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Slice of the action: Pie Funds manager Mike Taylor is ready to open an "equity income" fund.

Photo: Grahame Cox

Hard graft means dream no Pie in the sky

By ROB STOCK

BOUTIQUE FUNDS management firm Pie Funds is about to close its micro-cap share fund, after a deluge of cash has brought it close to capacity.

But, flushed with success after a long period crying for investors in the wilderness, Pie Funds manager Mike Taylor is to open an "equity income" fund to satisfy demand for a risk fund that produces income for investors.

Taylor launched his operation back in 2007, when he was a young unknown who had never worked as a fund manager. He had invested privately, however, and had his track record audited in a bid to present credentials to the market. But the money did not flow and Taylor did his first three years the hard way, with a small fund investing in small companies

here and in Australia. The fund was not producing enough in management fees for Taylor to be able to pay himself a wage. And with a small cap fund – a risky part of any sharemarket – he had to

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outperform traditional growth funds to justify his existence.

"We had to perform better than anybody else," Taylor said.

And he did, with the fund up by 86% to the end of June this year, but the performance did not matter until the fund hit its third anniversary just before Christmas, when it popped up on fund researchers' radar screens, having

proved itself no short-term wonder.

Philosophically, Taylor says he really could not have picked a harder period in which to launch and build a new fund.

"I just long for a six-month period where there's not something to worry about," he said.

Investing in very small companies always meant that when his first fund hit a certain level he would cap it and stop accepting money, otherwise he'd start owning too much of the shares of each company he invested in, creating a liquidity problem.

The new fund will provide further growth for the firm, however, and targets slightly larger companies with established cashflows, so the fund can pay a dividend to older investors.

FINANCIAL PRODUCT

Product: Australasian Dividend Fund

Offerer: Pie Funds

Offer dates:

Available now.

How it works:

This is the new high risk fund from Mike Taylor, pictured, of Pie



Funds Management. Taylor has been very successful with his first fund, Pie Australasian Growth. It attracted so much money as a result of its more than 80% return since launch in December 2007, just before the global financial crisis, that it is now closed to new investors. Taylor's operation is a micro boutique with Taylor as the sole fund manager. He specialises in investing in small companies listed here and in Australia. That makes his funds high risk. Investors might be forgiven for thinking his new fund is something of an oxymoron. Dividend funds – also known as equity income funds – generally invest in large and often dull companies able to provide defensible dividend streams because of their size and maturity. Small companies are generally more growth-oriented and reinvest income for growth. Taylor believes there are opportunities to provide both growth and income by investing in under-appreciated smaller companies that are mini-cash cows.

What we like: Taylor himself. He backed himself and set up on his own investing his own money, his mum's and the cash of a group of friends and acquaintances. He then lived for three years in the shadows as no one really pays much attention to funds without a three-year track record. Now his three years is up, he's getting a bit of a profile, and rightly so. Taylor is very upfront. These are high risk funds, the investment statement says, suitable for people who can afford to put up with volatility and have a time horizon of three years or more.

What we don't like: Like all fund managers, Taylor has made mistakes. Taylor is a high conviction fund manager. He invests in a smallish number of companies. That's risky, but shows self-belief.

Conclusion: Not one for the faint-hearted.