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Lowes' Asia fund opens later after FSA delays

INVESTMENT
by Maryann Tan

Beijing-based Lowes Wealth Management is expected to launch its first "value investing" equity fund on 3 November. Justin Lowes, managing director for Lowes Wealth Management, said the fund will likely start trading in late November after experiencing a delay in getting FSA approval.

Mr Lowes, who has been managing discretionary portfolio services for high net-worth clients out of the Chinese capital for the past three years, said: "The launch has taken longer than we hoped because of some administrative issues. It is a little bit frustrating but we have been given a guidance date of 3 November."

The Elite LWM East-West Value fund, Lowes Wealth Management's first for the UK market, will invest in a global portfolio of up to 35 stocks and will be the first in a series of funds under the umbrella open-ended investment company, Elite LWM Value Portfolio.

Lowes Wealth Management has teamed with Way Fund Managers, the fund's third party administrator, and Lewis Jarett & Co, who will screen and execute all trading recommendations.

Investors will be charged a 5 per cent initial fee, of which between 3 per cent and 4 per cent will be levied at the discretion of the IFA. Shareholders are also subject to a 1.5 per cent annual management fee with 0.5 per cent available as trail commission to the IFA. In addition there will be a performance fee of 5 per cent, based on a high water mark measure calculated every three years.

With the growing risk aversion in the investment market, it is difficult to tell if the fund can generate keen investor interest.

Mr Lowes said: "We have been running this strategy for three years now for an international client base, but in terms of the UK fund launch this is my first time. I would be really happy if we could get several million pounds coming in very rapidly within a matter of weeks and then build it from there.

Paul Duckworth, owner of Linconshire-based Paul Duckworth IFA, said: "Investing in shares seems to be a poisoned chalice at the moment but value investing tends to work very well in the long term. I certainly have nothing against it."

But if history is any yardstick, then Lowes Wealth Management's track record may help entice potential investors. Since it began offering portfolio management services in October 2005, Lowes Wealth Management has chalked up an impressive growth of 48 per cent over a three-year period against the MSCI World's gain of 19 per cent.

It has also outperformed major world indices such as the Dow, FTSE 100, S&P 500, DAX, Nikkei and the Hang Seng with lower volatility, on a three-year, one-year, six-month and one-month basis.

Lowes Wealth Management's consistent performance is attributed to its value investing approach where stocks are bought at a significant discount to their true value. Mr Lowes believes the circumstances currently witnessed in the market, while being especially risky, also washes up fantastic opportunities for value investors to discover undervalued companies. In particular, Lowes Wealth Management has been eyeing several mining and oil companies that have been battered down by falling commodity prices in general.

Mr Lowes said: "We are not returns focused and we are getting rid of risk focused. It's sort of putting the cart before the horse, but actually makes sense because if we can reduce the risk of investing in that company by exhaustively going through its financials, history, ability to withstand crises, quality and reality of the assets carried on its books, then the returns will come because ultimately the market will cotton on to that value."

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