

FINANCIAL REVIEW

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smartinvestor

# NICHE INVESTING

Just as you might find your perfect purchase with a smaller specialist rather than a major shop, so, too, the best performing share funds can be obscure operations run by small teams. **George Liondis** helps you seek out the best.

**T**hey are small, nimble and stealing the limelight – not to mention the cash – from much bigger rivals. Boutique fund managers are all the rage with the clever money, which is migrating away from big financial institutions towards smaller, specialist investment professionals.

Indeed, boutiques are enjoying so much success that big fund managers that can't beat them are making the decision to join them – by buying stakes in them, hiring them to handle their money or by offering boutique funds on their investment platforms.

Some established boutiques – such as Platinum Asset Management, Investors Mutual and 452 Capital – have generated such good returns for investors in recent years that they are now just about household names.

But there is also a next generation of up-and-coming boutiques many of whom are still largely unknown.

*AFR Smart Investor* quizzed a panel of managed funds experts from Standard & Poor's, van Eyk Research, Lonsec and Navigator Research to find four largely unknown boutique managers who are tipped to make super-sized returns.

## MIR INVESTMENT MANAGEMENT

Founded: **2004**

Funds under management: **\$3 billion**

One-year performance: **36pc\***

Retail investors: **Access through Advance Asset Management (Australian equities fund), Equity Trustees (geared fund, hedge fund), Skandia (hedge fund).**

Contact: **[www.mir.com.au](http://www.mir.com.au)**

\*MIR Australian Equities Fund (one year to March 31, 2006)

**TO HIS MUCH** bigger funds management rivals, it must seem like the managing director of MIR Investment Management, Michael Triguboff, is crying crocodile tears when he complains the markets are against him.

Sure, the high-growth focus of the Australian sharemarket right now is not the ideal scenario for MIR's "deep value" approach, but that hasn't stopped Triguboff and his team putting the runs on the board.

The company's flagship Australian equities fund has reported a 36 per cent return in the past year – not a bad click for a fund manager that prefers a more subdued climate where it is easier to find undervalued stocks.

The group's geared fund has done even better – posting 53 per cent in the past year. "Value managers outperform in stable or downturning markets," Triguboff says.

"We have been predominantly in a growth market so value managers have not done as well as others in the market.

"But we have been pleased to outperform very consistently and if there is a correction, value managers will outperform even further."

The prospect of what MIR might do when conditions turn in its favour is what has managed funds researchers salivating.

The secret to the group's success is a highly developed stock-picking process that involves quantitative analysis to identify stocks that look cheap, which are then put in front of qualitative analysts who knock out the duds. What's left over becomes MIR's potential investment universe.

In a nutshell, says Triguboff, MIR looks for "cheap stocks, which are not losers. The quantitative process filters out the cheap stocks, but it can't analyse whether they are losers or not", which is where the qualitative element comes into play.

However you describe it, there is no doubt



From left to right: Donald Williams, Platypus Asset Management; Paul Xiradis, Ausbil Dexia; Damien Hatfield, Pengana and Michael Triguboff, MIR Investment Management.

## BELIEVERS

**MIR** was recently named the best fund manager in the country by the Investment Management Consultants Association, and has signed an exclusive distribution deal with the fund management arm of St George Bank.

the process is working and it has researchers impressed – the group was recently labelled the best fund manager in the country by the Investment Management Consultants Association.

The head of retail services at research group Mercer, Rashmi Mehrotra, is also impressed. “The people involved in MIR have a good pedigree and the investment process is much tighter than what you would expect from a boutique,” she says.

In a recent report on the manager, S&P said: “MIR has demonstrated that its quantitative/qualitative investment processes are unique and supported by strong investment performance. The successful execution of its disciplined investment approach ... differentiates MIR from the majority of other managers. MIR has built a solid business based on a strong and rigorously tested investment process and a strong management and investment team whose interests are clearly aligned with its investors.”

The boutique did suffer a setback recently when one of its senior managers, Owen Evans, left the group, leading S&P to place its coveted five-star rating of MIR’s mainstream Australian equities and Australian small-cap products on hold while it conducts a review.

But even through this process, S&P has continued to state that it holds MIR’s business and investment system in very high regard.

MIR’s performance since it started in 2004 has made the boutique one of the more sought-after fund managers in the country.

On top of winning a number of recent mandates to manage funds on behalf of big institutions, MIR has also signed an exclusive distribution deal to offer its Australian equities fund through the St George Bank-owned Advance Asset Management.

But while the fund manager’s profile is growing, Triguboff likes to keep his key stock picks under his hat, saying only that “if it’s a cheap stock on our parameters, it is likely to be in our portfolio”.