



Fund Bites

GAM North American Growth Fund

The GAM North American Growth Fund has been part of the portfolios since they were established in 2009. This “fund bites” is a summary of the recent meeting we had with the fund manager, Gordon Grender.

Introduction

This fund is very much about the manager and is a pure conviction play. It is one of the best performing North American Funds and has been managed by Gordon Grender since its launch in 1985.

It is a concentrated portfolio with the top ten stocks making up nearly 45% of the fund. It is also about conviction; the average holding in the top is around 4% with one stock holding nearly 9% of the fund.

This is all about old fashioned stock picking and Gordon believes in holding stocks throughout the cycle on the basis that over a period of five years you will make money from the stock.

This meeting was as a follow up to a telephone conference we had with him and was a great opportunity to understand more about his approach and why this is different to other North American Funds we use.

One additional point is that Gordon is a director on the F&C US Smaller Companies Trust and we hold the OEIC version rather than the investment trust.

The Fund



Gordon does not really like to be compared to other managers but we do feel his approach is similar to Warren Buffett. There are clearly stocks that he doesn't like. So he doesn't invest in technology because he doesn't really understand it, to some extent that compares with what the technology manager from GLG was saying. He understands the market and then assesses the opportunities; if you don't understand that sector then it is much harder to do.

He doesn't like Banks; his fear really is driven by a comment made by the Chairman of JPMorgan who said he didn't know what was happening in the UK office. Gordon's point is that the likes of AIG and BoA are so big that it is almost impossible to work out what different parts of the business are doing.

Areas he does like are Retailers, he travels extensively to the US and these are businesses he can visit and get a vibe from. An example of this is Fred's which is a low end retailer for those who can't afford Walmart. He has bought it, sold it and held it!

He also likes businesses where the product is difficult to replicate. Huntsman would be an example of this in cosmetics they make the white in sun cream.



Church and Dwight would be another brand which would be difficult to replicate. Quanta Services is a play on the poor infrastructure in the US and looks to benefit from this.

Autozone is a US firm like Halfords which sells mechanical parts to individuals and mechanics but the price paid to mechanics is less than to individuals.

Penske is a car retailer which sells more than one brand on its forecourts so effectively a one-stop shop.

Gordon agrees that the US has some interesting opportunities with regards to Natural Gas. This is bringing Chemical Plants back to the US and it will impact on jobs and infrastructure. He did own Petrol Hawk which was taken over by BHP at a 60% premium. The person behind Petrol Hawk has gone on to set a new business which Gordon has invested in.

Two things came out of the meeting firstly these are not stocks we would necessarily know because Gordon focuses on the domestic market whereas many US funds tend to have more global brands.

The second thing is that in Gordon's view the environment in the US is still entrepreneurial, people can fail and they can start again. They can build a business and sell a business and start a new business. Over a long period of investing in the US Gordon likes to follow the more entrepreneurial and successful business people and this is often reflected in his portfolio.

In summary this is a little unusual in its style it is high conviction, stock picking and with no benchmark constraints. It goes where Gordon believes the opportunities are. It has an impressive track record and it has a consistent and proven track record since its launch in 1985.

Conclusion

This fund is an example of a conviction play based on the style of the manager. There is no indication that the manager is looking to retire however if he did then it would be unlikely that we would continue to hold the fund unless a well-respected manager with a proven track record came in to take over the fund.

The source of information in this note has been provided by GAM and is correct as at 24 April. These are notes from meeting the fund manager or representative 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 note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.