, overweight positions in general insurance companies such as Axa, Promina, QBE and Suncorp helped the fund manager to record gains.

"Managers cloud the air with mystique, but beneath the emperor has no clothes."

Listed airport stocks Macquarie Airports and Australian Infrastructure Fund also contributed to the strong result.

MIR's Australian Equities fund is available to retail investors through Equity Trustees, while the emerging companies fund is available through

Skandia's platform product.

MIR also offers a geared equities fund and will launch a hedge fund product in April.

Asset consultant Intech estimates that more than \$125 million is invested in the flagship Australian equities fund.

Triguboff defines a boutique fund not by size as much as ownership.

"Ideally, it is a single-purpose business and it should be owned by the investment team, preferably wholly owned."

All 11 investment professionals on the team invest in the company's products. "In fund management, they say you eat your own cooking and I think that is important," Triguboff says.

Because of this, MIR is considered a so-called "high conviction" manager. As such, MIR's funds have the potential to

be more volatile. The fund managers take greater risks than their rivals because they are prepared to underperform the benchmark by a greater margin than most.

As a result, the "tracking error", or margin by which MIR is prepared to deviate from the index on its large cap products is 7 per cent, while it is about 9 per cent for the small cap products.

This is high in an industry where the top quartile of active managers have a tracking error of about 2.5 per cent, according to Mercer.

But Triguboff is not concerned about following the benchmark.

He says: "Good managers will perform 1.5 to 1.8 per cent above the benchmark but it doesn't justify active fees."

Triguboff is well aware that MIR is the new kid on the block and despite the good start, he cannot afford to rest on his laurels.

"Hubris dampens fear. A manager should get up every morning and be a bit nervous."