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# Founders keepers is a winning formula

Peter Cooper's newest fund tracks companies owned by founders and families – and it is already outperforming expectations.

By JOHN STENSHOLT

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3 MINUTE READ

The longer a company is controlled by its founder or their family the better, according to veteran stock picker Peter Cooper.

His Cooper Investors has \$12bn in assets under management around the world, investing the money on behalf of superannuation and investment funds, charities and wealthy individuals and families.

While Cooper has long been known for his Australian equities fund, [the launch of his firm's Family and Founder fund](#) in 2019 reflected his long-held belief that portfolio investing in founder-led, family-linked or employee-owned companies will deliver performance over the long term.

This means having average insider ownership of 20 per cent or more and an average management tenure or family involvement of at least 40 years.

Or as Cooper puts it: “the unique and rare management teams and boards with extreme levels of financial and emotional skin in the game, or ‘Soul in the Game.’”

He has also described the Family and Founder fund as a version of private equity. “What we see in these companies is our version of — albeit a public company — private capital kind of expression with a couple of key differences,” Cooper told a recent Hamilton Wealth Partners private presentation.

## Peter Cooper

- **Age:** 60
- **Lives:** Melbourne
- **Estimated wealth:** \$629m
- **Source:** Financial services
- **Secret of success:** Coopers Investors has done well picking and then sticking with stocks that have long-term owners and managers
- **Source:** [The List – Australia’s Richest 250](#)

There are about 23 stocks in the Family and Founder fund, and at least another 35 on its watchlist according to a recent report to its investors. About 70 per cent of the long-only portfolio is invested in companies with market values below \$30bn and many of the stock picks have a distinctly international flavour.

They can also be relatively conservative and take long-term strategic outlooks, which has been beneficial during the COVID-19 economic downturn.

“These companies protected their businesses and core assets as lockdowns were implemented. In order to support cashflows and often due to an abundance of caution, costs were managed appropriately — for example, reduced spending on travel and consultants,” the fund’s managers Allan Goldstein and Marcus Guzzardi wrote in a recent report.

“However, employees were protected and supported to maintain the culture and the heart of the organisations. Our companies have kept their balance sheets strong for this exact moment in time.”

The fund doubled its benchmark MSCI AC World Net index during 2020, returning 12.26 per cent against the benchmark's 5.90 per cent. That result came despite the Australian dollar appreciating against its US counterpart during the year, which was detrimental given many of the fund's stocks are listed in North America.

Paycom Software, an Oklahoma online human resource and payroll technology company listed on the New York Stock Exchange and founded by Chad Richison in 1998, was a strong performer. It rose 44 per cent in the December quarter alone.

Another holding, Danaher Corporation, is up about 50 per cent in 12 months. Danaher was founded by the Rales Brothers, who remain on the board but also are directors and shareholders of spin-off industrial technology conglomerate Fortive — which is up about 30 per cent in the past year.

Cooper's fund also bought and sold Estee Lauder last year, taking profits after the company majority-held by the Lauder family rose by 50 per cent.

The fund has taken a particular interest in software as a service (SaaS) firms, finding success with Veeva Systems, founded by Peter Gassner and Matt Wallach in 2007. Veeva shares have increased by 80 per cent in the past year.

Luxembourg laboratory business Eurofins is up by about the same amount, but Canadian gold investor Franco Nevada has fallen and US real estate investment trust Equity Lifestyle Properties is also yet to recapture its pre-COVID highs.

Cooper Investors launched the Family and Founder fund in July 2019 with an initial \$100m injection, funded by the firms' staff and some key wealthy backers to prove the investment strategy was sound. Since inception it has returned a cumulative 22.04 per cent to January 31, the latest available figure.

The fund is about to close later this month after opening to new investors in what has been a \$500m raising. That figure was increased from about \$300m last October due to significant demand from wealthy investors.

Half the firm's flagship Brunswick Fund, started by Mr Cooper nearly two decades ago, is also invested in family or founder-linked companies, domestic and global.

**JOHN STENSHOLT, EDITOR, THE LIST**

John Stensholt joined The Australian in July 2018. He writes about Australia's most successful and wealthy entrepreneurs, and the business of sport. Previously he worked at The Australian Financial Review and ... [Read more](#)

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