

News

MATHEWS CAPITAL DENIES POSITION IS RISKY

By [Chris Kennedy](#) on 28 February 2011 [0 comments](#)

1 [retweet](#)

Mathews Capital Partners has refuted suggestions that concentrated positions in its Velocity Fund lead to negative risk, saying a thorough research process has led to the fund's outperformance.



Velocity portfolio manager Ben Henri said that if "risk" equated to "not being correlated with an index", then the fund was risky – but he added that the fund did not aim to track any index, and its returns showed that volatility risk thus far was on the upside in the long term.

A process that included 450 company meetings per year provided Velocity with the conviction to stand by its holdings regardless of market conditions, with the fund attributing its returns to its research.

The fund has returned an annualised 47.5 per cent since its inception in 2006 and more than 450 per cent total accumulated return (as at December 2010), and has done so with a small number of stock holdings – generally around 30 to 40 at any time. The portfolio is concentrated with as much as 50 to 60 per cent of holdings allocated to the fund's 10 biggest stocks.

This allows greater surveillance of the fund's major holdings and this research approach would not be possible in a fund with hundreds of stocks, Henri said.

The fund did not aim to provide investors with an exposure to a particular sector or market, but rather took the aim of making as much money as possible from the stock market for its investors, Henri said.

Many of the major current holdings were in smaller cap resources stocks, but Henri said the fund was neither a small cap portfolio nor a resources portfolio – that was just the area where the best opportunities could be found. He added that if the market moved the fund would still be nimble enough, at around \$82 million in funds under management, to shift into other areas.

An ongoing process of face-to-face company meetings – there were around 450 in calendar year 2010, mostly with company chief executives as well as site visits – is the reason the fund has such a high conviction in the stocks that it holds, Henri said.

While the fund is essentially an Australian equities long fund, it was able to finish 2008 in positive territory by taking a short position on commodities and indexes in particular, he said.

[Zenith's](#) head of alternatives research, Daniel Liptak (pictured), said the fund has a different take on risk to many other managers.

The fund was interested in the ability of a company to deliver and perform, whereas an institutional investor would look at a manager relative to risk and the overall market, he said.

The risk in the fund is not so much about the volatility but whether Henri and the team could continue to keep finding the types of opportunities that had led to the fund's current history of strong performances, Liptak said. But he added that there was no evidence to suggest the team would not continue to perform well.

While the fund does make thematic bets it was not always invested in small cap resources, for example it had previously focused on sectors such as oil and coal seam gas, Liptak said.

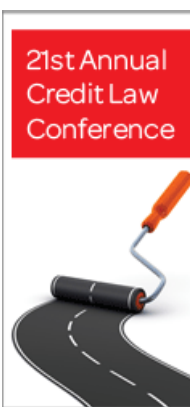


SIGN UP TODAY
to get Money Management delivered to your inbox

Email

Subscribe    

Submit your content to Money Management



RECENT COMMENTS

"Stating the bleeding obvious, COU paid way way above DKN's business value, IFL paid way above DKN's business value. Maybe some of these..."

Wazza Bluffet on [FOFA debate hurting share prices](#)

"Hmm... the old TAA debate again. Very few managers have proved to have talent here, and even so, most TAA policy decisions are designed to..."

BB on [Multi-manager funds: adjusting to the post-GFC status quo](#)

One of the most interesting things about the approach within the Velocity fund was that they continued to back their research when the market was moving against them, which is a significant psychological barrier to overcome, he said.

For example the fund continued to buy Arrow Energy and Centennial Coal when negative market sentiment suggested they should sell.

Investors in the fund are predominantly family trusts, self-managed super fund trustees and high-net-worth individuals, as well as a fund of funds manager, according to Mathews Capital's head of fund distribution Robert Duke.

The fund is also hoping to attract further wholesale investment, and while many institutions may be put off by the fund's 2 per cent management fee and 20 per cent performance fee there is no reason that a smaller institutional investor could not make an allocation to the fund, Duke said.

The minimum investment is \$250,000 with an initial 12-month lockup.

Add a comment



If you enjoyed this article, why not leave a comment, send it to a friend or subscribe to our free newsletter to have future articles delivered to your inbox.

"This should be winnable. It's called 'restraint of trade'."

Neil on [Strong backing for FOFA legal challenge](#)

"Great News. 'It's Time' for Advisers to take the gloves off and tell Labor and (Industry Fund Front man Billy Shorten) they are in for a..."

Its Time on [Strong backing for FOFA legal challenge](#)

"@Ace: Well said. But what about the conflicted arrangements with the Union movement! Apparently the Productivity commission will be looking..."

Neil on [Concern over misleading fund names](#)

"@N Pants: Thanks. Great response. Full of facts. I guess that's why KPMG settled out of Court with ASIC for circa \$70 million. You..."

Neil on [Former Westpoint executive found guilty](#)

"I also agree, it's time for the government to take some action!"

Dale on [Life insurance take-up on the rise: Rice Warner](#)

"Well well, so Marianne Perkovic is stating that CBA/CFS is not as skewed towards sales as it used to be? Yeah right, try explaining that to..."

Ex CBA FP Manager on [Planners remain focused on sales](#)

COMMENTS

ADD A COMMENT

No comments found, be the first to add one.

Name * :

Required

Email address * :

Required, but never displayed.

Website :

Optional, and linked if provided.

Comment * :

Required and you can write upto 600 words for your comment.

Security code * :