

TALKING WITH

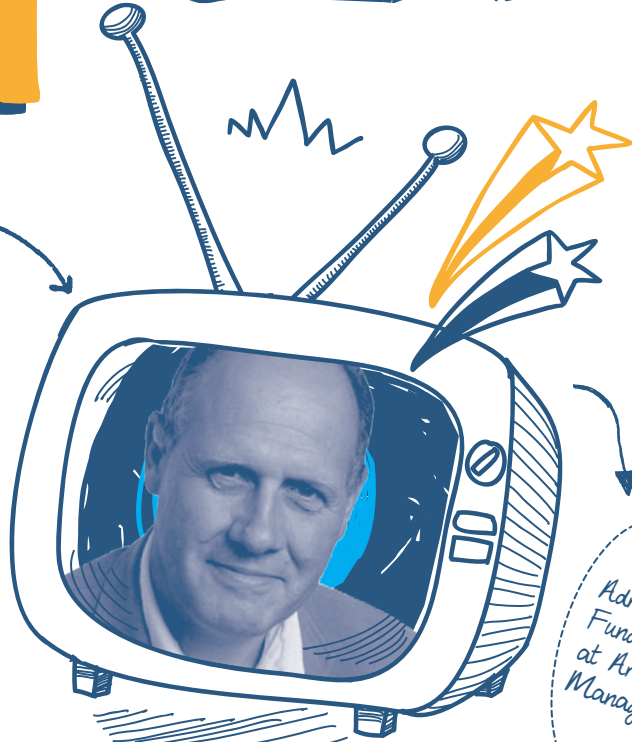
Adrian Frost

Adrian Frost, Fund Manager at Artemis talks career, industry, family life and hemlock with Richard Romer-Lee at Square Mile.



HOW DID YOU GET INTO FUND MANAGEMENT?

Totally by chance. Both my parents were teachers and I had no business experience (some might say I still don't). I had a couple of interviews with blue chip companies but to no avail. So I took a job with Hedderwick Sterling and Grumbar, a medium-sized stockbroker. The senior partner was James Hunt's father. They merged with Quilter Goodison, but I went to Kitcat & Aitken. That didn't work out as my boss was fired. I then joined Andrew Weir & Co, a private shipping company, and again my boss lost his job. Luckily he helped me get a job at Morgan Grenfell.

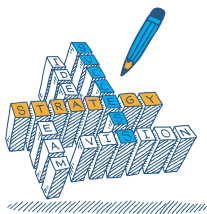


Adrian Frost, Fund Manager at Artemis Fund Managers

My big break came when one of the fund managers, Steven Kirrage (Nick's father), left. As I had more experience, less hair and at the age of 25 I looked as though I had seen at least two bear markets I was given some pension funds to manage, on behalf of, for example, Texas Instruments and Ford Motor Co., where I reported to Ben Wallace's father.

HOW DO YOU MAINTAIN YOUR DRIVE?

Nils Taube used to say that investment was a bit like doing a crossword you knew you would never finish. I feel the same – I keep learning and sometimes you answer more clues and get rewarded, sometimes you don't.



At the moment we are at a chapter in stock-market history which is not necessarily the most profitable, but is definitely the most intriguing. If I left tomorrow, and I am not going anywhere, it would be when markets have been the most interesting they have ever been. I am not talking about market levels, it's about companies themselves.

WHAT MAKES A GOOD FUND MANAGER?

Bandwidth – the ability and the instinct to find stuff out and absorb lots of information, to know what's relevant and to discard the stuff that isn't. Common sense too – it is so underrated. We are all guilty of trying to be too clever. How many times have you said "I should have known that"? I remember meeting an executive of BP in Scotland whilst on holiday fishing, and within 10 minutes I had filleted him for information. It's instinctive.

WHO HAS INSPIRED YOU?

The classic answer would be Warren Buffet but not for me as I am not sure how much he can tell me about the way the world is changing and that is what interests me. In practice I beg and borrow from a whole lot of people and I can always learn more. I read the reports written by some of my contemporaries, the likes of Nigel Thomas and Nick Train. Leigh Harrison inspired me recently on a trip to the battlefields in Europe. I was taken by his whole attitude – he was relaxed and calm – and I thought I should learn from that. It wasn't until a couple of days later I realised he had just resigned.

