Publication: Financial Observer
Date: 29 February 2016
Author: Sarah Kendell

financialobserver

No strings attached to flexible Monash LIC

Long-short Australian equity manager Monash Investors has launched a listed investment company (LIC) following the successful rollout of its Absolute Investment Fund to the retail market late last year.

The LIC, to be listed on the ASX in April, will follow the same investment philosophy as the original fund, which ex-UBS and Colonial First State (CFS) equities heads Simon Shields and Shane Fitzgerald set up in 2012 to satisfy a need for a managed fund unconstrained by the investment restrictions typical of their previous institutional roles.

In an interview with financialobserver, Shields said his prior experience at CFS had made him aware of the inefficiencies of managing funds for a mass investor base.

“Being a fund manager for a large organisation that has a growth mandate you’ve got to stick to the process – your portfolio has always got to have certain characteristics, even when you think it’s the wrong thing to do,” Shields said.

“You’ve always got to be fully invested in the market and you’ve got a limit as to how many stocks you can have in the portfolio, so every time you want to put a new stock in you’ve got to find another stock to pull out.

“You’ve also got a tracking error, which you always have to maintain tightly with the index – 80 per cent of your portfolio you can basically do nothing with, because otherwise your tracking error is too big.”

Shields explained that the motivation behind Monash’s Absolute Return Fund and the newly launched LIC was to have the flexibility to reliably grow investor wealth rather than worry about the benchmark.

“You need the freedom not to invest in things if they’re not compelling, and you need to be able to hedge things using shorts, SPI futures or options or just leaving stuff in cash,” he said.

“And you need to be able to diversify with the goal of not losing money overall for the portfolio, not with the goal of not underperforming the index.”

Shields said the group was steering clear of large-cap stocks like the major banks and resources, and focusing on company-specific opportunities in the healthcare and technology sectors.

“In general, the banks and resources are a good place to stay away from,” he said. “That’s quite a large chunk of the market.

“When you start to look outside those areas you get a lot of stocks that are not exposed to the things that banks and resources are exposed to, like technology, which touches many sectors.”