

# STOCK STORY: SOUL PATTS

Long-term growth from permanent capital

## STOCK STORY

**Washington H. Soul Pattinson (SOL) is a diversified investment house that we at Airlie see as Australia’s own mini-Berkshire Hathaway (the famous investment company led by Warren Buffett). SOL invests its permanent capital for the long term across listed large caps and emerging companies, as well as unlisted property, private equity and private credit. Today it oversees a diversified portfolio (NAV of A\$13.2 billion).**



Source: Washington H. Soul Pattinson

A long track record of adapting SOL has a long history, founded in 1903 and originally being a sole operator of pharmacy stores. In the 1960s and 1970s, SOL began to diversify by expanding into the building material and resources sectors through positions in Brickworks and other ASX-listed companies. A key step change to the SOL occurred in 2021 through the acquisition of Milton Corporation, which increased the scale of SOL by c. A\$3.7 billion in assets held primarily in domestic equities. Today SOL holds A\$13.2 billion in net assets.

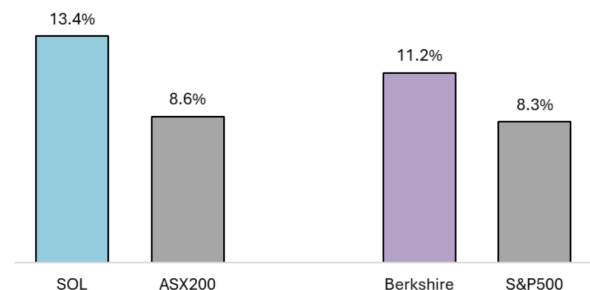
### Investment philosophy

The SOL investment philosophy focuses on identifying long-term superior risk-adjusted returns, with diversification across industry and asset class to allow the portfolio to weather market cycles and generate

sustainable returns. As with Berkshire, the beauty of the model is the permanent capital that SOL controls. The company is not like other fund managers with the risk of capital withdrawal ever present, allowing for true long-term investment decisions.

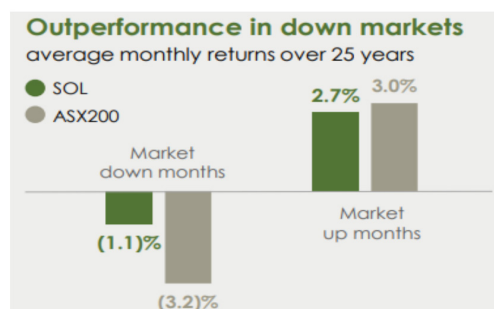
### Long-term outperformance

Since 1 January 2000, SOL has delivered a compound total return of 13.4% p.a., compared with 8.6% p.a. for the S&P/ASX 200 over the same period. While we often compare SOL to Berkshire Hathaway, SOL’s returns over this time frame are also ahead of Berkshire’s (11.2% p.a. vs. 8.3% p.a. for the S&P 500).



Source: FactSet. Starting date 1 January 2000

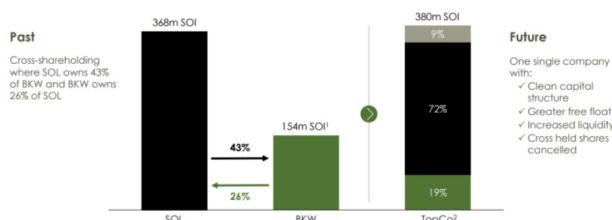
Crucially, this outperformance hasn’t relied on “high beta” exposures that typically do extremely well in bull markets. SOL’s portfolio leans to defensive, cash-generative businesses, which has historically helped it outperform in down markets – a feature we value given today’s relatively high market valuations.



Source: Washington H. Soul Pattinson

## Cleaner structure post Brickworks merger

The attractiveness of the SOL investment has only increased by the recent merger with Brickworks. Brickworks and SOL have historically held a long-term cross-shareholding partnership, which saw Brickworks own 26% of SOL and SOL own 43% of Brickworks. The merger not only cleans up the structure of SOL, but following the capital raise to undertake the merger, it leaves SOL with a net cash balance sheet.



Source: Washington H. Soul Pattinson

## Green light to undertake further investments

We maintain a high level of confidence in SOL to continue to undertake high shareholder return investments given the stability and long tenure of key investment personnel including:

Name	Position	Tenure
Todd Barlow	CEO	21 yrs
Brendan O'Dea	CIO	7 yrs*
Dean Price	MD Credit & Emerging Companies	17 yrs
David Scammell	MD Private Equity & Advisory	21 yrs

\*Includes his time as CEO at Milton Corporation

With net cash post-merger, SOL has a green light to pursue accretive investments across its opportunity set. In our view, the combination of permanent capital, a proven team, defensive tilt and a simplified structure positions SOL to continue delivering attractive long-term returns for shareholders.

By David Meehan, Investment Analyst

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