

## Our Investment Philosophy

June 2009

Each time Fisher Funds buys a share in a company, we regard it as buying part of a business. We undertake rigorous research to make sure we know everything about that business.

We have a preference for small and medium sized companies because such companies tend to be overlooked and under-researched by others in the market. We rely on our own research, which involves visiting each company many times, gleaning information from the management teams and comparing each company with its competitors.

Once we have invested in a company, we maintain that investment for as long as the company continues growing and meeting our investment criteria. It makes sense to us to hold on to great businesses for as long as they remain great. We have owned several of our companies for many years, and don't believe in switching in and out of investments just because the share market itself changes. After all, a company can still be making and growing profits, even when the overall share market is down.

We are active shareholders, and communicate our views regularly to company management. Whilst we do not sit on the boards of companies, we actively vote and engage with directors on matters presented to shareholders.

### **Company selection**

Our focus is on assessing the merits of a particular company, rather than on predicting macro factors such as the state of the economy or the direction of interest rates. When completing our analysis, we try to predict what a company might look like in five years' time and just how quickly it can double its earnings. We want to identify what makes a company unique and what will enable it to grow its earnings, irrespective of the economic environment.

We put more emphasis on profits than on the assets of the company. While some investors search for cheap companies whose assets are worth more than their share prices, we look for a company with an ability to grow profits by virtue of a dominant market position, well known brand or a position in a fast-growing industry.

From hundreds of potential investments, our team identifies then researches companies to arrive a short list. These companies are then researched in detail and ranked according to our investment criteria. From this short list of companies, our portfolio managers construct a "best-ideas" portfolio, built stock by stock, with the most attractive stock occupying the largest position in each portfolio.

## Our Analysis Model

We employ a propriety investment analysis model that we call the **STEPP** process to analyse existing and new portfolio companies. This analysis gives each company a score against a number of criteria that we believe need to exist in a successful portfolio company. Every company gets a score out of five for each of the following criteria and companies are ranked according to their overall score.

