

TALKING WITH

Ian Spreadbury, Fund Manager at Fidelity talks life, career and Bear Grylls with Victoria Hasler, Head of Research at Square Mile



Ian Spreadbury



HOW DID YOU GET INTO FUND MANAGEMENT?

I chose a career as an actuary because maths was the only subject I was any good at in school. I was working at Legal & General, but finding actuarial work rather dry, and was given the opportunity to move to L&G's investment management division. I started in a small fixed income team in 1985, when the corporate bond market was tiny. Before that interest rates had been too high for companies to want to issue bonds, but when interest rates started to fall, companies started to issue in size. Seeing the birth of a market was exciting.



Fund Manager at Fidelity

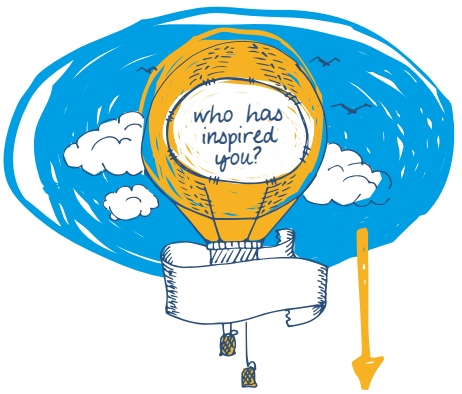
WHAT KEEPS YOU IN FUND MANAGEMENT?



It is more interesting than being an actuary! Whilst actuarial work was often challenging, many of the tasks were quite similar and there was a lot of routine number crunching. Markets are quite the opposite. They are dynamic and will throw something different at you every day. I love that unpredictability and I'm fascinated by the way the markets work, and what drives yields. When I started it was a real learning curve, and in many ways it still is, as markets and their drivers continually change and evolve.

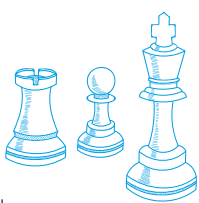
WHAT HAS BEEN THE MOST MEMORABLE EVENT IN YOUR CAREER?

The launch of Moneybuilder Income was pretty memorable. At the time it was a fairly groundbreaking fund and had no upfront load, which was unusual in those days. One of our competitors, Virgin, noted that we had launched the fund at a fee just below their Virgin Income fund. I remember the day of the launch well - Richard Branson sent someone in dressed as an air hostess with a wager that we wouldn't be able to maintain our fees at 70bps for 5 years. Obviously we won, and Virgin had to make good on their word and donate a sum of money to charity.



I admire independent thinkers and believe that the most successful people in investment are those who can challenge consensus. I'm thinking about people such as Warren Buffet, Anthony Bolton and Bill Gross. In this business you need to be able to work things out for yourself. It's amazing how often economists get things wrong. In the last 10 years, for example, economic theory has been turned on its head and textbooks are having to be re-written. You seldom win by following consensus.

WHAT DO YOU FIND MOST REWARDING?



The constant challenge. The day you think you understand markets is the day you should retire. I manage real money for real people and it is both a privilege and very rewarding.

WHAT HAS BEEN YOUR GREATEST CHALLENGE?



Starting from nothing at Fidelity. I was brought in during 1995 as part of a restructuring, after a period of volatility. I think I was brought in because of my strong focus on risk which came from my actuarial background - they wanted a safe pair of hands. Initially it was just me, a trader and an assistant manager, and the mandate I had was very simple - to regain investors' confidence. The first thing I did was to reduce risk, and in fact we kept it very low while we rebuilt investor confidence. Having achieved this, my second priority was to launch Moneybuilder Income. It was hard work, but rewarding.

HOW DO YOU RELAX?

I tend to be pretty busy outside of work. I like to get outdoors at the weekend, whether that be playing golf, walking or just pottering in the garden. I love hill walking and one of my favourite places is Snowdonia. I did the 3 Peaks Challenge last year and was one of the few from the Fidelity team to finish it. I also took up guitar a couple of years ago. I like learning, and guitar was something different to learn. To be honest I'm pretty useless at it, but I enjoy the challenge of learning something new. Actually I love doing anything that is a challenge. I lose interest when something gets easy. I also enjoy spending time with friends and family, particularly my grandchildren.

WHAT HAS BEEN YOUR MOST VALUABLE LESSON?

Don't underestimate volatility. I remember the day we left the ERM in 1992. The resulting moves in both sterling and gilt yields really brought home that gilts can be more volatile than you think. Situations like this teach you how to think about risk. Another important lesson is to expect the unexpected. For example when Confederation Life (a major Canadian insurance company that went into liquidation in 1994) defaulted it had a major impact on the market. An event like this, which seemed totally impossible before it occurred, can really challenge your convictions. I learnt two important lessons from this episode. Firstly - credit ratings agencies are not infallible. Perhaps that is more commonly known following the financial crisis, but at the time it was a revelation. Secondly, whilst fixed income investors get paid a spread to take on risk,

that risk is asymmetric and the importance of diversification cannot be overstated. I find behavioural psychology fascinating too. One of the big lessons I have learnt over the years is not to get caught up in behavioural biases. It's so easy to get swept along by a herd mentality, but you really have to be careful to check this and think for yourself. It can require a lot of discipline. You need to know why you bought something and not be afraid to cut it if you got it wrong.

WHAT WOULD YOU HAVE DONE IF YOU HADN'T BEEN A FUND MANAGER?



Probably something outdoors - perhaps I would have been a park ranger in Snowdonia. I don't mind bad weather, and find being outdoors to be a great de-stresser. I would have liked to have been a bit like Bear Grylls, although perhaps a touch less extreme.

WHAT WORRIES YOU?

Getting it wrong. As a fund manager I make a lot of decisions, and I'm never going to get 100% of them right, but I need to get more decisions right than wrong. It worries me that I could get more wrong than right, or get a big one wrong. I try not to be over concentrated and constantly review any big positions in the funds. No matter how good your credit research is you can get caught out. Some things, for example fraud, you just can't analyse no matter how much work you do, so diversification is key.

WHAT DO YOU STILL WANT TO ACHIEVE?

I don't think that way. I just want to carry on doing a good job for investors. I have been in the same job for 20 years because my aim has always been the same - to do the best job I can for the people whose money I am managing.



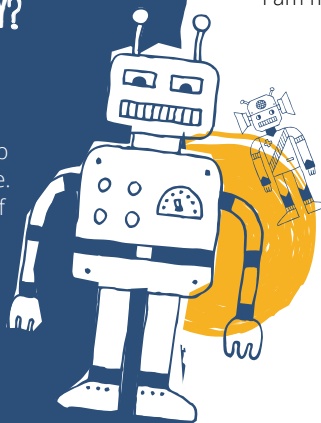
That's hard to know. If you think you are successful then it's probably time to retire. You can only go one way from there. I have never really thought about success - I just try to do a good job for my clients.



WHAT ADVICE WOULD YOU GIVE SOMEONE STARTING TODAY?

That's tricky - the world is so different today from when I started work. When I started out people expected to work for the same company all their lives. Job security has really changed now though. I would start by telling them to get a job that robots can't do. Technology advances at an alarming rate. Traditionally the rise of technology put manual workers out of jobs, but now it is starting to put professionals out of jobs as well. Things will be much more challenging for young people going forward.

I would also tell them that textbooks don't always match up to real life. When you are starting out you need to learn to think for yourself and not be afraid to challenge the consensus. It's not always right.



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