

# True high conviction means big positions: PETERS MACGREGOR

Hamish Madden

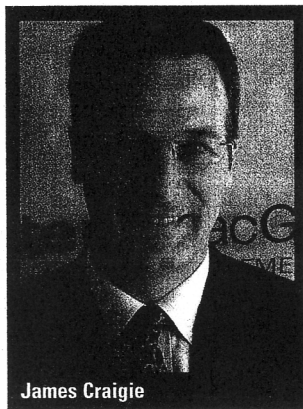
It's time to define high conviction. To Peters MacGregor it means holding just eight stocks but backing your positions with more than 60 per cent of your total capital.

Peters MacGregor chief executive officer, James Craigie, explained that to his team, a high conviction strategy meant they were mandated to hold no more than 20 stocks and looked to hold them for five years or more, committing a significant proportion of their total FUM to each position.

Craigie explained their style revolved around three key tenets – looking for an outstanding business which they could understand explicitly, that had competent management who were honest, capable and made good capital expenditure decisions, and, finally, a stock price sitting at 75 per cent or less of their business valuation.

They approach investments with a "business owner's mentality", said Craigie. "We will only buy into a business if we would be happy owning 100 per cent of it."

Having filtered their entire universe down to just 150 stocks, the team were patient enough to wait for the right pricing



James Craigie

opportunity to buy in, despite what the market might be doing. "Temperament is important."

While buying its stocks cheap, Peters MacGregor would not hold stocks past their reasonable value, refusing to buy into short-term market trends.

"Generally we're selling when there's euphoria and buying when there's pessimism."

And they were happy to hold cash until the opportunity to deploy their capital presented itself. "We've kept between 9 per cent and 70 per cent cash over our history, and right now we're at a little over 38 per cent." This allocation to cash is not only a buffer in the current global market volatility, but gives the team the flexibility to buy into their key investment cases should the market jitters present the opportunity.

The Peters MacGregor high conviction Global Fund has recently been made available to retail investors through its addition to Macquarie Wrap. "We're taking it to financial planners now, telling them what we do," said Craigie. But if a truly long-term high conviction style isn't right for a particular investor, there are plenty of other funds. "We don't try to be all things to all people." ■