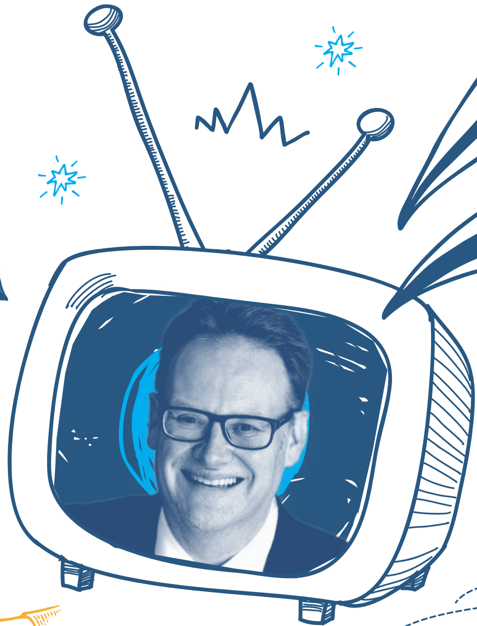
TALKING WITH

David Roberts

David Roberts, Head of Fixed Income, Liontrust talks 30 years in the industry, bond funds and wild boars with Richard Romer-Lee, Square Mile



David Roberts, Head of Fixed Income, Liontrust Asset Management

WHAT SUSTAINS YOUR ENTHUSIASM AND DRIVE AFTER 30 YEARS IN THE INDUSTRY?

Three things - markets, investment and clients. For most fund managers markets and investment are core. Client interaction is also very important to me - I love it. In the modern world you have to be out there working with people and engaging with them.

Making a bit of money for people is ultimately what this industry all about.

HOW DID YOU GET INTO THE INDUSTRY?

I had 10 years in banking before I entered asset management. I started at the original TSB in 1988 and sold mortgages for a couple of years. I was a bank manager at the age of 21 but it wasn't for me. I did a stint for an American Bank and was poached back by Lloyds TSB Scotland to trade on foreign exchange. One of the clients - an asset manager (Britannic) in Glasgow - rang me up and said since I knew a bit about corporate bonds, would I come and meet with them and see if I fancied working for them – I did!

WHAT MAKES A GOOD FUND MANAGER?

There are two principle personality types - the removed, analytical, quasimachine-like driven people. Then there are those who have a passion for the outcomes. Either can be successful and in a large team you can include each of those types. In smaller teams, such as we have, you might want to have a team with similar personalities.

The most important skill set is to be able to take theoretical concepts and apply them to a practical world. I have worked with CIOs who thought the more PhDs you had on the team the more successful you would be - that's not my way of thinking. There are people who sound like they know what they are talking about, but falter when you put them into the practical decision making world. You end up with people in ancillary roles where people do understand the principles of markets but not necessarily how to make money from them.

WHAT IS NEEDED TO BE A GOOD BOND FUND MANAGER?

At times, bond managers need to have a glass half empty attitude because for most bond markets to appreciate in value you don't want things to be too good. It helps to be the kind of person who enjoys having a bit of trouble around. It's important to be able to blend the longer-term strategic outlook with the ability to grasp shorter term opportunities. Being motivated by the continual search for the small wins is important too. You really need to be able to communicate with clients when times are good and bad.

WHAT WORRIES YOU AT THE MOMENT?

As a bond manager you can generally find ways of benefiting from worries. Everything that is a threat can also be an opportunity. For example, gilts look nutty to me so I'm happy to have a negative position. Core emerging market debt looks like the biggest short around. People believe it is better diversified and less dependent on US industries than it ever has been. Perhaps there is a glimmer of truth there but what I will guarantee is as US interest rates move higher and above 3% then that will start to put a lot of pressure on emerging markets. As US interest rates move higher we will see a transfer of investors cash from EM to DM.

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WHY SHOULD PEOPLE BE EXCITED ABOUT BOND MARKETS?

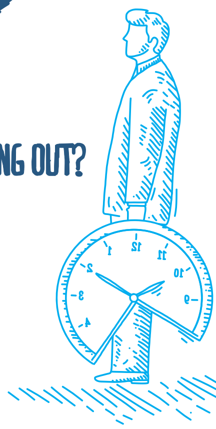
A big part of the return from bond markets has been the big beta rally and it's been quite easy for some fund managers simply to create a reputation on buying a whole pile of stuff. A lot of them have lasted longer than expected.

