

TALKING WITH

David Keir

Talking stock analysts, small businesses and golf with David Keir, Head of Research, Saracen Fund Managers and Richard Romer-Lee, Square Mile



WHAT IS YOUR JOB?

The great thing about working in a small company is everyone does a bit of everything. When I joined Saracen I was Head of Research and then became co-fund manager of the Saracen Global Income & Growth Fund in May 2014. In January 2017 I became Executive Director of the business, so I guess I have three roles here.

HOW DID YOU GET INTO THE INDUSTRY?



I've always been good at maths and my interest in the stock market was spawned from buying penny shares as a child. We started as a family 'punting' these penny shares, but we were awful at it and lost loads of money. I went to university and got a CA (Chartered Accountancy qualification). In my fourth year at university I had a job at KPMG. It was a great experience, but I realised it was not for me. I found it tedious just crunching numbers. One of my colleagues at KPMG, Pete Cockburn, joined Edinburgh Fund Managers. We kept in touch and I observed that he worked hard and really enjoyed what he did. I was interviewed by Alastair Currie at Edinburgh Fund Managers, got offered a job, and Graham Campbell (Saracen's CEO) was my first boss.



David Keir, Head of Research, Saracen Fund Managers

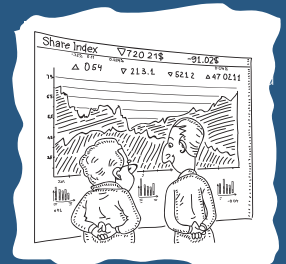
WHAT MAKES A SUCCESSFUL STOCK ANALYST?

Understanding what you are trying to do. An analyst's job is to understand a company and work out what it is worth. People can get caught up in the noise. Instead you need to take a step back, look at a company, do the financials, look at the accounts and pull everything together in a succinct manner.

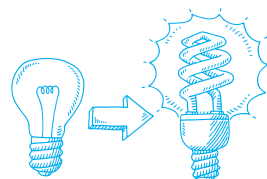


WHAT ADVICE WOULD YOU GIVE TO AN ANALYST STARTING OUT?

Take a long-term view and do the hard yards. You must have framework and the patience to stick with it. The market has changed massively, and markets move much quicker on hedge fund money, passive money and ETF money. It is creating more opportunities.



HAVE YOU CHANGED YOUR PROCESS OVER THE YEARS?



No, but it has evolved. We sit down every year and look at what worked well and what can we do better to refine the process. We are completely open-minded to evolving things, but are totally against changing fundamentals, as we believe it works.

WHAT LESSONS HAVE YOU LEARNT?

It is still surprising you can find companies that are materially undervalued. There are lots of examples from the Saracen Global Income & Growth Fund, of businesses where the earnings keep growing.

In the market dislocation of Jan-March 2016 we were able to buy Apple, LVMH and JP Morgan at knock-down prices. Apple for example was priced at just \$95 having fallen at a time when the market thought the world was ending. It was a very uncomfortable purchase as the share price was going down every day. Amazingly a year and a half later nothing has changed, yet the price is \$160. How can the largest company in the world be mis-valued by so much? The lesson learned is that if you do the groundwork you will be much more confident at buying the stocks.

You must also follow your instinct. The key is if you have a long enough holding period and if it is a good business with a good management team then it can turn around. People lose sight of what it's all about – find great companies, buy cheap and sell expensive and you make good returns for your clients.

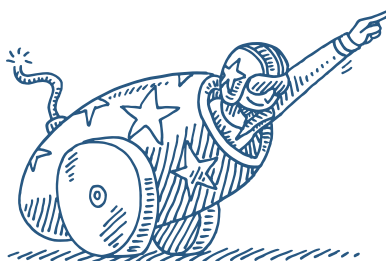
WHAT GOOD ADVICE HAVE YOU BEEN GIVEN?

