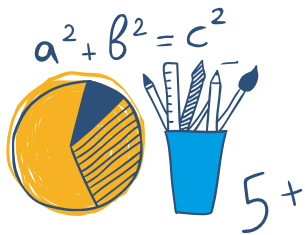


# TALKING WITH

Richard Woolnough, Fund Manager at M&G talks economics, career challenges and enjoying what you do with Richard Romer-Lee at Square Mile.

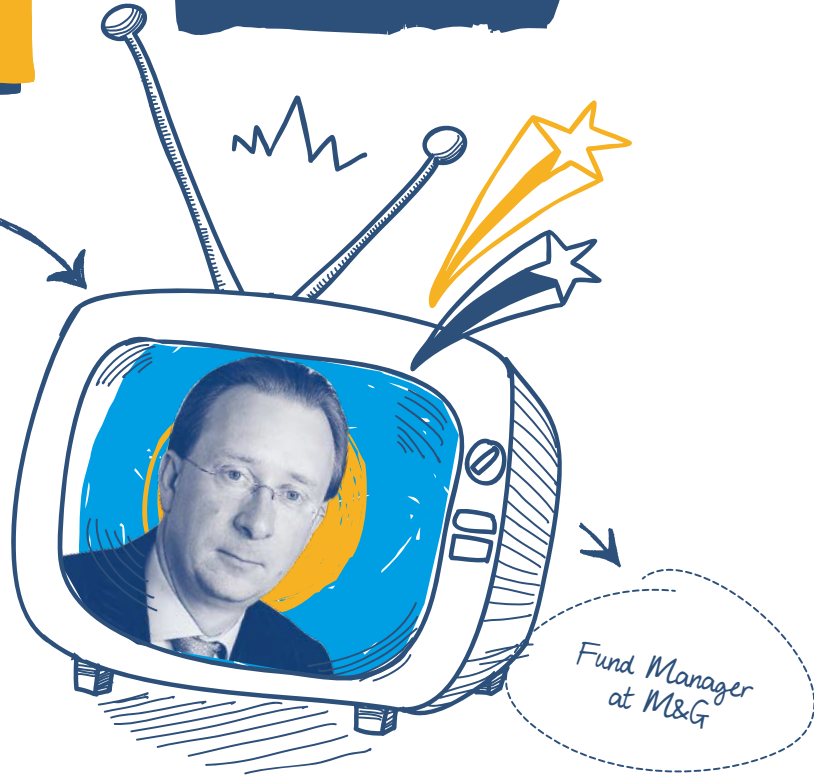


## Richard Woolnough



### HOW DID YOU GET INTO FUND MANAGEMENT?

I have always been interested in economics and grew up in the 70s when it was in the news every day. At school I was lucky to have a great economics teacher who really encouraged and inspired me. To me being a fund manager is about being a practical, practicing economist rather than a theoretical one.



### WHAT KEEPS YOU IN THE INDUSTRY?

I enjoy it. It's really as simple as that. Every day throws up challenges, from large macroeconomic events to small pricing anomalies, and working out how to make money from a constantly changing environment keeps the job interesting.



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

My most memorable moment was probably when Britain left the exchange rate mechanism. The second most memorable moment was when we joined. Both of these events dramatically changed the outlook for the UK economy and marked a turning point, each in their own right.

### WHAT DOES A TYPICAL DAY LOOK LIKE FOR YOU?

When I come into the office my first job is to look at the structure of the portfolios I manage to make sure they are positioned as I want them to be. I look at the UK bond market in the morning and then move on to look at the US in the afternoon once it has opened. Throughout the day I maintain a constant dialogue and interaction with the rest of the team. Everyone on the team specialises in different areas, so talking to those who are strong in certain areas where there is action that day or where I am worried about something can be really helpful. I like to think that there is no such thing as an "older" or "younger" guy on the team, as we are all learning together every day. I enjoy working with those who are a bit newer to the industry as they provide interesting ideas and are always prepared to challenge me. In a job like this you want to surround yourself with the kind of people who will point out the weaknesses in any argument.

