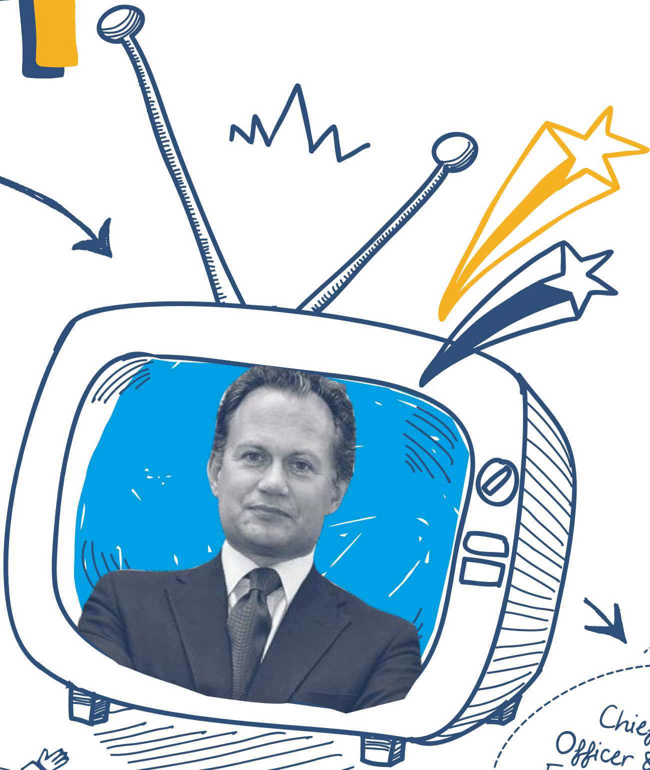
TALKING WITH

Richard Buxton

Richard Buxton, Chief Executive Officer & Head of UK Equities at Old Mutual Global Investors, talks experience, the importance of culture and salmon-en-croute with Square Mile's Managing Director Richard Romer-Lee.



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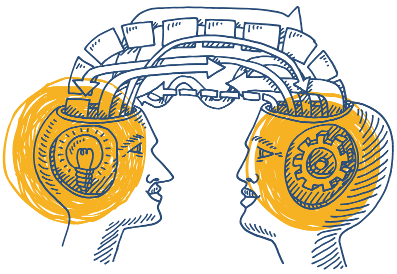

THIS IS YOUR 31ST YEAR IN THE CITY WHAT SUSTAINS YOUR DRIVE?

If I have a good year, I want another one. If I have a bad year, I want to do better. Investing is fascinating as every day is different. The flipside of being measured every day, as fund managers are, is that my colleagues and I are constantly pitting our wits and views against the market and thousands upon thousands of people. It is very intellectually challenging and rewarding.

WHAT MAKES A GOOD FUND MANAGER?

Experience counts...and you do get better. Having a long-term approach, patience, low turnover, taking the emotion out of decision making and not reacting to short term price movements are all valuable attributes. Good colleagues are essential. I have worked with Errol (Francis) and Ed (Meier) for over 10 years and we trust one another.

Meeting management is crucial, even if things are going well. We can often see when they change for the worse - for example we happily sold Tesco in May 2010 as we had become increasingly worried about their trying to prove themselves in the USA. It felt like their success had gone to their heads. What transpired in their share price was akin to a 5-year, slow motion car crash.

WHAT DO YOU CONSIDER TO BE LONG TERM?

If I've sold a stock within 3 years, it almost feels like a failure. I buy stocks on a 3 to 5 year view, but hope that it can be for 8, 9 or 10 years or more.

WHAT WAS THE MOST EXTRAORDINARY MOMENT IN YOUR CAREER?

The financial crisis was the most extraordinary period - the scale of collapse in share prices and how close the world came to a systemic failure. Having the conviction that policymakers had the tools to prevent economic armageddon proved to be correct - we bought RBS in its then form at 10p a share and Lloyds at 28p.

HOW DO YOU RELAX?

I love cooking - both for friends at the weekend and on the odd night in the week. The results are pretty instantaneous and I get instant feedback. My Saturday morning routine is blessed with having a great butcher, greengrocer and fishmonger all next to each other.

WHO DO YOU LOOK UP TO?

I admired the late Jim Cox (who managed the Schroder UK Enterprise fund) and the way he ran a concentrated fund, around 40 stocks based on fundamental research with a low turnover. I thought to myself that I could do that. I also admire many of my peers, including Frosty (Adrian Frost), Nigel (Thomas), Ian McVeigh and Nick Train.

WHAT ARE THE GREATEST CHALLENGES FACING THE INDUSTRY AND YOU?

How long have we got? We must reach more people further down the income bracket, be more transparent, ensure that each part of the chain adds value for money, and work out if the right products can be built for those in retirement. We must also work out how to address the mismatch between measuring risk as short-term volatility with the interests of long term savers.

As a fund manager, I must continue to demonstrate that my colleagues and I can still deliver performance for our clients. As a business manager, we must grow our business successfully - in a collegiate and friendly environment. My mantra is no egos, no politics and nice people.

WHAT WORRIES YOU?

There are always stocks on the worry list. In general, I am a pretty optimistic person and believe that economies, growth, progress and development happens. I don't worry about economies, I worry more about what goes on in financial markets. Financial innovation often leads to trouble, particularly when there is a mismatch between the short-term and the long-term. Look at the banking crisis - and where there is an illusion of liquidity, for example in CDOs and some ETFs. These have occurred since Noah set sail and doubtless will always.

WHAT ARE YOU PROUD OF?

Taking the Baring UK Growth fund from £10m and the fourth quartile to £330m and the top quartile as well as the success of the Schroder UK Alpha Plus fund. Also, individual trades such as making 10 times our clients' money in Reuters. The fact that others have said they have learned and developed in an atmosphere and environment I have helped to create alongside mentoring and developing younger people makes me proud. That, and my first salmon-en-croute.

WHAT ADVICE HAS SERVED YOU WELL?

When I started out in 1985, I spent a year in the bond department before moving into the equity department in my second year. It was there I was told to attend anything and everything whether it was a presentation or a lunch and absorb as much as I could - and I'm not talking about the abundance of refreshment available back then. I was encouraged to be curious and to try to understand different types of businesses so I would learn a huge amount and get lots of ideas. That advice has served me well over the years.

WHAT WAS THE SEMINAL MOMENT IN YOUR CAREER?

Receiving the Outstanding Contributor to the Industry at the Morningstar OBSR Honours dinner in 2012 and then being asked back the following year to speak about the things I had learned. I will look back on those moments in retirement - which isn't yet in sight.

WHAT VALUABLE LESSONS HAVE YOU LEARNED?

If something starts to go wrong, the first cut is the best. So if I start to doubt why I hold the stock, I sell it.

In 2013, I sold Aggreko at a loss in the same year I bought it and moved on. It was the right thing to do as the stock got worse. Last year I wrongly rode Rolls Royce down through several profit warnings before selling it.

I have also learned that it will nearly always take new management longer than they think to turn around a badly performing and badly run company. But there will invariably be opportunities if you are patient. Good examples are when Tony Hapgood went to Reed Elsevier in 2008, or Rupert Soames going to Serco - it needed more write-offs and more capital - it got worse before it got better.