Trying to second-guess central banks is quite tricky. Now we are entering a 3-5 year period where returns from any asset class are likely to be significantly lower than we have seen from the past decade. The mechanics within the bond market offer a massive amount of alpha opportunity. We are at that stage where it does appear that even within the G7, economic cycles are just slightly out of kilter. That means we can play one market against another, rather than having to chase duration all the time.

There are big disconnects though. Normally the market looks at inflation and says here's a bond yield and it has some relation to inflation. We are in that weird world at the moment where we are getting double on 10 year US government bonds compared to the UK, when the inflation rate in America is lower. That makes no sense at all in the longer term. People are quite confused about that, but ultimately it comes back to this idea of what is interesting.

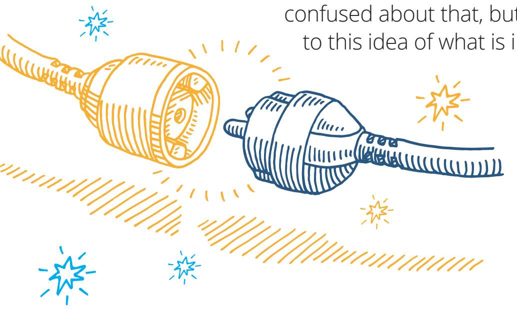
WHAT IS THE BEST ADVICE YOU HAVE BEEN GIVEN?

A very Scottish saying to 'keep the head' which means to stay calm. Occasionally I can be a little hot-headed. I think it's true in all aspects of life, that there is a real temptation for people to get too worked up about things that are quite minor. If you take the time to step back and reflect, you tend to get to a much better conclusion.



WHAT ADVICE WOULD YOU GIVE TO SOMEONE STARTING OUT?

Don't think you can run before you can walk. One of the bugbears of CEOs is fairly junior people (with 3-5 years experience) thinking they can run the ship, when usually, they can't. It might take 5 – 10 years before you get that prime role and so you need to use your time to build up experience. At a junior level, don't be afraid to move, have a bit of variety and don't just look for the job with the biggest pay cheque. With one exception I have always taken a pay cut when moving jobs.



WHAT CHALLENGES DOES THE INDUSTRY FACE AT THE MOMENT?

Even 10 years after the financial crisis, there is a massive distrust of financial services. The media doesn't help. The negative stories are the only ones that are remembered. It's down to everyone in the industry to do their bit to repair a tarnished reputation.

HOW DO YOU ADDRESS THESE CHALLENGES?

The starting point has to be transparency. The FCA understands that with transparency hopefully comes trust - or complete loss of faith. The aim and intention is to provide the investor with as much information as possible. The focus on fund charges is too narrow - it's not the only consideration for private investors. A greater understanding of likely returns and risks is just as important.

HAS THERE BEEN A SEMINAL MOMENT IN YOUR CAREER?

Saying yes when Britannic phoned me and I moved into asset management aged 30 after 10 years in banking. My new job was in a small team with a rapidly growing asset base. My son was less than a year old and I signed up to study for a masters at the time. All in all, it was a bit of a challenge but you can either back away from that stuff or rise to meet it.

WHO HAS INSPIRED YOU?

Douglas Reid a Treasurer of Hampden Bank, a start-up in Edinburgh, motivated and inspired me. He was who I wrote to and asked for a job in the 80's. At school I was fortunate that a couple of teachers mentored me and pointed me in the right direction.

WHAT IS THE MOST EXTRAORDINARY THING YOU HAVE SEEN?

I was in Iceland a few years ago with my son, where we visited a geyser park. A geyser shot steam 150ft into the air when we were standing just 20 feet away. We were completely awestruck. Work-wise, it would be the financial crisis and the unwillingness of markets initially to understand the depth of the problems.

WHAT DO YOU DO TO RELAX?

I enjoy all things family related. I love eating out and all that good stuff. I have a place in France which is perfect for relaxation. It's rural but within 5 minutes to the nearest town. The biggest distraction is the wild boar that we have nesting in our garden at the moment. I'm trying to avoid being gored by them. I am ever hopeful that they will sniff out black truffles under the oak tree...