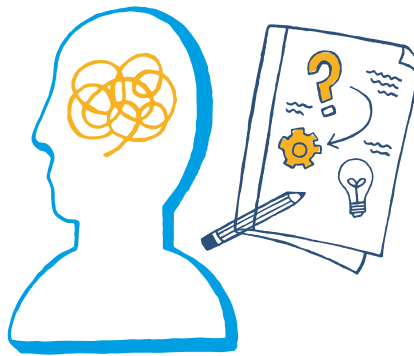
### WHAT IS THE KEY TO JOB SATISFACTION?

Do what you are employed to do. You have to provide the client with the assets they are expecting to own. That's doing a good job as a fund manager. If you do that then you won't be stressed when you go home at night because you know you have done your job properly. You also have to be a good communicator, both in terms of communicating with your clients and also internally.



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

Be prepared to take risks, and don't be conservative. I would also want to tell myself to trust my own judgment. You can't really do that when you are starting out though because you don't know if you have judgment. You only get it through experience and testing yourself.



## WHAT IS THE MOST INTERESTING MEETING YOU HAVE BEEN TO RECENTLY?

I always find it fascinating going along with our analysts to visit companies. We have some great analysts at M&G and I particularly enjoy watching them question company management. Often management will try to avoid certain questions but the good analysts keep on asking if they don't get their answers and watching them wheedle the information out of company management is always a treat. I find it really interesting when people in a given industry are challenged by those outside that industry. It can show how well people know their own businesses and, occasionally, can highlight where they are not being quite truthful. This kind of challenge can be particularly interesting during the more difficult times, for example during the financial crisis. I used to enjoy challenging people in this way when I was an analyst, but I mostly leave it to the specialists now.

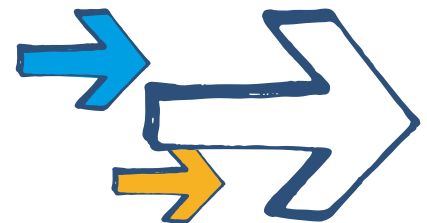
## WHAT MAKES A GOOD FUND MANAGER?

Interestingly, there have been some studies on this. According to the tests you need to be an extroverted introvert. Personally I think you have to believe in your own convictions. A successful fund manager will be able to walk that fine line between having his or her own convictions and making up his own mind, but also being able to listen to other people's advice and opinions. You also have to be able to change your view and not feel bad about it – that can be hard and it's where a lot of people fall down. In the end the most important thing is to believe that you are doing the right thing for your investors. Fund management is a funny industry and good managers tend to be much more in the public arena than most people. I just want to do a good job for my clients and at the end of the day I don't really care whether people know about it or not.



## WHAT HAS BEEN THE BIGGEST CHALLENGE IN YOUR CAREER SO FAR?

It was probably the financial crisis. In fact our portfolios did very well, but we were in unprecedented times and the challenge was to constantly keep thinking about things, reevaluating and looking forward to see what would happen next. The temptation, having had some good performance, was to close out all our positions and take everything neutral but that wouldn't have been the best thing to do for our clients. As every month passed we thought that things had got as bad as they were going to get, but of course most of the time they hadn't. It was difficult but you had to keep forcing yourself to look forwards at what could come next and not back at what had been.



## WHAT ARE THE KEY CHALLENGES FOR THE INDUSTRY GOING FORWARD ?

One of the biggest challenges is getting people to realise that investment involves, and will always involve, risk as well as reward. In the past banks have taken on risk and given their customers a risk free return. Those days are over and we can't expect that to happen going forward. As an industry we need to provide an alternative to the banking system in a way which clients will understand, so that investors can invest their money to get the returns they desire. Investors will get there, but it's going to be hard.



## What is the most important lesson that you have learnt in your career so far?

It is probably to admit when I am wrong about something. It is very easy, if a position falls a long way, to see it as being cheaper and hold on. Often that is not the right decision for investors though, and sometimes it is better to just sell and move on. I now just assume that wherever I sell is the bottom – that way I can reconcile myself to it and move on to the next investment. I find it helpful to ignore my current position and ask myself whether I would invest today if I didn't already have a position. Would I buy it at this point? If the answer is no

then it raises real questions about why I own it. You can't think about how much something has fallen or you stop being rational and become emotional. It helps to have a team around you at times like that as they can detach you from the situation, at least to some extent. It's much easier to make rational decisions when you are not directly involved. I guess I have learnt that nobody is going to be right 100% of the time. Don't be greedy – if you are right the majority of the time you are a winner.



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