



## Step right up

RUSSELL LESTER, MANAGING DIRECTOR, GROWTH EQUITIES

**F**OLLOWING IN YOUR FATHER'S FOOTPRINTS is not always a good idea, especially if he has been a successful businessman. Russell Lester is prepared to tempt fate by not only embarking on a similar career but even by reviving the Growth Equities name that made his father, Dick Lester, a formidable player in the property trust business in the 1980s.

There are subtle variations this time around for Perth's Lester clan. Property is not on the agenda, yet. And the word mutual is missing from the Growth Equities name, formerly best known as GEM.

After that, the similarities start. Funds managed lies at the core of the revised Growth Equities, as does a dual-fund structure, one targeting capital growth and the other income. And Russell Lester has an uncanny ability to outperform competitors just like his Dad – Dick pocketed a cheque for \$44 million when he sold the GEM business to Lend Lease in 1994.

The new Growth Equities, which has Dick Lester serving as a director, is very much a stockmarket player. For the 11 months to May 31, the growth arm (called equities accumulation) posted a gain of 40.5 per cent, comfortably above the All Ordinaries Accumulation Index of 30.4 per cent over the same period. The income fund (equities imputation) rose in value by 37.8 per cent versus 25 per cent for the equivalent All Ordinaries Index.

What makes the performance particularly outstanding is that Growth Equities, despite its home base in resource-crazy Western Australia, does not invest in mining or oil stocks, nor does it invest in the international arena.

"Resources don't suit our investment philosophy," Russell Lester says. "We have very strict criteria for selecting investments and following resources would require us to make long-term calls on commodity prices, which we simply don't believe anyone can do accurately or consistently."

"We prefer to stick to what we know, and to stick to a relatively small number of companies that we can research in depth. Chasing a large number of stocks for an investment fund can be a waste of time because it's been well proven that a portfolio of around 15 stocks provides 85 per cent of the benefits of a diversified portfolio. Doubling the size of the portfolio will only buy the extra 15 per cent – at a cost of doubling research and management time."

Lester, who has worked with Deutsche Morgan Grenfell and Nelsons Money Managers in London, concedes that his business has yet to broach the mainstream. The portfolio has a value of \$26.5 million, with a plan to reach \$100 million by the end of this year and \$200 million a year later.

However, he notes that his boutique operation has been outperforming all stock exchange-listed investment companies and "pick of litter" unlisted fund managers, all without playing in the red-hot resources sector.

Preferred stocks include two Perth property developers, Peet & Co and Port Bouvard, construction contractors Leighton Holdings, transport company Toll Holdings and three big banks – Commonwealth, ANZ and St George.

TIM TREADGOLD

ERIN JONASSON

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