

# GETTING TO KNOW PORTFOLIO MANAGER, NATHAN HUGHES



**NATHAN HUGHES**  
Portfolio Manager  
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Nathan is the Portfolio Manager for the Ethical SRI Fund and an analyst.

Nathan joined Perpetual in September 2010 as a Research Analyst, before spending almost two years on the dealing desk at Perpetual working on all Australian Equity strategies as an Equities Dealer. Nathan was then appointed to the role of Equities Analyst covering small cap stocks in 2013. He was promoted to Deputy Portfolio Manager in May 2016 and took on responsibility for managing 50% of the Smaller Companies strategy in 2017.

Prior to joining Perpetual, Nathan spent 6 years in a Chartered Accountancy firm where he was responsible for the affairs of a diverse range of clients, including regular taxation compliance, financial reporting, Self-Managed Superannuation Fund audits and business advisory services.

Nathan holds a Bachelor of Commerce from the University of Wollongong and holds a Chartered Financial Analyst (CFA) designation.

## **Which stock excites you the most at the moment?**

Medibank is a large position in the Ethical SRI Fund. The company is an industry leader, generating above peer margins and high returns on capital. Medibank also retains a net cash balance sheet with significant optionality, which they may seek to deploy via merger and acquisition or alternatively return to shareholders via an increased payout ratio.

In an industry where historically the product has provided a poor value proposition for certain members, we believe Medibank has enacted a range of strategies to differentiate from peers that will ultimately see the company grow above system. We also believe the company can drive lower claims costs by increasingly proactive

customer interactions, better hospital contracting outcomes and shifting care out of hospital and in to the home.

We are beginning to see tangible signs of progress, with a reduction in customer complaints, improvement in net promoter scores and for the first time in many years, the core Medibank brand growing market share. This suggests that the path to improved customer experience is on track.

**What was it that initially drew you to this type of work and what has kept you here?**

I have always had a fascination with numbers. I bought my first stock as a teenager, though didn't know anything about investing at the time. So, I decided to learn, and after getting in to the investing classics from Ben Graham, Phil Fisher, and Peter Lynch, I was immediately hooked.

Today, I am part of a tremendous team, working at a firm with a proud history. It is hard to see myself doing anything else. I love meeting companies, learning about new industries and technologies, and the intellectual pursuit of generating market beating returns for the benefit of our clients.

**Who has had the biggest influence on your career?**

I am very fortunate to work with some very experienced investors, each of whom offer different insights, informally acting as mentors. My family have also been a tremendous support.

**What was your very first job?**

My first job was buzzing around as a Pizza Hut delivery driver. Unfortunately, there wasn't any "Nathan" name tags lying around – so for a few nights week I became Brian!

**What's the best piece of advice that you have received?**

Don't spend time worrying about things that are out of your control.

**What is something people don't know about you?**

I am an avid supporter of Liverpool Football Club and my boyhood dream was to play for the Soccerroos.

**What do you see as the biggest challenge for the next 12 months?**

We believe equity market valuations are elevated, and investor behaviour is exhibiting complacency not seen since the height of the tech bubble of the late 1990s. Many market participants commonly reference sales multiples as acceptable valuation metrics, with many of the companies in question having no history of profitability!

When combined with slowing earnings growth we therefore believe it is a time to be cautious. Nonetheless we continue to find some good opportunities and think our quality and value investment process will hold us in good stead.

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