

# Future star of NZ investment scene

NICK SMITH

Ask people in the know about up-and-coming stars of the fund-management area, and chances are one name will keep popping up: Elevation Capital.

First NZ Capital's Scott St John certainly rates Elevation managing director Chris Swasbrook highly, as does corporate networker Alison Parker Harrison.

Trans Tasman Business Circle chief executive Parker Harrison says Swasbrook is a future star of the New Zealand investment scene. St John, a keen judge of market participants, agrees.

The man himself is a little bemused at the accolades. After all, he formed Elevation in 2006 and within 18 months was embroiled in the worst financial crisis since the Great Depression.

People told him: "You must be mad", Swasbrook recalls. "They said: 'What are you doing?'"

Swasbrook was a partner at Goldman Sachs JBWere at the tender age of 33, when he decided to leave.

So, given the most difficult trading conditions in living memory, was he mad?

"No. I didn't do this for the short-term benefits. I believe in what we are trying to do." Swasbrook allows that the decision does seem a little irrational given "short-term remuneration".

The company isn't turning a profit yet, but "my focus is on the long term. It's about challenges," he says.

Changes to the tax regime presented terrific opportunities to the managed-funds industry.

"I really did feel strongly that New Zealanders were overexposed to property, with insufficient diversification and insufficient savings."

He had also witnessed "the profound effect on the broader Australian economy" as a result of its compulsory savings

scheme and wanted to be part of the KiwiSaver-generated renaissance of New Zealand capital markets.

Swasbrook is the son of a cabinet and billiard table-maker and a stay-at-home mother, who "weren't wealthy by any standards".

They saved enough, however, to send him and his brother, Daniel, who works as a trader for Deutsche Bank in London, to King's College. The modesty of their family circumstances is illustrated by the fact that the brothers weren't boarders.

Swasbrook says his mother encouraged the pair to read widely. Magazines such as *New Scientist*, *Forbes* and *Fortune 500* were some of the material avidly perused by the two teenagers.

Tales of wealth plainly made a big impact on the pair. Swasbrook's favourite movie is *Wall Street*, featuring the infamous "Greed is good" speech from Gordon Gekko, played by Michael Douglas. Hilariously, an American journalist recently interviewed Douglas and repeatedly called him Mr Gekko when asking him for his opinion on the financial crisis.

Does Swasbrook think greed is good?

"Clearly, in the current environment, it's not."

Greed often results in recklessness and stupidity, he says. Evidence of that lack of judgment is everywhere.

But – and Swasbrook is clearly passionate on this issue – greed also provides substantial advantages. It drives innovation and excellence, he says.

But when shareholders and taxpayers bear all the risk from the actions of a few, "greed is a complete disaster".

"I'm all for capitalism, but it needs to be controlled," is his summation.

Swasbrook left university in 1995 for what was meant to be a brief spell at ANZ McCaughan Securities, before returning to complete his commerce master's degree.

Instead, disaster struck in the form of restructuring. As the "youngest and the cheapest", he survived the cull.

This provided the ambitious up-and-comer with exposure to some serious action that, without restructuring, would have been denied him.

Within two years, he was on the institutional dealing desk at Goldman Sachs JBWere. In 2003, he was made a partner.

"You have to be passionate and interested in the markets" is Swasbrook's first prerequisite. "If you're just turning up every day to collect a pay cheque, then I'm not going to believe you're going to be long-term successful."

This does not, he hastens to add, preclude a personal life.

Swasbrook is still a passionate reader, recommending *Washington Post* owner Katherine Graham's biography, and he is a keen skier and the father of two young children.

He attributes much of his success to the mentoring of Raymond Webb, a Kiwi who now works for Pico Holdings, a US\$500 million funds manager.

Webb and Swasbrook are value investors. Essentially, they try to find assets worth \$1 that they can buy for 50c.

He bristles at being compared with controversial "vulture investor" Elliott International.

Elliott may run "value strategies", but Elevation and Picot are not involved in exploiting Third-World debt, as is the New York company.

If Swasbrook can offer any advice, it's to read widely and to be a generalist like himself.

Through reading, "you really learn about history and the mistakes of others".

This is extremely useful, because "you don't have enough time to make them all yourself".



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