



Up close and personal with **REECE BIRTLES**

Reece Birtles Head of Legg Mason Australian Equities takes time out to discuss the road to global 'affiliation' and future plans for the fledgling Value equities business

Where does Legg Mason come from?

While Legg Mason is a major player in global funds management, it's fair to say the brand is relatively new in Australia. We became part of Legg Mason in 2005 but our investment team and investment process follows on from our time as Citigroup Asset Management. We are now the Australian equities fund manager of the Legg Mason global group.

One of the key benefits with the move to Legg Mason is that we are now part of a global firm that is totally focused on funds management. We don't do any of the non-investment activities that sometimes accompany other funds management business models, such as broking, investment banking, consulting, financial planning or platform distribution. In this sense I'm pleased that Legg Mason has a very simple business plan.

Our clients choose us on the basis of our investment approach and what we can offer in terms of investment performance.

What are the capabilities of Legg Mason in Australian equities?

Legg Mason has a team that is deeper than many of its Australian equity peers. This affords us quite broad coverage of the Australian sharemarket. We cover four streams including Value, Core, Small Companies and Listed Property.

The advantage of operating multiple streams is that you end up a business edge and that's ultimately what investors want - broad research coverage, with a wider pool of talent and skills to cross-fertilise ideas. Our intensive weekly peer review meetings are a case in point; an analyst presenting the case for a particular stock has to convince an entire team with perspectives that typically include property, small companies and a range of large cap sectors.

We have a particular focus on building the Value business in the future because it showcases more of our competitive strengths in research and portfolio construction. The way in which the portfolio is built lends itself to greater conviction of our fundamental insights and the benefit is that the investment case is clearer to articulate. In addition, we see a strong expected return profile from value stocks in the current market environment, given the wide spreads between current prices and our own valuations of where the market should be priced.

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The Legg Mason Australian Equities investment team

Where does Legg Mason's Value team see itself?

The Value business of Legg Mason Australian Equities considers itself akin to an early stage boutique. There is autonomy in the way the business is run, and for investors the benefit is that investment performance is absolutely critical in building the business. But unlike many stand-alone boutiques, Legg Mason has the support and resources of a large global parent, Legg Mason, Inc. That means we can focus on delivering investment performance without worrying about the need to pay regular bills to run the actual business.

Investors will tend to look for differences between Australian equity fund managers, which is understandable given the many choices available. From our perspective we see our key differentiators as: excellent capacity to take on new investments, clear revenue-sharing incentives between our business and the parent, strong capital backing, stable intellectual capital, breadth and depth of resources and an uncompromised business model.

Where do you want to be in 5 years?

Like all fund managers, we want to build the assets under management with competitive outperformance because that is often attributed as the measure of success. The differences lie in how we want to achieve that goal.

Our team motto is *to pursue and discover great investments with passion and courage*, and while I'll admit that's not a mantra we recite religiously every day, it does define our character in how we approach what we do. If we have outperformed the sharemarket over time, that's fantastic. But we want this to stem from decisions we have made over time that involved us developing enough insight to take a different view to others in the sharemarket – and consistently.

Furthermore, we would be looking to turn that decision into a portfolio trade at the lowest cost possible to protect investor interests. The fact that I have my own dollars deposited in the same funds as our investors means I have extra incentive and I'll be the first in line to ask questions if and when required.

As a team within the broader Legg Mason business we also have a goal to achieve an 'affiliate' status. This is a day when our global parent recognises our efforts to build the business. So far there are over ten affiliates worldwide with names such as Western Asset, Batterymarch and Permal. There are numerous others striving to become affiliates so its no surprise there is a healthy level of competition among the non-affiliate ranks. This also keeps us focused on those basic elements of what really matters in building a successful fund manager in its own right - delivering investment performance for clients.