

TALKING WITH

Victoria Hasler, Head of Research at Square Mile, caught up with Paul O'Connor, Head of Multi-Asset at Henderson.

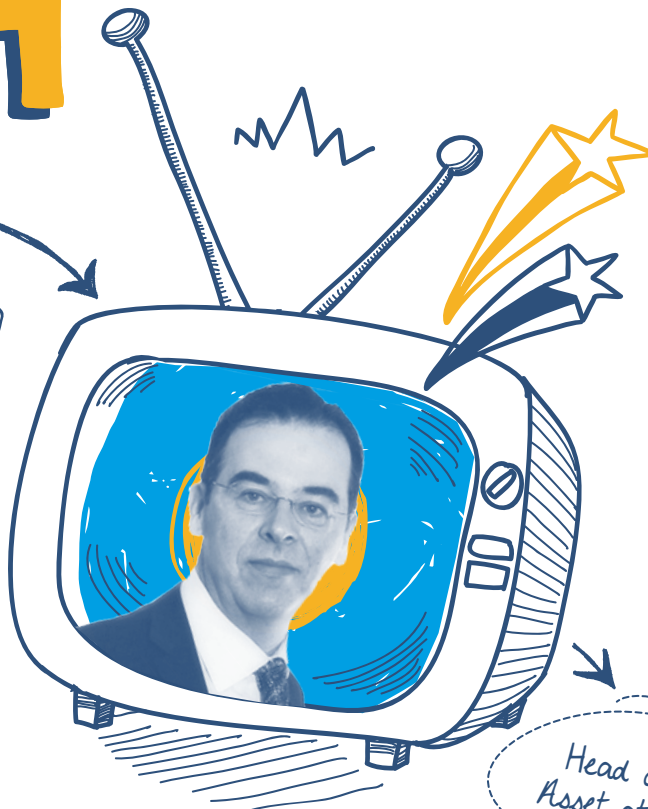


Paul O'Connor



HOW DID YOU GET INTO FUND MANAGEMENT?

It started with a stumble rather than a plan. I was studying genetics at university, but I really didn't like it so I switched to economics, which I loved. From there I started to understand fund management and grew to love that too. It seemed like the obvious path to move from university to a career in the City, but this was the late 80s and, after the crash of 1987, banks were not hiring. I went into management consultancy instead, but moved to the City after 6 years or so. I was on the sell side at first, but the switch to the buy side seemed like a logical evolution.



Head of Multi-Asset at Henderson

WHAT DOES A TYPICAL DAY LOOK LIKE?

Whilst no two days are ever alike, the common factors and key components of any day include research, a lot of monitoring of markets and fund performance and extensive collaboration. On the desk we spend a huge amount of time chatting amongst the team, as we have a lot of different areas of expertise, and talking to each other is a good way of generating ideas. All days involve copious amounts of printing as well. I am a prolific reader and am famous in the office for the amount I print to keep me going on the tube journey home and at weekends. I like to scribble on my research, and it's just not the same looking at it on a screen.



HAVE THERE BEEN ANY PARTICULARLY PIVOTAL MOMENTS IN YOUR CAREER?

I was short the Irish banks six months before they topped out in 2007, and learnt a lot from that experience. It was one of the best bits of analysis I had done and proved to be very right, but the timing was completely wrong and it turned into one of the worst trades of my career. The trade was bleeding money, and I was surrounded by people who were making a lot of money from being long the last leg of the bull market. When the market turned I could not fully participate as we all had to shrink our books as the bank took down risk. It was incredibly frustrating, but I learnt an important lesson from it: there is a huge difference between having the right idea and being able to implement it in the right way at the right time. This is a real challenge for investors. Theory teaches you about the fundamental skills needed to generate great ideas, but learning how to time them is a subtle art which depends on technicals, psychology and market behaviour. This art can take a long time to learn, and realising that difference changed my career.

