

D6 MONEY

INVESTMENT

Tiny fund in apple-pie order

By ROB STOCK

THREE YEARS after he launched his fund, Mike Taylor doesn't feel inclined to eat humble pie.

Although Taylor runs one of the smaller fund management boutiques in the country, with just \$9.3 million in its one growth fund, it sits at the top of the performance tree with a return net of fees and before tax of 57.45% over the last three years.

It's a remarkable performance from a man who gave up trying to find a job as a fund manager with an existing company and launched his own boutique Pie Funds Management at the age of 28, using a personal investing track record audited by KPMG which showed returns of 38.4% a year across 2006 and 2007.

"Most funds are negative for the last three years," Taylor said, recalling that the Pie Growth fund was launched at the very top of the market, just months before the crash came.

The three-year date is a watershed for Taylor, who worked for ABN Amro, Merrill Lynch and Bank of Scotland in various roles before he turned fund manager in his own name, and he hopes it will help convince more people to trust him with their risk-money.

"I believe that, up until now, people have respected what we do, but we have not had the credibility," Taylor said.

Now, Pie Funds has thrived in three kinds of market, he says. An ultra-bear market in practical free

PIE FUNDS

MANAGEMENT AT A GLANCE:

- Fund: Growth fund investing in smaller trans-Tasman companies
- Fund manager: Mike Taylor
- Pie was launched in July 2007.
- The fund was launched in November 2007.

fall, a recovery market, and one trading sideways, and he believes he has shown he can cope with all of them.

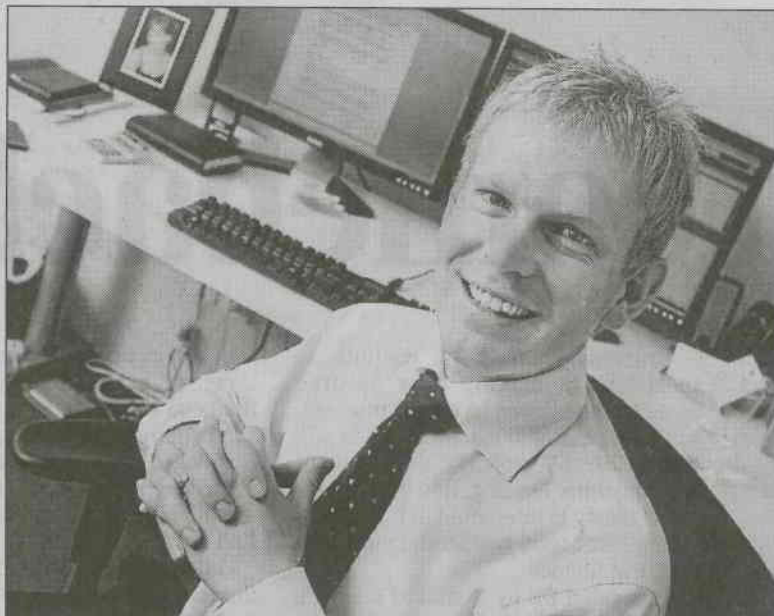
Behind the numbers is the story of those three markets. First, in 2008, there was the collapse, which necessitated moving the fund to 80% cash.

In 2009, Taylor took the call to fully reinvest at a time when others were keeping their powder dry. There were few buyers, and Taylor bought shares he liked for a song.

In the sideways market of the past year, Taylor says, he has delivered good returns.

Despite his success over the past two years – in the first year the fund was loss-making – he has been left bemused as to how the likes of Hanover Finance could raise over half a billion dollars when his fund achieved less than half the \$20m target he set for funds under management.

Taylor said he's given up on the financial adviser market, having



Pie Growth Fund has proved itself, says CEO Mike Taylor.

Photo: Phil Doyle

found his investors almost entirely through word or mouth and networks of friends, family, acquaintance and direct advertising.

"I like the client contact. I like that people know who is managing their money and how they are managing it," he said.

"If you give your money to KiwiSaver, it will go into a fund and it's stuck into the such and such emerging markets growth fund, and you have no idea who the manager is or how it is being managed," he said.

