SHARE STRATEGIES

I want a growth portfolio – what stocks should I include?

I've recently joined Clime Investment Management from a global institutional asset manager and I am invigorated by the opportunities ahead. As an industry, I believe we have done a fair job in building retirement savings in the accumulation phase. However, more needs to be done for those investors either approaching retirement or already retired.

Clime's approach is simple. We seek to: understand our customers' objectives; align our strategic objectives to those of our customers; and build purposeful portfolios to achieve these objectives. This approach has nothing to do with traditional benchmarks, tracking error, peer group surveys or short-term relative returns. It has everything to do with helping people achieve security in their retirement.

Genuine earnings growth is increasingly scarce. We believe the domestic economy will be subdued and the major banks will suffer declining margins from sustained low interest rates; diversified miners will face oversupplied commodity markets and large retailers and Telstra will needing to vigorously compete to hold market share. Cost cutting, consolidation and share buybacks aside, the near-term large-cap outlook is low or no genuine growth.

But it is not all bad news as there are supportive growth trends among the middle and smaller equities. Our preference is for opportunities linked to themes such as inbound tourism, healthcare, aged care and seniors living, education, selective financial services and technology. We seek well-managed, profitable businesses with strong cash flow, aligned management, low debt and genuine growth.

AMONG THE MID CAPS

- Ardent Leisure (ASX: AAD): Ardent provides exposure to tourism and recreation and is well placed for growth via the rollout of its Main Event family entertainment centres in the US. The recent sale of its health clubs business for $260 million, along with the planned divestment of its marinas division, will allow more funds to be directed into Main Event. The domestic theme parks division is performing well.
- APN Outdoor (APO): APO is benefiting from the growing proportion of advertising spend being allocated to the digitised outdoor (out-of-home) media segment in Australia and New Zealand. The share price was savaged after a modest downgrade at its recent result and provided us with the opportunity to build a position. We believe the digitisation of outdoor media will continue to drive revenue growth and margin expansion.
- Credit Corp (CCP): Its primary business is to acquire loans from originators at a discount to their face value. It also provides loans for consumers with impaired credit records. This exposure is part of the selective financial services theme supported by major lenders stringently managing the risk profile of their lending books and their bad and doubtful debt provisioning. Credit Corp has a meaningful informational advantage in its debt-buying business, coupled with a strong compliance record, reputation and culture.

ANTHONY GOLOWENKO

Anthony is head of investments at Clime Investment Management.

AMONG THE SMALL CAPS

- Folkestone (FLK): The real estate funds management, investment and development company has an established platform that encompasses the management of the listed A-REIT Folkestone Education Trust (FET), income-focused property syndicates (including the recently launched Folkestone Seniors Living Fund No. 1) and a substantial development pipeline. Folkestone provides exposure to seniors living, childcare and broader property.
- Citadel Group (CGL): The technology company engages with government and corporate clients via its technology, health and education divisions. It specialises in managing communications in knowledge-driven environments through integrating systems to provide information securely on an anywhere-anytime-any-device basis. With aligned management and long contracts, it has a strong net cash balance sheet, a self-funded growth profile and expanding return on equity.

WHERE I WOULD INVEST $10,000

Without knowing individual circumstances or providing specific financial advice, one or a combination of the opportunities mentioned might be a useful starting point. Of these five, Folkestone is at the lower end of the risk spectrum and, following the recent sell-down, in the near term APN Outdoor is at the upper end.

Among the attributes that we look for when making investment decisions are a clear focus, an alignment of interests and conviction in implementation.

Clime Capital (CAM) is a closed-end investment company listed on the ASX. There is a clear alignment of interests between the Clime investment team and its investors. Conviction in implementation comes in putting Clime Capital forward for consideration as an investment opportunity to deliver strong risk-adjusted total returns.