



FUTURE GENERATION
GLOBAL INVESTMENT COMPANY

FGG fund manager in focus: Jack Lowenstein, Co-Founder and Managing Director Morphic Asset Management

How did you come to work in funds management?

I entered the industry in a very unusual way. I started my career as a journalist, and in my early thirties got lucky enough to get into small-cap Australian stockbroking, which taught me a lot of valuable skills. I was very lucky that from there I joined Hunter Hall. I joined the organisation in 1997 when it had a specific challenge- to fix up a small company called Kresta, which makes window blinds. Peter Hall hired me to have a proxy battle to remove the board and management and put a new team in place. I ended up joining that team and helped to execute a turnaround there, which went very well.



What was the first stock you bought and why?

The first stock I bought was a company called Sarich Technologies in the mid-1980. It was founded by a brilliant Perth engineer called Ralph Sarich, who invented a revolutionary new automotive engine with the backing of BHP. It was later renamed the Orbital Engine Company.

The engine technology worked well. Licenses were sold to many if not most global car companies. It powers many scooters even today.

I made five times my money. However, what I was too naive to understand was that the process of switching to a completely revolutionary engine was too disruptive for existing manufacturers and their sunk costs in existing technology.

What is the most important investment lesson you've learnt?

We had an investment in Japan, a company called Seiko Epson, which makes printers. The company looked very cheap on paper and like a reasonable growth story. It then had some bad results, which I ignored. It then reported a second run of bad results, and the stock sold off. The important lesson I learned from that was to cut my losses, walk away, reinvest the remaining capital, and to not to let it get to me too badly. It's a lesson that my colleague Chad and I have in common. Perhaps he learned it from a textbook, while I learned it from the school of hard knocks!

What do you most enjoy about your role?

Look I think the most important thing is that I'm still learning all the time is that ultimately what works in any financial service industry and many other industries. The other thing that matters to me is that I work with an outstanding team of people, who combine keen intellect, high integrity, a sense of fun and kindness.



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What is the hardest thing about investing and why?

As an individual, it is very hard to transcend psychological biases and style inflexibility. It is also challenging to always remain resilient in the face of setbacks and keep your feet on the ground when luck is running your way.

That is why having a team around you to provide a mirror - and from whom you can learn is vital.

Best and worst calls?

One of my most successful investments has been in an Indian company, Rural Electrification. It's a company that I've owned three times and made money from each time. I thought it was very well exposed to what would be a major focus after the election of Prime Minister Modi: building infrastructure, particularly in rural areas. It did very well for us. We then cut it in about mid-2015. It then sold off aggressively, and in mid-2016 we bought it again.

The lesson was simple: when you know something well, back your judgment, and buy aggressively. Further to that, we don't own stocks forever but we do own the knowledge. So, if you have knowledge about a company, just because you decide to sell it doesn't mean you should stop looking at it.

What is your favourite charity and why?

There are so many worthy causes and wonderful charities that support them with scarce resources, so this is an almost impossible question.

I am very glad that FGG supports youth mental health.

Whenever I see a homeless person, my thoughts go to their childhood or even birth. At some time this human battling for their dignity was a cherished newborn.

For many the challenges of their upbringing proved too much for them to have had my own fortunate existence. Others scored less well in the genetic lottery. But in either case early intervention and help can mitigate if not completely head off the pain that prevents humans from enjoying more of the potential we all have inside us.