He has around 100 clients, so

there's a really personal feel about the business. Also, having his own money invested in the fund, Taylor said, aligns his personal interests absolutely with his investors.

He has an even more pressing reason to do well – his mother also has cash in the fund.

Taylor is intent on continuing to run a fund with very few focused investments, far fewer than other fund managers would be comfortable with or could hold given their funds are so much larger.

Currently, Taylor's growth fund has just 11 investments, and that's the way he wants to keep it. Such

a small number of stocks means the fund remains nimble and highly focused, but it also means the fund is at the very top of the fund risk spectrum.

Taylor invests in companies listed on the Australian and New Zealand sharemarkets, though currently all his investments are in the much deeper, broader Australian market with its 2200-odd listed companies compared with the 170 or so here.

"I just see more bang for my buck in Australia," Taylor said. "It is reflective of the growth prospects in New Zealand. A lot of the businesses here are quite growth-restrained."

"A lot of the listed companies are quite mature, and there are not a lot of growth companies coming to market."

Unlike many funds, investors in the Pie Growth Fund are told exactly what the fund owns in monthly newsletters. Copycats, he said, are free to follow him and bid up the prices of the stocks his fund owns.

In fact, Taylor is so frank, he's brutally open about his failures, such as his investment in the deeply disappointing Wellington Drive Technologies, which he has now exited.

In his last newsletter, he mused on that openness, designed to leave investors with no doubts as to how their money is being invested.

"I hope you are comfortable with me admitting mistakes. I realise it might be foreign, given most people try to hide them," he wrote.

THE PANEL

Got a question about money? Our panel — Margaret Smith of mortgage broker Roost, Ryan Cutts of sharebroker Forsyth Barr and financial advisers Peter Hensley and Jeff Matthews — can give you an answer.



Simply email your query to money@star-times.co.nz

The question of the week will receive three bottles of wine courtesy of blackmarket.co.nz

WINNING LETTER

Shopping around

Q: I am 40 years old and single, with no dependants. My income is approximately \$43,000 a year and I have no debts. I have approximately \$200,000 to invest. Currently, I do not own any property. Could you make some investment suggestions.

I was thinking of investing in a supermarket, with others, or do you think it is better to buy property?

Ryan writes: There are a host of questions I would consider before making any investment decisions – are you looking to invest the entire \$200,000? How long are you looking to invest for? Are you looking to borrow at some stage for a house? Are you going to take a passive or active

interest? One of the key characteristics when looking at any type of investment is liquidity, which refers to how quickly, and at the most appropriate price, an asset can be converted into cash.

A good exercise is to look at a few worst case scenarios: What if you lost your job? What if you needed to have major surgery? We don't plan for these types of events to happen, but

they do. Owning a commercial or residential property has a number of positive attributes, but one negative is their lack of liquidity. An option that you may not have considered is investing in the listed property sector. However, the first step I would suggest is talking to an investment adviser about your circumstances and goals.

Based on your age, implementing a balanced investment portfolio strategy might be suitable. This strategy would mean allocating around 50% of your portfolio to income assets, cash and fixed interest bonds, and the other 50% to growth assets, including listed property trusts and shares.

The aim of this type of

strategy is to generate a healthy income that would compound in the portfolio, as well as the capital value appreciated over time at a better rate than inflation.

Your portfolio could also have exposure to supermarkets through owning shares in companies listed within Australasia with interests in supermarkets. This would give a good diversification to your investments, rather than putting all your eggs in one basket.

Responses are general and should not be taken as specific advice. Disclosure statements are available on request.



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KIWISAVER FUNDS — PRICES & PERFORMANCE

HOW TO INTERPRET THESE RETURNS

- Past performance is not a guide to future performance.
- This year's top performers can easily be next year's bottom performers.
- Understanding your risk profile, and the mix of growth and income assets is critical.
- Fees are the one constant that will always eat away at your returns. Take a close look at the cost of your KiwiSaver Scheme.

