

How Rich Lister Peter Cooper’s ‘next gen’ is picking winners

Rich Lister Peter Cooper is reducing his holding in the investment firm he set up 20 years ago as its next generation of fund managers trawl the globe for family and founder businesses.



Julie-anne Sprague
Rich List editor

Jul 19, 2021 – 5.00am

Save

Share

On the walls of a factory floor on the outskirts of Chicago are drawings of equipment. Need to know where the screwdriver goes? Just look for its shape on the wall. Why? It saves time. It reduces equipment loss.

Cooper Investors senior portfolio manager Allan Goldstein remembers seeing it four or five years ago – as well as plenty of post-it notes with key information stuck up everywhere.



Allan Goldstein and Marcus Guzzardi are driving growth from backing companies where founders have skin in the game. Eamon Gallagher

“It really resonated with us. They believe in lots of visual cues to drive productivity. That’s how they believe people learn and work,” Goldstein says.

That factory was one of many owned by the \$US200 billion (\$270 billion) Washington-based conglomerate Danaher.

Goldstein says its founder-driven ethos, the Danaher Business System, underpins its processes and it’s a key reason Cooper Investors remains a long-term investor.

Alongside Marcus Guzzardi, Goldstein manages the Cooper Investors Family and Founder Fund, set up initially as a staff-only venture in 2018 after Goldstein threw out the idea to [Rich Lister Peter Cooper](#), who is worth an estimated \$770 million.

Significant skin the game

[Goldstein, who also co-manages the Cooper Investors Global Equities Fund](#), suggested to Cooper the firm set up a fund concentrated purely with companies that had founders or families with significant skin in the game. He’d come to like those companies after assessing them for the global fund.

“I thought about it for 10 minutes and thought, well, there’s no extra research department required because we’re already doing it,” Cooper says.

“We’re already visiting 1500 companies a year, we’re going to the US, pre-COVID, four times a year with two three-week trips. There’s nothing actually new to do.

“It fits so perfectly in a synergistic way with the global fund. So the answer was: ‘Absolutely, yes. Great idea.”

It was opened to external investors via a \$100 million raising in 2019. Earlier this year, the firm raised a further \$400 million.

The fund delivered a 30 per cent return in the 12 months to June 30 and has returned 42 per cent since its inception on July 2, 2019 (19 per cent on an annualised basis).

It compares to a 28 per cent return for the MSCI All Countries World Index over the past year and 31 per cent since the fund’s inception (14 per cent on an annualised basis).

The fund’s best performers have been Veeva Systems, Danaher and Eurofins.

Goldstein, 35, and Guzzardi, 33, are part of Cooper Investors’ new guard. Three years ago the firm had three shareholders, including Cooper. Now there are 12, including Goldstein and Guzzardi. Over the past year, Goldstein’s stake has increased from 2 per cent to 3 per cent as Cooper continues to offload equity, with his stake dropping from 75.9 per cent to 69.9 per cent, according to records held with the Australian Securities and Investments Commission. Guzzardi has a 1.5 per cent stake.

“They have both have been fantastic contributors,” Cooper, who founded the firm in 2001, says.

Goldstein joined in 2007 while studying at Monash University as the “paper clip” boy, taking a summer job that led him to becoming a junior analyst, eventually climbing the ranks to senior portfolio manager. Guzzardi joined nine years ago, after honing quantitative expertise as an equities analyst at Diogenes Research.

‘I’m just getting started’

With such capable, younger talent moving through the ranks, is this a succession plan underway? “I’m 61, but I feel 27 so I’m only just getting started,” Cooper says. “I’m just getting started.”

He tells a brief story of his time working at BNP Parabis, which held a stake in investment group Neuberger Berman. He visited them in New York and Roy Neuberger had just written a book called *So far so good: the first 94 years*.

“I like to remind the next gen around here that I’m so excited to take the CI (Cooper Investors) platform into the next 20 years,” he says. “But in all seriousness, Marcus and Allan, they are shareholders of this organisation, and the fact that they’re in these leadership roles is definitely them becoming the face of the firm. We have other leaders as well.”

