

TALKING WITH

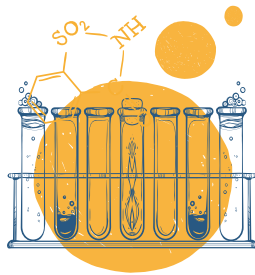
Graham Campbell

Graham Campbell, CEO and Fund Manager at Saracen Fund Managers talks life, career and Judo with Richard Romer-Lee, Managing Director of Square Mile.



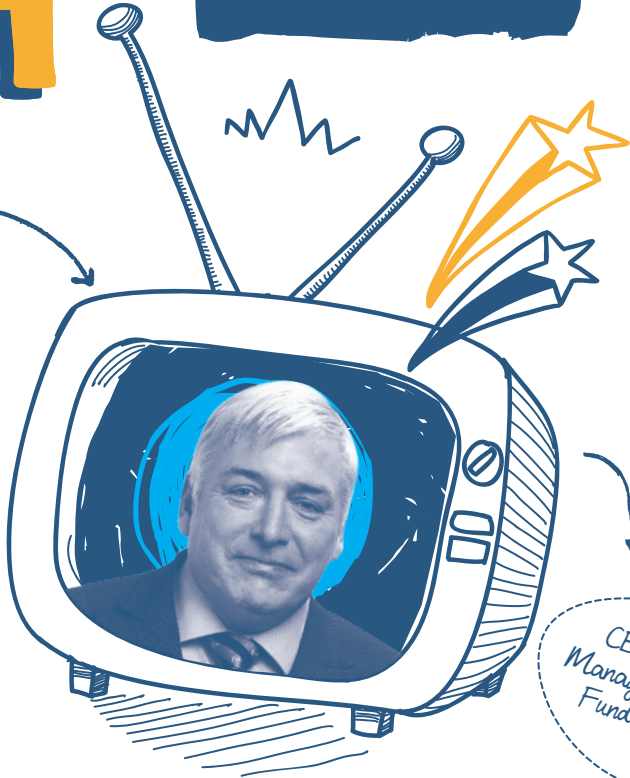
HOW DID YOU GET INTO FUND MANAGEMENT?

I wanted to do a degree in chemistry, but my father challenged me as to what I would do with it. He had a point as I thought I would be bored in a lab. So I chose business studies as I was interested in how the world works – following which I applied for a job at Campbell Neil, a regional old-fashioned broker. I researched local companies covering a variety of businesses – most of which were dreadful.



The plus was that Campbell Neil published a world-renowned whisky book, which I helped to produce. It told investors everything they needed to know about whisky companies and was sold all over the world. It was in the days when clients would telephone for stock prices and we had to look them up on the blue button on Ceefax -how times have changed.

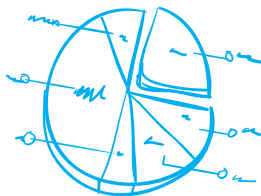
I realised that fund management would be better than making recommendations, as living them would be better than purely making them. I applied for a job at General Accident as a sector specialist covering financials.



CEO and Fund Manager - Saracen Fund Managers

WHAT MAKES A GOOD FUND MANAGER?

A number of things come to mind including a lack of emotional bias, really understanding what you are investing in by doing proper analysis. Being tenacious is crucial – we have little visibility and no influence on what happens in the short term - so we need to have the tenacity to be long-term. Also humility and the ability to reassess things to see if you are wrong. The first cut is the best.



WHAT IS THE MOST VALUABLE LESSON YOU HAVE LEARNED?



Trust your judgement, yet be able to reassess it objectively when you are wrong. Lightning strikes infrequently but there are often clues before things do go wrong. The contribution of a dominant executive chairman and a weak finance director, or when people start to do things that are not in the plan are two examples.

My bugbear right now is “adjusted earnings”. These are particularly quoted by brokers for US pharmaceutical, technology and telecoms stocks. The adjusted earnings always look significantly better than our belief of reality – sometimes they are 50% out.

WHAT HAS BEEN THE HIGHLIGHT OF YOUR CAREER?

That’s a hard question as I tend to look forward rather than back. The highlights are after you stick with a view and it comes good. You make money being contra-cyclical in good companies. For example, I remember investing in brick manufacturer Baggeridge Brick, whose chief executive lived and breathed his industry. The company had a hard time when gas prices rose but the business was a good one. I stuck with it through those hard times and when it was eventually bid for, we made a handsome profit.