Fund Name	Net Assets \$mil	Total Return 1 yr %	Total Return 3yr %pa	Exit Price \$	Price Date
Default					
AMP KiwiSaver Fund (Default)	332.82	4.28	3.91	1.13	01/12/2010
ASB KiwiSaver Scheme's Cnsv (Default)	776.15	5.04	4.43	1.14	01/12/2010
AXA KiwiSaver Income Plus (Default)	395.16	6.00	4.16	1.12	30/11/2010
Mercer KiwiSaver Conservative (Default)	386.17	6.82	5.11	--	--
OnePath KiwiSaver-Conservative (Default)	363.11	5.88	4.65	1.12	07/12/2010
TOWER KiwiSaver Cash Enhanced (Default)	319.21	4.91	4.23	1.15	07/12/2010
Cash / Fixed Income					
AMP KiwiSaver Cash Fd	23.33	3.34	5.26	1.20	01/12/2010
ANZ KiwiSaver Cash Fund	19.49	2.19	--	1.08	07/12/2010
Aon KiwiSaver OnePath Cash	1.94	2.82	4.54	12.96	30/11/2010
Aon KiwiSaver Tyndall Cash	0.82	3.45	5.26	11.62	30/11/2010
ASB KiwiSaver Scheme's NZ Bank Deposit	127.29	2.55	4.80	1.17	01/12/2010
AXA KiwiSaver Cash	13.17	2.87	4.57	1.17	30/11/2010
FC KiwiSaver Scheme's NZ Cash	6.70	2.52	4.77	1.16	01/12/2010

Fund Name	Net Assets \$mil	Total Return 1 yr %	Total Return 3yr %pa	Exit Price \$	Price Date	Fund Name
Mercer Super Trust KiwiSaver Conserv	1.20	6.86	3.43	--	--	Grosvenor KiwiSaver
National Bank KiwiSaver - Conserv Bal Fd	54.08	6.65	3.11	1.06	07/12/2010	Grosvenor KiwiSaver
OnePath KiwiSaver-Conservative Balanced	1.96	6.02	2.90	1.05	07/12/2010	Huljich Growth Diver
SIL KiwiSaver-Conservative Balanced	44.51	6.66	3.31	1.07	07/12/2010	Mercer KiwiSaver Hg
Smartshares Smartkiwi Balanced Fund	4.50	5.31	-1.72	0.92	02/12/2010	Mercer Super Trust K
TOWER KiwiSaver Conservative	20.61	6.77	3.79	1.17	07/12/2010	Mercer Super Trust K
Westpac KiwiSaver-Conservative Fund	350.47	5.16	3.29	1.10	07/12/2010	Mercer Super Trust K
Westpac KiwiSaver-Conservative Fund	347.78	6.12	3.24	1.10	30/11/2010	National Bank KiwiS
Multisector - Balanced						
AMP KiwiSaver Balanced Fund	104.41	5.05	0.33	0.99	01/12/2010	OnePath KiwiSaver-B
AMP KiwiSaver Moderate Balanced Fund	97.82	5.11	1.10	1.02	01/12/2010	OnePath KiwiSaver-G
AMP KiwiSaver-TOWER Balanced Fund	6.14	6.73	1.40	1.05	01/12/2010	SIL KiwiSaver-Balanc
ANZ KiwiSaver - Balanced Fund	63.63	6.95	1.56	1.02	07/12/2010	SIL KiwiSaver-Growth
Aon KiwiSaver OnePath Balanced	5.55	8.99	2.87	13.97	30/11/2010	Staples Rodway Kiwi
Aon KiwiSaver Russell Lifepoints 2025	3.21	10.06	1.56	5.10	30/11/2010	Staples Rodway Kiwi
Aon KiwiSaver Russell Lifepoints Bal	30.00	10.05	0.56	4.91	30/11/2010	TOWER KiwiSaver Gr
ASB KiwiSaver Scheme's Balanced	142.69	6.61	-0.17	0.97	01/12/2010	Westpac KiwiSaver-C
AXA KiwiSaver Balanced	67.13	6.69	-0.04	0.98	30/11/2010	Westpac KiwiSaver-C
Brook Professional KiwiSaver Balanced Fd	0.91	1.65	2.77	1.14	07/12/2010	Westpac KiwiSaver-G
FC KiwiSaver Scheme's Active Balanced	13.99	4.94	-0.52	0.97	01/12/2010	Westpac KiwiSaver-G