



FUTURE GENERATION
INVESTMENT COMPANY

FGX fund manager in focus: Mark Landau, L1 Capital



How did you come to work in funds management?

While I started my career working in management consulting at Accenture, my hobby and passion was always investing in the stock market. Since high school, I've been completely addicted to every aspect of investing. The company and industry research, reading about the global economy and geopolitics and the objective 'scoreboard' of investing - success or failure was objective and clear. I was very lucky to have two older brothers in the industry, who taught me a lot and got me hooked in the first place. I joined INVESCO (formerly County Natwest) back in 2002 in their Australian equities team and I immediately knew that I wanted to be in funds management for the rest of my career.

What was the first stock you bought?

I think it might have been ANZ in the early 90's when the shares were back at around \$4. I was 15 or 16 at the time and had just started doing some odd jobs to save a bit of money towards my first car. I bought the shares and then not long afterwards some bad news came out about their investment in their emerging markets bank Grindlays and the shares fell 10-15% in a hurry. I couldn't believe how quickly I was losing money, so I just sold them straight away. (I must be the only person to have lost money on bank shares in the 90's!).

In hindsight, it showed how little I knew about the company. I didn't even know they had a business outside Australia! It taught me that I needed to do some proper research and understand exactly why I'm invested. Fortunately, it didn't scare me off from the stock market for long.

Most important investment lesson learnt?

There are lots of lesson I've learnt over the years. Some of the most important have been:

- Don't fall in love with any stock. Start with a clean sheet of paper every day and decide if the stocks in your portfolio would be there if you started from



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scratch. Imagine one of your stocks fell by 20%. Would you be happy that you could now buy some more at a great price or would you be scared and want to get out? That hypothetical thinking tells you if you should own it.

- Don't get complacent or arrogant about your abilities. There are thousands of smart people you're competing with and there's always someone else on the other side of your trade. Continually question where you could be wrong.
- Don't underestimate the power of compounding. As Albert Einstein famously said "Compound interest is the eighth wonder of the world. He who understands it, earns it. He who doesn't, pays it".
- Don't bet on things where you have no genuine edge. I think a lot of investors overstate their abilities. They believe they can forecast everything - currencies, Chinese GDP, U.S. interest rates – when really there are very few people who have a proven ability to forecast any of that. Try to focus your investments on areas where you should have more insights than the average investor or you have an advantage by having a longer time horizon.
- Passive investing should be a last resort. No one I know would settle for an "average" surgeon if they needed heart surgery and no one would settle for an average tax adviser if you had a tax issue, so why are people so happy to settle for average when it comes to their investments!? As Howard Marks said to a passive asset allocator "Ask him how much of the Fund he's comfortable having in assets that no one is analysing". Do your own research, get lots of independent advice and do better than average.

What do you enjoy most about your role?

I love that I get to work with some incredibly talented and passionate people. Every day is different, stimulating and challenging. The market constantly challenges you to reconsider your beliefs and consider opposing views and I think that's something everyone should do in all aspects of their life, not just investing. I love learning and I get to spend my time learning about all different industries, corporate strategies and geopolitics. We get to meet lots of interesting people, many of whom are genuine experts in their specific field. You're always learning and you're never "done".

What is the hardest thing about investing and why?

We tend to be a bit contrarian in the way we invest. So, the hardest thing about investing is the short term stress and headwinds you can face when taking on the market. There's a huge responsibility when you're investing people's life savings and we feel a lot of pressure to make sensible decisions and take risk only when the odds look favourable. I feel sick when one of our investments performs badly and I think that's a good thing because it's your body's way of saying "don't do that again!". Often the best investments we have made is when the investment community and newspapers have effectively told us we're crazy. Staying very independent in our thinking is critical, but it can be difficult to do.



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Best and worst calls

Best call was undoubtedly starting L1 Capital with Rafi Lamm and finding lots of other fantastic people to join our team. We now have 16 people in the L1 Capital group spread across Melbourne, London and New York.

In terms of stocks, my best call was loading up on some great companies, like Seek, Challenger and Flight Centre during the GFC. I think they've all rallied around 1,000% since then. Buying Qantas around 18 months ago when the shares were collapsing has been a recent highlight. The shares have more than doubled over the past year.

Worst call was not buying shares in CSL when we started L1. I cover healthcare stocks and I got scared off by the seemingly high P/E of the stock. I should've realised that the management, the industry and their dominant position would deliver outstanding returns for investors.

What is your favourite charity and why?

They're all absolutely fantastic causes and we're so pleased to be able to contribute to them. I have soft spot for Giant Steps because I know some of the key people involved in founding the school in Melbourne and have seen the amazing work they do for kids with autism. They have dramatically improved the lives for those kids and their families. Autism is becoming increasingly common and there is an enormous need to improve funding and services to help those affected.