



## **LWM Consultants Ltd**

### **Meeting the Fund Manager**

#### **Premier Asset Management Global Equity Funds**

Premier Asset Management is not an asset management house that has come under our radar. This is partly because although they have been around for 20 plus years they have built up a reputation around multi asset funds.

Clearly from the meeting although this still underpins the business they have been building a range of funds outside of this. Where the interest comes from is that these funds are being run by experienced fund managers who have cut their cloth at the likes of Investec, Aberdeen, Gartmore and Sarasin.

All these managers have been given a blank piece of paper to develop a proposition that they want to deliver, where there is no set house view and for us this makes it an interesting proposition.

We were fortunate to meet with one of the managers, Jake Robbins, who has come on board to take over the Global Alpha Fund whilst the existing manager concentrates on the Global Strategic Fund.

The main difference between the two is that the Global Strategic Fund has a lower turnover of stock and tends to focus on longer term holdings whereas the Global Alpha Fund has a turnover of 120 and tends to look at holding periods of around nine months.

We focused on the Global Alpha Fund in the discussion but some of the points refer to both funds.

#### **Overview**

In selecting stocks the fund manager focuses on three areas – quality, growth and valuation supported by strong thematic and secular drivers.

So what does this all mean? Often we meet fund managers who tell us the importance of on the ground presence and meeting the management team, sometimes we meet managers who see this as a distraction. Premier seems to fall into the latter camp.

I have often heard the term bottom up, top down and to me this is just jargon. Bottom up is fundamentally stock picking and top down is looking at themes. What Premier has developed is a screening system which takes 5,000 companies and filters them down to identify those companies

that offer quality, growth and attractive valuations. Jake has helped to develop this system which makes the buy-in more interesting.

I wanted to see how this works in practice and we looked at two companies. Zodiac Aerospace is a French company. It is one of two companies who develop seats and inflight entertainment for the aeroplane industry.

As a company this has recently been sold down so the valuation is poor this is because Air France is struggling and it has been assumed that this impacts on the company. The market is looking at the past and not looking deeper into the business. The two main aircraft manufacturers are Boeing and Airbus and both have seven year order books.

The countries that are buying are the likes of the Middle East, Asian economies and Latin America. The new planes are more economical and ultimately other countries will have to follow to keep in the game.

So where you have only two firms competing to supply Airbus and Boeing you can start to see an opportunity. On cash flows the business is less capital intensive in terms of R&D and interestingly the barriers to entry are very high.

We come back to the start if you focus on the past you can't see the future. What Jake is able to do is cut through this and identify the opportunities.

One other company we looked at was CBS. This is a TV network which suffered in 2008 / 2009 from the drop in advertising revenue. Although advertising has picked up this is cyclical and to invest in a business just on this could be dangerous. So where does the value come from. The value comes from their programmes / shows.

Many of these were sold with 10 to 20 year payment structures but as these have come up for review they have been smarter with their contracts. Payments are linked to ratings which was not included in the contracts previously. This means for popular programmes they are bringing in larger payments.

The company is cash rich and operates a share buyback scheme.

The interesting point with these examples is that it shows sometimes what seems undervalued often offers hidden opportunities and it is identifying those potential opportunities that can deliver the returns. Although fund managers do make mistakes as we all do having the experience and knowledge provides extreme comfort with their style and philosophy.

## **Conclusion**

It is important for us to know what alternative options are in the market and consider where these may fit in future portfolios. Clearly Premier is looking to offer a different side to their business. We were impressed by Jake and he is clearly a talented fund manager. Previous to this he managed the Investec Global Dynamic Fund with great success.

We will be following this fund with interest.

The source of information in this note has been provided by Premier Asset Management is correct to the end of June 2012. These are notes from meeting the fund manager and should not be seen as a recommendation to purchase this fund. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. You should also note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.