

Manager profile

Company overview

Sigma is a boutique investment manager which was established in August 2009. Sigma offers both large cap and small cap strategies, and the small cap team has worked together since 2007. Sigma has a team-based approach and each founding member of the Sigma team is an equal partner.

Investment philosophy and style

Sigma is a value style manager targeting high consistency through strong assessment of risk factors, including quality and valuation.

They have a disciplined and well defined stock selection process, which focuses on the stability and sustainability of businesses. The small cap team gain significant insights from the broader investment team at Sigma.

Investment process

Sigma uses a five step approach to achieve superior return outcomes. This can be summarised as:

Step 1: Initial screen – defining the investable universe

Companies with less than \$80m in market capitalization and no historical or forecast earnings are excluded.

Step 2: Stock ranking – initial valuation and business risk assessment

Companies are ranked by valuation metrics using market based information.

Step 3: Stock selection – refining the probabilities

Valuation

Each company in the research universe is subject to more detailed analysis encompassing business risks and valuation.

Risk assessment

Understanding the inherent stability of the business and the range of valuation outcomes is the primary focus of the business risk assessment.

Step 4: Portfolio construction – maximising the probability of achieving the investment objective

The final portfolio is driven by the ranking of the stock, its liquidity and the business risk assessment which determines the size of the position.

Step 5: Portfolio risk control

The portfolio is then refined to ensure that there are no unintended biases in the portfolio and that there is sufficient diversification from a risk control perspective.

Reason Advance selected Sigma Funds Management

Sigma has a robust approach to managing small cap portfolios with a value focus. Sigma's team is constantly on the lookout for companies that are undervalued and overlooked by the market and yet have lower levels of business risk than is implied by current valuations. Advance views their investment approach and performance characteristics very favourably.