The stock picking with the Family and Founder Fund uses the firm’s stock-picking model, known as the VoF investment process. It stands for value latency, operating, industry and strategic trends and focused industry and management behaviour.

They’re looking at companies that have attributes or abilities to deliver that haven’t yet been captured by the market, an upside for cash generation, sustainable industry trends, and they search out focused, competent leaders.

But in setting up the family and founder fund it created a certain amount of volatility given the concentration in the portfolio. Whereas the Global Fund holds about 40 stocks, the Family and Founder Fund has just 20. And just because companies have founders or family operators as owners doesn’t necessarily mean they’re walk-up investments.



‘We are bottom up stock pickers’: Marcus Guzzardi. Eamon Gallagher

“We are bottom-up stock pickers,” Guzzardi says.

“To make it into this fund, they have to really satisfy our definition of what it means to be a family and founder-led company. They have to have a good track record. That doesn’t necessarily have to be 15 or 20 years, but we have to understand the management have plans and strategies, and they hold themselves to it. They have to have demonstrated that they did what they planned to do.”

They have a basket of about 60 companies that they actively watch.

The average “insider” ownership is 20 per cent. Some founders may have less than that and one company is held 79 per cent by its original owners.

Mitch Rales and Steve Rales, two brothers who founded Danaher, own a combined 11 per cent.

‘We sleep well at night’

“We sleep really well at night, knowing that they’ve got a large amount of their network tied up in the company,” Goldstein says.

But he points out not all family and founder companies are run the same way. “There’s a lot that abuse minority shareholders, they just run the company for dividends and their own pay,” Goldstein says.

If there are Bentleys or Ferraris in the car park, they are likely to pass.

Guzzardi says one of the companies in its portfolio is a Swedish industrial company, Latour.

“It’s very common for most Swedish companies of any size to have their headquarters in Stockholm,” Guzzardi says. “These guys put their headquarters in an industrial park in a second-tier city known as Gothenburg. Those signals are really powerful. We love it.”

That’s not to say all their decisions work out. Some investments are underwater, including Hyatt Hotels and Liberty Media, which were sold as the pandemic hit. The stocks have rebounded from the lows, but the pair argue the alternative use of the capital justified their sell decision. Other negative performers are Just Eat Takeaway and Royalty Pharma.

Goldstein and Guzzardi are in the midst of their fifth lockdown in Melbourne. The pandemic is throwing up its challenges in assessing new companies to invest in. How do you get a grip on the culture when you can’t be there to experience it?

“Is there a whole lot of Bentleys and Ferraris in the car park?” Goldstein says. “Is there a golf course on the back of the headquarters, which some companies do have? You want to go to see that. And so we’re aware that we can’t do that at the moment.”

Zoom can play its part. But the pair are finding they’re doing a lot more leg work – talking to competitors, ex-employees or a few extra calls with management before making the plunge.

“We have to cross-check and do a little bit more,” Guzzardi says. “We need to corroborate and cross-check by just tapping into the networks and the resources that we do have – ex-executives that worked there or a competitor of theirs that we know really well.”

They’re both yearning to get back to the factory floors.

“As soon as we can get back on a plane and go visiting our companies again, we’ll be doing it,” Guzzardi says.

“The easy option for a lot of investors is going to be to stay in the comfort of their office and do Zoom calls. We think that’s what most investors are going to be doing. That makes going to their home turf and having a conversation with them in their boardrooms even more attractive, because we know less and less people are going to be bothered doing it.”

Julie-anne Sprague co-edits our Rich Lists and covers entrepreneurs, wealth creation and investments. A senior journalist in our newsroom, Julie-anne has covered politics, property, agribusiness, retail and stockmarkets in both the UK and Australia. [Connect with Julie-anne on Twitter](#). Email Julie-anne at jsprague@afrr.com

Save

Share

License article

READ MORE

Monday fundie

+

Rich Listers

+

Rich List

+

Portfolio management

+