WHAT HAS BEEN THE MOST MEMORABLE MOMENT OF YOUR CAREER SO FAR?

September 11th 2001. I was working on the proprietary trading desk for Credit Suisse at the time. The room was filled with monitors and we had several TV screens hanging from the ceiling. Usually the screens were tuned to financial news, but we all stood around and watched, stunned, as the second plane went in. You don't forget things like that.



WHAT HAS BEEN YOUR MOST VALUABLE LESSON?

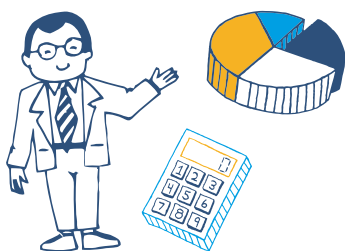
One of the reasons I love this industry is that you learn something new every day, and one of the most important lessons I have learnt is how to make mistakes. In the investment industry you have the opportunity to make mistakes and still be good at your job. Nobody is going to get things right all the time, but knowing how to control and learn from your mistakes is a valuable opportunity. In many careers (for example surgery) you wouldn't have that same chance. I have also learnt that it is important to retain conviction.

Investors can have a number of different styles, but you have to stick with what you do otherwise in the difficult times you will get whipsawed and lose money.



WHAT IS THE KEY TO JOB SATISFACTION?

In this industry one of the real pleasures is getting a lot of feedback on what you are doing. The beauty of investment is that you can get instant feedback through your performance numbers and that is very motivating. I think the opportunities to learn and improve are also incredibly satisfying.



WHAT KEEPS YOU AWAKE AT NIGHT?

Nothing – I have never had a bad night's sleep in my life. There is always plenty to worry about though. In this industry it is both rational and desirable to be edgy and to constantly question yourself, but you also need to control your emotions.



WHAT ADVICE WOULD YOU GIVE YOURSELF IF YOU WERE STARTING OUT TODAY?

Read everything you can get your hands on. Expose yourself to different roles and styles of investment. Ultimately go into fund management - it is a great industry. As long as you are disciplined, inquisitive and prepared to work hard you will have a rewarding career.

WHAT ARE YOU MOST PROUD OF?

When I first went into the City I joined an investment bank as a strategist and after a couple of years I was voted the top analyst in a range of different industry surveys. I was very proud of that as it was voted for by clients so I felt like it really mattered. As an investor I'm proud to have been given people's money to manage for the last 16 years. That is both an honour and a responsibility.



WHAT DO YOU STILL WANT TO ACHIEVE?

In investment terms we can always do better and are constantly striving to do so. That job is never finished. One big challenge remaining for me personally is to grow the individuals in my team and develop their careers to help them achieve the success they deserve. I feel the responsibility for other people's careers keenly. It is vital that we nurture the next generation of investors and give them the opportunities they deserve.

WHAT MAKES A GOOD FUND MANAGER?

Whilst everyone has their own style, in my mind there are three common traits that make a good fund manager. Firstly you have to be willing to work hard and be industrious, secondly you must be inquisitive and always take the opportunities you have to learn, and lastly you have to be disciplined.

WHAT ARE THE KEY CHALLENGES FACING THE INDUSTRY?

I worry that the next few years may be like the last six months - markets could be very volatile with low returns and rapid changes in market leadership. Active managers should add value in this kind of scenario, but they can struggle when market rotation is rapid. The danger then is that people become very disenchanted with the investment industry. I don't think it's a likely scenario, but it's likely enough that we should take it seriously. The answer, in my view, lies in diversification. Whilst we can't magic up higher returns, diversification should be able to cushion volatility and result in a better journey for the investor.

HOW DO YOU LIKE TO RELAX?

I spend as much time as possible with my family and exercising. If at all possible I will combine the two, for example going for a long walk with my wife, having lunch and walking home. I also like swimming and swim 4-5 days per week. It's a great chance to think and some of my best ideas are formed under water.



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