

# TALKING WITH

## Nigel Thomas

Nigel Thomas, Fund Manager at AXA Investment Managers talks highs and lows, listening and learning and Izzy the dog with Richard Romer-Lee, Managing Director of Square Mile.



### HOW DID YOU GET INTO FUND MANAGEMENT?

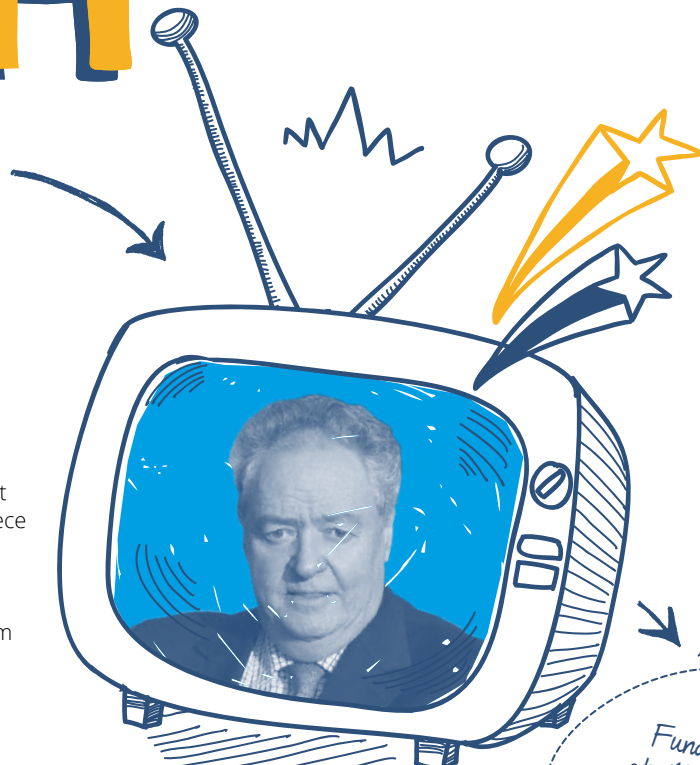
I was a failed accountant! I studied economics and geography at university and afterwards did the milk-round. I got as far as a second interview with Mobil, but no job was forthcoming. So I went backpacking to Greece and Italy - in those days they were considered exotic, rather than the Bali and Thailand of today.

When I returned I became an articled clerk at accountancy firm Robson Rhodes. There was a problem though - I could not see myself passing my exams.

I knew it was not right for me one New Year's Eve, when I was doing a physical stocktake for our client Revlon in Aberavon - not that I have anything against Wales, I am half Welsh after all, although I support England at football and at rugby - it's difficult...

Anyway, I picked up a box of lipsticks and the bottom fell out. I thought to myself I should be at a party in London, not counting lipsticks. So I quit accounting and answered an advertisement for an assistant fund manager. There were 350 applications for the same role, but I was lucky enough to get the job working for John Carrington.

It was in 1979, and the timing was fortunate as exchange controls, which had been in place since 1938, were lifted and a 20-year bull market, which ran until the TMT bubble, was born.



Fund Manager at AXA Investment Managers



### AFTER ALMOST 40 YEARS AS A FUND MANAGER WHAT KEEPS YOU GOING?

I enjoy it. I enjoy going to the office, how the markets open, the shocks and scares. I am still learning. It is intellectually satisfying when one gets it right. For example, I bought Betfair at £9.50 following a controversial IPO at £15, the shares falling to £7 and a failed private equity bid at £9.

Three years later it merged with Paddy Power at £42. It was not easy at the time but it proved right. I also love meeting people, looking at new businesses and how they are run. It's like a five dimensional game of chess. I used to play bridge at school but the stock market is much better.



### WHAT MAKES A GOOD FUND MANAGER?

Using your eyes and ears - visit companies, meet management, listen to what they tell you, not just about their businesses, but about their competitors, suppliers and customers. I have never compiled a spreadsheet - I can get brokers to do that work for me. And you need a good memory. The minutiae of detail - the floaty bits of information are essential in forming views. Remembering management, their approach to corporate governance, accounting standards, cash-flow management - these are all good housekeeping in managing a successful company.



## WHO HAS INSPIRED YOU?

John Carrington was a great mentor. He had originally been a journalist on the Sheffield Telegraph before becoming a fund manager. He taught me many things and was full of wise sayings. For example, "don't cut your flowers to water the weeds", in other words: run your winners. If a stock you bought goes up, you have made a good decision, so buy more. Conversely, cut your losses. He also told me to back good management and follow good entrepreneurs.