WHO WOULD YOU LIKE TO MEET FROM OUTSIDE THE FINANCIAL WORLD

Given the choice I would prefer to meet some people from the 'engine room' of the big disruptors – Apple, Google, Amazon etc as I am sure that it would give me a better sense of where the world is going whereas in the financial sector I might hear too much about where the world has come from.

WHAT ARE THE BIG CHALLENGES FOR INVESTORS?

What to throw out as you will never need it again. At the last Bank Holiday, I threw out enough redundant electronic equipment to fill a whole room. What big companies should I throw out for the same reasons and what to replace them with? That's the big challenge. My instinct is that there will be more changes in the line up of the FTSE100 over the next 5 years than in any comparable period.

WHAT'S THE BIG CHALLENGE FOR THE INDUSTRY?

That's a difficult one, as the need for returns takes you to the riskiest asset class – equities – at a time when we have endured the biggest distortion to the risk free barometer ever seen. Perhaps for stock pickers it is trying to avoid this distortion, or indeed its reversal, overly affecting the portfolio. In the same vein, being an active manager some days makes you feel like sloping off down to the pub and ordering a bag of crisps and a pint of hemlock (I must remember to eat the crisps first) but then again I think that longer term the odds are in our favour – forget the hemlock.

WHAT IS THE BEST ADVICE YOU HAVE BEEN GIVEN?

What sticks in the mind is when I had just started working, I bought some shares – I had no money – and lost money. I therefore had a bigger overdraft. Someone told me “when you've got it, it's easy to make money; when you haven't, it's not”. In other words, wait until you have some before trying to make some more. That taught me about margin of safety and the upside and downside of consequence.

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WHAT ADVICE WOULD YOU GIVE TO SOMEONE STARTING OUT?

Notwithstanding the qualifications and hard work, be true to yourself. Plenty of what we do is instinctive. Investment is as much an art as a science. You need technical and natural abilities, and the right balance between them. And above all recognise that for all the good parts of being a fund manager, you need to be aware you can be measured over any time and have the mentality to deal with it. There are not many jobs like that. There will be times when your numbers will look sick, in the short term and longer term, so you need to be sure you are good at it. Oh yes and a decent portion of commonsense comes in handy.



WHAT HAS BEEN THE BIGGEST CHANGE YOU HAVE OBSERVED OVER YOUR CAREER?

The speed of information has caused a big change. We are becoming more and more accustomed to shocking news and are able to analyse and assimilate it quickly. Often things that feel like a game changer at the time turn out not to be – for example the 1987 crash or the Barings crisis.



WHAT WAS THE SEMINAL MOMENT OF YOUR CAREER?

During 1984 and 1985, after having got off to a faltering start in the City, it was when I realised I had stumbled across something that really suited me. I went from a no-hoper to being a Director of Morgan Grenfell at 30 and really enjoying my job.

WHAT'S THE MOST REWARDING PART OF YOUR JOB?

Identifying a trend or thesis which proves correct, although they never play out perfectly. This can be either by backing something or by avoiding it (I don't short). For example, five years ago everyone was pressing me as I did not own the likes of Tesco when many people did. I knew where I thought traditional retailing was headed and was right to back my judgement. I have learnt that when I am wrong (frequently, all too frequently) I try to find out what I didn't understand or where I was not looking. There is always so much more to learn - that crossword thing again!

HOW DO YOU RELAX?

I am the Frost family chief cook and bottle washer. My wife is a dedicated consultant obstetrician and we have six children, so the humdrum of domestic life is all encompassing. A round of golf the way I play would take about six months and my hips and knees have voted against anything too active now. I am no musician, but I am a big music goer when I can. I like all sorts – this year I have seen two Handel operas, a Mahler symphony, ELO at the O2 and been to the Cambridge rock festival. I also took four of my kids to Glyndebourne just the once so they could see it done properly. It's up to them now. I have my dog too – a German shorthaired pointer – who does not have access to Lipper but can always tell how my fund is performing! The border terrier doesn't seem that interested – a passive investor perhaps?

WHAT CAN THE INDUSTRY DO BETTER?

The industry lets itself down sometimes by how it communicates with investors. Too many times reports look like they are the product of scissoring and pasting. It does not take long to write a report to explain to clients what you are trying to do and what went right and wrong. I believe by being thoughtful and accessible it will gain their trust.