Paul Moore – Chief Investment Officer and Chairman, PM Capital

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“So how do we find these anomalies? Well, you've got to know where to look for it, you've got to know what you're looking for, and that's basically what we've just been through. But you also need insight, judgement, and intuition.

“So if we go through some our core investments, we start off with brewing. It was the observation that Heineken, a European brewer, was selling on 10 times, whereas Budweiser, an American brewer, was selling on 20 times - the intuition that the industry was globalising, and therefore the global brands which were owned by the European brewers, would become the most dominant. There was also a judgment call on [company] 3G, who were the controlling shareholder of a Brazilian brewing company. We believed they were very good acquirers - which they subsequently proved to be – and they wanted to consolidate the global brewing industry.

“Then if you look at banking, there was an understanding that domestic deposit franchises have great protection and are very valuable. And if management just focuses on the domestic operations and pays out the majority of their earnings as a dividend, the market will give them a higher valuation.

“In terms of our monopoly service providers, Visa and Google, it was an understanding that they saw change in the industry as an opportunity, not a threat. Unlike traditional monopolies, whenever there's a change in the industry, they tend to protect their legacy assets, whereas Visa and Google were driving the change, and therefore, they' be the prime beneficiaries.

“Looking at our experience in Macau, our casino investments. How many times has this cycle played out? In fact, the very first investment we made for PM Capital was Star City Casino. And I did that right at the end of its capital expenditure program when free cash flow inflects. That's happened time and time again, and it's exactly what happened with Macau. If you overlay the fact that the Chinese government want Macau to be the Las Vegas of Asia, we knew we had an anomaly.

“Finally, in our alternative asset manager [investments], an understanding that the inherent value of this business was determined by their fee-generating assets and future results, not current performance fees. Throw in the fact that they were run by the sharpest minds on Wall Street, their DNA is private equity and they have a track history of maximising capital values. If you compare the traditional managers [trading at] 15 times earnings versus the others at 7 to 8 times, it was an obvious anomaly.

“Now, the point is intuition, judgement, instinct, you can't put this into a mechanical process. Mechanical processes are backward looking and typically over time their assumptions fail.”

Ends.