

## Manager profile

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### Company overview

Northcape Capital Pty Ltd (Northcape) was established in 2004 and is an independent, privately-owned investment manager dedicated to the management of equities. It's majority-owned by its four founders, with a significant minority interest now also held by members of the small cap team.

Northcape's investment team contains the four founding members, Rob McWilliams, Rob Inglis, Craig McCourtie and Steve Gliddon, who are the portfolio managers for Australian large cap portfolios, and John Whiteman and Mike Cowin, who manage Australian smaller company portfolios. The investment team is supported by dedicated analysts.

Northcape believes value can be consistently added by taking advantage of short-term market inefficiencies through performing thorough bottom-up company research. Its team structure encourages independent analysis, investigation, valuation and judgement. Northcape believes analysts prosper within an investment team that encourages pooling of knowledge, but allows full responsibility for stock decisions.

### Investment philosophy and style

Northcape utilise a Multiple Portfolio Manager approach in managing its portfolios. Individual portfolio managers may have differing approaches and valuation metrics, ranging from conservative preference for substantial

discount to fair value, to a strong focus on quality of company management in which value can be secondary to quality. Northcape's consolidation of these high conviction individual portfolios into one creates a style indifferent core portfolio that retains significant conviction.

Northcape's primary skill, which is central to its philosophy, is judgement. Northcape believes this judgement exists in individuals and not in rigid processes. Northcape has structured itself to exploit the individual experience and judgement of each member of its investment team, while surrounding them with a research process that provides maximum intellectual input and minimum risk of error. This is completed through tight compliance and back office procedures and composing an Approved List of prospects. The buy and sell disciplines in Northcape's process are created by limiting the number of stocks a portfolio manager is permitted to own.

### Investment process

Under the Multiple Portfolio Manager approach, each portfolio manager runs a portfolio and also does company analysis. This differs from many managers who typically separate the research role from the portfolio management role. There are two particular reasons why Northcape believes the Multiple Portfolio Manager process provides added momentum.

- It encourages individual rivalry in the area of performance but significantly reduces destructive rivalry as all portfolio managers are equals.

- It recognises that everyone's experience, work and opinions are valuable and it makes provision to capture all this value in both the research and portfolio management processes.

The flexibility of this approach highlights the quality of the investment team – a key attractive feature of Northcape. The Multiple Portfolio Manager system leverages this strength, enabling the portfolio managers to exercise their investment skills to the maximum, within the strict constraints of the client mandates and the Approved List.

An integral part of the research process is the Approved List. A company must be on the Approved List before a portfolio manager can include the stock in their portfolio. Discussions about stocks for the Approved List include several metrics which facilitate full team discussion. The team intensely debates pooled information and research to decide whether a company has sufficient quality, value and prospects to be included on the Approved List.

The Northcape philosophy has no particular style, allowing portfolio managers to invest in the manner most suited to their experience. The practicalities of investment in smaller companies will allow the consolidation of stocks where appropriate, eg small coal stocks with similar return expectations, where the portfolio manager is seeking factor/sector exposure and the stock specific factors are not dissimilar.

## Reason Advance selected Northcape

We're impressed with the quality and experience of Northcape's investment team and we believe its structure provides a fertile foundation to bring out the best in its portfolio managers. We also believe the manager has a competitive advantage within Australian equities and a strong depth and breadth of coverage in the small cap universe. We favour the flexibility of Northcape's individual portfolios and like that each portfolio has a preferred investment style and valuation methodology.

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