

Funds avoid miners

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ENTRUST Funds Management and Growth Equities stand apart from their peers in Perth because they shy away from mining and resources stocks, preferring to focus on industrial companies.

Despite ignoring stocks that have largely been responsible for driving the stock market's stellar growth during the past three years, Growth Equities' two funds have outperformed the all-ordinaries index by about 7 per cent.

Growth Equities managing director Russell Lester said he did not invest in resources companies largely due to the cyclical risk involved in the sector.

He is planning to continue driving growth for his funds in the next two years without investing in mining companies.

Mr Lester aims to grow funds under management from about \$23 million to \$100 million during that time.

To help facilitate that growth, in May Mr Lester recruited former Bell Potter Securities analyst Mathew Ward.

"We are getting more money coming in and my view is that it is hard to find good investments," Mr Lester told *WA Business News*. "It doesn't mean we reduced the investments; it just means you have to look harder."

The rules of his funds are simple – he will not invest in resources stocks and he will not invest in more than 20 stocks.

"Research shows that 85 per cent of the benefits of diversification can be achieved from a portfolio of 15 stocks," Mr Lester said.

Doubling the number of stocks



FUNDS GROWTH: Mr Lester is aiming to lift Growth Equities' funds under management from about \$23 million to \$100 million during the next two years. *Photo: Jemma Howard*

would double costs but only generate an additional 15 per cent benefit, he said.

Growth Equities, however, does provide resources exposure through investments in mining services companies such as PCH Group, Boom Logistics and Nomad Building Solutions.

But Mr Lester said these businesses were strong, diversified, had a long-term focus and were "not going to fall in a hole when China stops".

Growth Equities' biggest holding is property group Port Bouvard.

Also looking to grow funds under management to \$100 million in the next few years – without the help from resources stocks – is the funds arm of Graeme Yukich's Entrust Private Wealth Management.

Entrust Funds Management set

up the Entrust Investment Fund in 2004 and last year took control of the Esplanade Property Fund, formerly the Flexi Property Fund.

The Entrust Investment Fund has underperformed most other fund managers over the past year but managing director David Franklyn believes it is staying true to a prudent, long-term approach.

"We are aiming to deliver above average returns over the long term," Mr Franklyn said.

"We are very comfortable that our investors would do well if there was a pull back in the market."

Entrust focuses on emerging companies outside the top 100 and currently favours mining services, financial services and healthcare stocks.