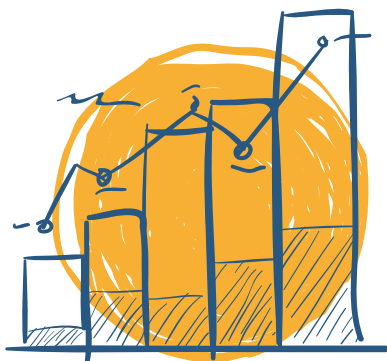
The other highlight is to have assembled a group of talented people at Saracen and helping them to be as good as they can be. To be able to give them the opportunity and confidence to build on that foundation. We employ bright people - it would be foolish not to listen to them.

WHAT ARE THE MOST EXTRAORDINARY CONDITIONS YOU HAVE SEEN IN MARKETS?

Two spring to mind. Firstly, the technology boom, which saw irrational earnings expectations and extraordinary multiples on unproven businesses, often driven by the sell side.

And the current quantitative easing – a large part of the world has negative interest rates. I am surprised how many people are buying fixed income viewing it as low risk. Many 10-year bonds are offering negative returns.

There are few signs that negative interest rate policies encourage people to spend, if anything people seem to save more. I suppose if most of the world's central banks try to stimulate growth, they will eventually do so, but not for a while.



WHAT ARE YOU PROUD OF?

Personally – seeing our children grow up. We have five between us, plus our two dogs! Professionally, I am really proud of what the team have achieved. They are outstanding, able and motivated people and have committed both financially and emotionally to a business that is achieving beyond its size. It has been harder than I thought it would be (to build Saracen) and our industry is less open to new entrants than others. There are significant barriers to entry with more gatekeepers and less discretion for experienced professionals (advisers) to buy what they want for their clients. Regulation too is a barrier – it takes time, people and increasing cost to set up a business.

WHAT DO YOU ENJOY ABOUT YOUR JOB?

A fund manager's life is duller than people think – we spend a lot of time going through reports and accounts. My daughter came into the office and said she could never work there – it's too quiet! I tried to explain it was because we were working...

I get a kick out of finding good investments before the market at large, and by having a longer-term time horizon. For example, unearthing a company in transition, such as UBS, which has changed from being a bank to being a global wealth management business. It's still one of the world's strongest brands and is a good emerging market story as people seek to diversify away from local companies. I enjoy meeting people, investors and executives and a good debate.



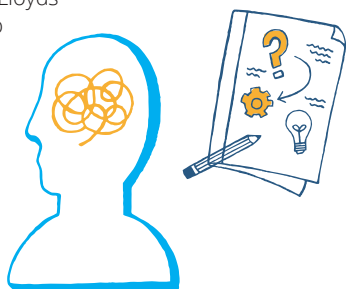
WHAT CHALLENGES DOES OUR INDUSTRY FACE?

The financial sector is out of favour with the man on the street. People need to save – it's vital. They also need to understand returns and risk better, and the need to take risk. Investing in high quality, global companies is relatively low risk. Buying low return bonds is risky.



WHO DO YOU ADMIRE?

As peers, Neil Woodford who stuck to his beliefs at times of maximum 'pain'. Richard Buxton for his long-term approach. Harry Nimmo, to deliver such great performance for so long with a big fund investing in smaller companies is outstanding. My late father for his constant support, tenacity and honesty. In industry, Sir Brian Pitman, who was Chief Executive of Lloyds Bank. He always had time to help people understand, even a junior analyst as I was, what he was doing, whilst being insightful and a clear thinker. He had the ability to distil the complexities of banking into a clear strategy.



WHAT ADVICE WOULD YOU GIVE TO PEOPLE JOINING THE INDUSTRY?

Be long-term, do the work, stick with it. I say to my kids you will do things in life you will later regret, but the things you regret most will be the things you haven't tried. Learn from your mistakes.

HOW DO YOU RELAX?

I am actively involved in Judo and have been for most of my life. I started at the age of 12 and became a black belt at 16. I was recently awarded my sixth Dan (a black belt is equivalent of one Dan). I took on the role of treasurer for Judo Scotland for three months – that was 16 years ago.

Graham admitted that he won two Commonwealth games bronze medals in 1990. One was at his weight of light-heavyweight, the other was in the open category where he was beaten by a heavyweight, whose arms were the size of Graham's legs!