I also admired Anthony Bolton and Peter Lynch, thinking if I could emulate their careers as good stock-pickers, I could be successful.



## DO YOU HAVE ANY BUGBEARS?

Global investing – and by that I mean losing investors who are supposedly de-risking their portfolios by going global, despite my having done a good job. Some 60% of the revenue from the companies in which I invest comes from overseas. In the UK, we have the best corporate governance in the world – it doesn't make sense to me.

## WHAT ARE THE CHALLENGES FOR THE INDUSTRY?

Over-regulation, which curtails entrepreneurship. The danger is we lose people to other industries. The other is margin pressure, which is on-going.

## WHAT WAS THE SEMINAL MOMENT OF YOUR CAREER?

When ABN Amro bought Carrington Pembroke in 1996. We had a three year earn out, which was tempered by John Carrington deciding to retire straight away, leaving George (Luckraft) and me to do the work.

## WHAT ADVICE WOULD YOU GIVE TO SOMEONE STARTING AS A FUND MANAGER TODAY?

It's back to eyes and ears. When I started out, the market was very different. Much has changed since those days, when, as an aside, short selling was illegal whilst insider dealing was not. Now it's about the CFA, spreadsheets and the like.

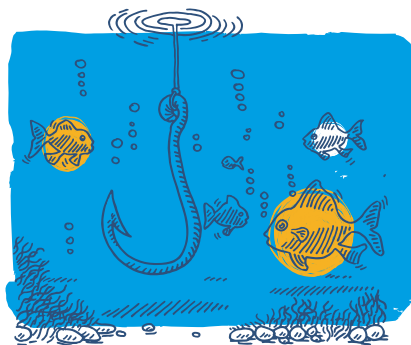
Remember, while the detail is important, it can distract you – you may not see the wood from the trees. And if you can, use the sell-side to do the number crunching for you.

A good example of a company thinking about giving its employees practical experience is Johnson Matthey, who got some of its younger employees to sort out the business and cut costs after the global financial crisis. They then had a cabal of 30 year olds who had seen a recession and gained first hand experience, which means they should be prepared for next time.

When it comes to stock picking, I don't invest in contractors, house builders, airlines or hotels. They have low margins and in some cases low barriers to entry. You and I could start a hotel tomorrow.

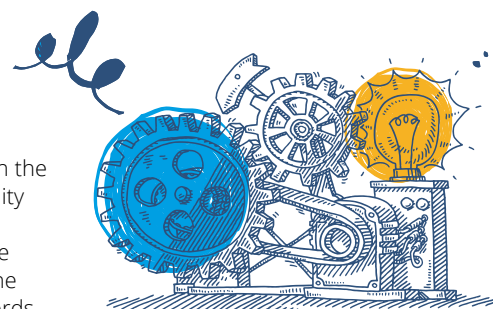
## WHAT'S THE BEST ADVICE YOU HAVE BEEN GIVEN?

Keep your head down and your feet on the ground. And think about the opportunity cost of capital. If you make a mistake, admit it and move on. The way to make money in the stock market is to lose the least when it goes wrong – in other words think about the downside risk. That's one of the reasons why I run portfolios of 60-70 investments – if I get two or three badly wrong the effect is not too bad.



## HOW DO YOU RELAX?

Fly-fishing. I love it. And walking the dog – Izzy, a Patterdale Terrier, which reminds me, I need to get another one to keep her company. I love walking, it keeps me fit and helps me to think. Each year I go to the Bavarian Alps for a walking holiday.



## WHAT HAVE BEEN THE MOST MEMORABLE MOMENTS?

The year 1987 was "interesting". We lost 30% of our clients' money in two days and had to climb over fallen trees in the aftermath of a hurricane to get to work. The technology bubble was also memorable. I went to Berlin in March 2000 to a technology conference. You could feel the bubble in the room. The presentations were leading to people running out of the rooms and giving orders to brokers outside the conference suite, it definitely felt frothy. I returned to the UK and sold quite a lot. Recognition Systems had risen from 16p a share to £3.65 – I sold the last bit at 12p.

Some long-term successes spring to mind – I bought Dunelm at IPO at £1.60 and it is now £9. Investors have also received an additional £2.90 in special and ordinary dividends. Equally memorable was a toy company Mettoy that came out with Dragon Data, a toy computer, at the time of the likes of Sinclair, Atari and Acorn. I bought the concept and overlooked the fundamentals. It went bust.

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