



# Reaching for an investment summit

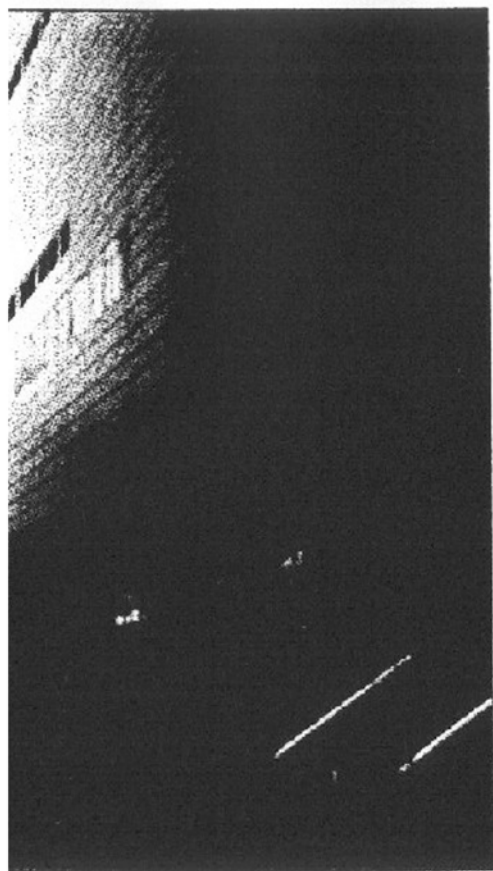


Photo: JESSICA SHAPIRO

relative return investing was "a flawed starting position", especially when investing in Asian markets.

He'd like to find a good Japanese stockpicker before launching a fund there and is not keen on China as a separate fund. "My view on China is that equity investing is very much a trading proposition rather than a buy and hold." The generic Asia fund gives more flexibility, he says.

K2 recently picked up an award as best emerging manager and a five-star rating from S&P for its Australian absolute return fund.

Newman says K2's approach is to find good stockpickers, whatever their style. His style is more macro-focused with a bullish stance on resources and it is indifferent to any investment style.

Neal, however, has a value bias to picking stocks and concentrates on

getting close to managers of companies and often buys and holds stocks for two or three years. Some of his coups have included taking a big position in the Reject Shop in the IPO and adding later holdings. It has since sold out for a big profit. Other major winners include Break Free and Clive Peeters.

Newman's exposures, on the other hand, may last between a week and 30 days, apart from his long-term thematic purchases. There are occasional differences of opinion at their weekly meetings, he admits, but generally there aren't too many disagreements.

David Poppenbeck (formerly at Macquarie) is the other local stockpicker and he specialises in quantitative approaches, using feeds from stockbrokers' estimates which are put through screening processes. He also has a bit of a value bias and picks US stocks.

K2 can move its exposure to the stockmarket around quite aggressively: it was 82.5 per cent long in the local market in October last year to as low as 54 per cent in the negative month of May this year (which limited its decline to only about 0.5 per cent in the month). Its long position reached more than 70 per cent in September.

Initially about three-quarters of its funds were from overseas clients but now, with the products on local platforms, 85 per cent of assets are from local sources. The group took three years to get more than \$50 million of funds under management, which Newman admits was a little longer than he expected. "Absolute return investing wasn't flavour of the month seven years ago," he says.

It has spurned offers from outside investors and now with only eight staff, Newman says the company tries to do "fun things". It will celebrate 2006 with a Christmas party in the Whitsundays.