

Success from equities pays off for Lester

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Small West Australian fund manager Growth Equities is a contradiction of sorts.

It's based in Perth but doesn't hold mining stocks and it has a family name attached to it known for its property prowess but only offers share funds.

"I wanted to go down the equities path because my father and brother have gone into property," says Russell Lester, the son of veteran Perth property businessman Dick Lester. "Another Lester in property is not adding anything."

Growth Equities runs two share funds invested in no more than 25 stocks each, with a combined \$20 million of assets, that have posted strong returns during the past couple of years.

The accumulation fund has recorded annualised gains of 40.2 per cent, after fees, during the past three years, according to company documents, compared to the All Ordinaries Index return of 35.8 per cent.

The imputation fund holds a similar portfolio but pays out the maximum amount of franked dividends to investors, and has run a couple of percentage points behind the accumulation fund.

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The stock make-up of Growth Equities' funds differs dramatically from mainstream share products, which usually include the big banks and miners in their top 10 stock lists.

In contrast, the flagship accumulation fund holds urban project developer Port Bouvard as its top stock holding, followed by contracting group Leighton Holdings and QBE Insurance.

Leighton has been a recent strong performer for the manager, along with internet service provider iiNET, although the latter company has retreated in the past few weeks.

The fund holds a number of property stocks and West Australian companies, despite not specifically targeting those sectors. "We do have a fair share of property stocks as we've been able to buy them at a reasonable price," Lester says.

He says West Australian shares tend to be less researched than eastern state companies by the leading investment houses, which offered some good buys for Growth Equities.

Nonetheless, the portfolio has a large exposure to both property-linked stocks and West Australian companies, which will be tested when the state's economic environment eventually sours.

The manager has failed to attract the inflows other recent strong performers have attained, such as Platypus Asset Management, which has gathered more than \$100 million during a shorter period of operation.

Growth Equities only offers quarterly liquidity to investors, as opposed to daily, and is not covered by the main research houses, which act as gatekeepers to the financial adviser community.

"I'm really trying to build it in incremental steps," Lester says. "At this stage we are relatively small and it's unlikely research houses will pick us up."

He says the manager's strong performance is not linked to its small size, which makes it easier to move in and out of positions without alerting the market.