



# Sterling Equity

## About

Founded in 2006, Sterling Equity applies a timeless strategy of taking long term investment positions in attractively priced, high quality ASX listed companies.

Since inception, Sterling Equity has earned 18.0% pa net of fees, substantially outperforming the broader Australian share market, which has returned 4.9% pa over the same period.<sup>1</sup>

Key features of Sterling Equity include:

- a disciplined, value oriented approach to investment selection
- an exceptional investment track record
- 100% owned by management, who are strongly aligned through co-investment

## Management

Sterling Equity is 100% owned by management and operates a single investment strategy for all clients, including staff, who are strongly aligned through co-investment.

Nicolas West (Director) founded Sterling Equity in 2006. He holds Bachelor of Science and Masters of Commerce (Finance) (Honours) degrees from The University of Melbourne and is a CFA charterholder. He has over 14 years of professional experience with listed equity investments and previously worked at Lion Capital as a portfolio manager.

Sterling Equity employs research analysts, review committees and works with an external custodian.

---

<sup>1</sup> Sterling Equity's return is reported after fees and costs, but is before taxes. The Australian share market, as measured by the S&P ASX 300 Accumulation Index, is reported before fees and taxes. Past performance is not a reliable indicator of future performance.



# Sterling Equity

## Investment Philosophy

### Investment Selection Principles

Sterling Equity seeks long term positions in high quality companies that it can buy at attractive prices.

When making an investment, we aim to:

1. preserve the value of capital; and
2. maximise the quality and magnitude of our portfolio's underlying business earnings.

### Investment Process

Sterling Equity prefers to invest in companies with the following characteristics:

1. Businesses that **we can understand and monitor** without being overly reliant on management.
2. A **competitive position** that is likely to sustain strong returns on invested capital. We analyse:
  - why a company's customers do business with it and why they are prepared to pay its prices;
  - the likely direction of sales volume and prices, the level of industry competition and the availability of substitute products; and
  - the relationships a company has with its suppliers, its cost structure and the barriers a competitor would face if it tried to enter the market.
3. A **strong management team and board** with a track record of paying dividends and/or successfully deploying capital. Management must be trustworthy, competent and motivated to create shareholder wealth.
4. **Relatively predictable earnings and an ability to at least maintain profits in most economic environments.** We prefer businesses with little exposure to commodity prices, economic cycles and exchange rates.
5. **Conservatively geared.**

### Portfolio Management

Sterling Equity maintains the perspective of a long term business owner and considers its portfolio as a collection of companies, rather than a collection of stocks.

The portfolio is managed with a view to maximising both the quality and magnitude of sustainable underlying business earnings. We focus on the portfolio's underlying return on invested capital, profit margin, gearing and earnings yield – these qualities are key drivers of shareholder value.



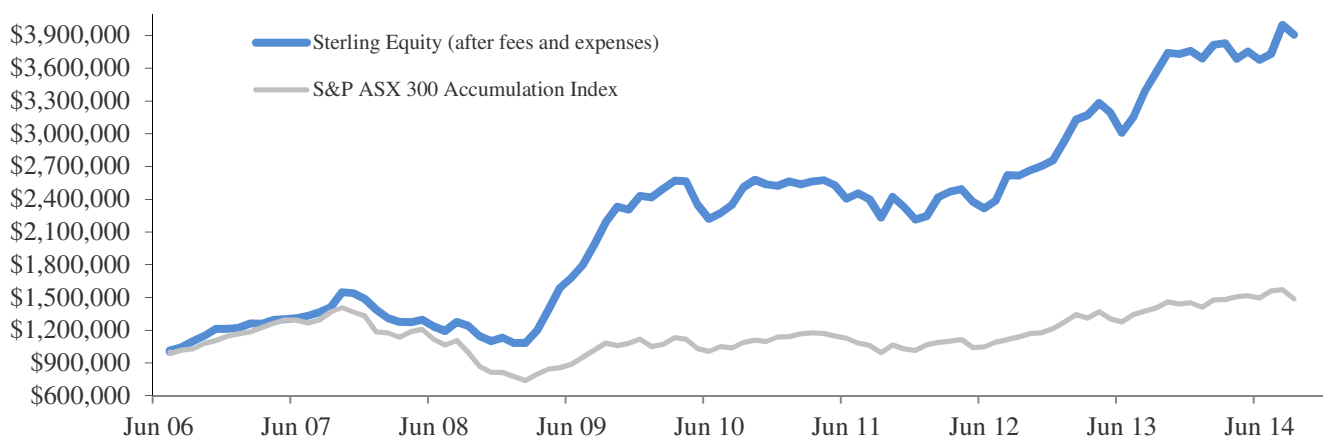
# Sterling Equity

## Performance

Sterling Equity's returns since inception are presented in the table below.

Period		Sterling Equity returns after fees <sup>2</sup>	S&P ASX 300 Acc. Index	Relative Performance
Year to	30 Jun 2007	<b>31.0%</b>	29.2%	1.8%
Year to	30 Jun 2008	<b>-5.9%</b>	-13.7%	7.8%
Year to	30 June 2009	<b>36.1%</b>	-20.3%	56.5%
Year to	30 June 2010	<b>32.2%</b>	13.1%	19.2%
Year to	30 June 2011	<b>8.4%</b>	11.9%	-3.5%
Year to	30 June 2012	<b>-3.7%</b>	-7.0%	3.3%
Year to	30 June 2013	<b>29.9%</b>	21.9%	8.0%
Year to	30 June 2014	<b>22.2%</b>	17.3%	5.0%
Quarter to	30 Sept 2014	<b>6.2%</b>	-0.6%	6.8%
<b>Average Performance</b>		<b>18.0% pa</b>	4.9% pa	<b>13.0% pa</b>
<b>Cumulative Performance</b>		<b>291%</b>	49%	<b>242%</b>

The graph below presents Sterling Equity performance, net of fees and expenses, assuming an initial investment of \$1,000,000.



<sup>2</sup> Sterling Equity's return is reported after fees and costs, but is before taxes. The Australian share market, as measured by the S&P ASX 300 Accumulation Index, is reported before fees and taxes. Past performance is not a reliable indicator of future performance.



# Sterling Equity

## **Message for Prospective Investors**

When evaluating investment managers, we believe that three qualities are essential:

1. a logical investment process that is capable of delivering sustainable returns;
2. a robust track record of investment performance; and
3. strong alignment of interests between the manager and investors through co-ownership of investments.

Sterling Equity works to develop these qualities.

Please contact us for further information.

Sterling Equity  
Level Nine 100 Collins Street  
Melbourne Victoria 3000  
T +613 9663 9255  
[info@sterlingequity.com.au](mailto:info@sterlingequity.com.au)  
AFSL 308 070