To complete my CFA level 2. Read as widely as possible and go out to the real world and speak to people. It's far too easy to do everything from your desk using the internet. Ignore the noise – the beauty of Edinburgh is you're away from a lot of the noise, but you get access to everything.

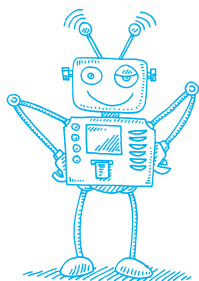


WHAT IS THE MOST EXTRAORDINARY THING YOU HAVE SEEN?

When I consider what my investment career has spanned, it's been remarkable. I started at the tail end of the TMT bubble, saw the 9/11 attack, the gulf wars, the credit crunch and recovery and the unconventional economic policy. It has been an incredible journey which stands you in good stead.



DO YOU THINK IT IS GOING TO CONTINUE TO BE EXTRAORDINARY? WHAT SHOULD WE BE LOOKING FOR?



There are so many great trends going on: new technology, dislocation. We live in a fast-changing world that is absolutely fascinating – robotics, AI, blockchain – there is so much going on, which makes it a fascinating job. It is trying to work out who benefits and who loses.

WHAT IS YOUR BIGGEST FEAR IN MARKETS?

In general terms, a policy mistake that leads to a recession. At an industry level it is getting harder for small businesses thanks to MiFID II, fee pressure, GDPR. It is more difficult to get their voices heard – an unfortunate trend at the moment, not helped by small businesses being pulled down with regulation.



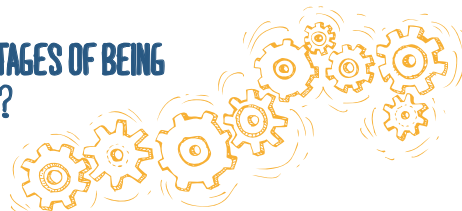
WHAT DO YOU DO TO RELAX?

I have two young children I spend a lot of time with. Weekends are spent doing stuff with them – horse riding, golf, football, rugby. We have a very active family life.



WHAT ARE THE ADVANTAGES OF BEING IN A SMALL BUSINESS?

We own the business, we invest in the funds, so everything matters. There's no bureaucracy, no meetings for the sake of meetings, which allows us to do our day jobs. You are hugely motivated by everything you do affecting the business, the funds and ultimately your livelihood.

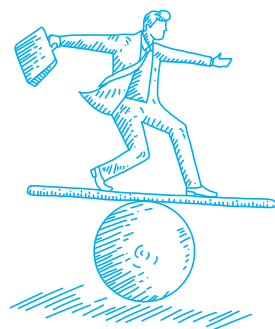


IS THERE ANYTHING YOU MISS ABOUT BIGGER COMPANIES?

Resource and the comfort blanket of lots of assets. But you are a cog in a wheel and it's harder to make a difference.

WHAT ARE THE CHALLENGES FOR INVESTORS AND THE INDUSTRY?

The biggest risk for investors is getting used to returns they will not be able to achieve in the future. Positive returns from bonds and equities isn't the norm. In the industry there are all sorts of challenges – including regulation and pricing.



IS ESG BECOMING MORE IMPORTANT?

Corporate governance is vital. ESG is becoming much more important. It will become a prerequisite and people will need to take it much more seriously. It's unknown if it will help people make more money.

WHO HAS INSPIRED YOU?

I was inspired as a child by sporting heroes – Andy Irvine (rugby), Willie Miller (football).



HAS THERE BEEN A SEMINAL MOMENT IN YOUR CAREER?

A few times I have been offered opportunities to work at other places – and I've turned them down. My decision to stay was fantastic. The grass is not always greener on the other side. One of my biggest claims to fame was when I was 9. I was the youngest person in the UK to get a hole-in-one. It was on the 10th hole at Strathpeffer golf course in the north of Scotland. It was captured on cine-film, but it was a terrible shot. Plus I was playing on ladies tees, so my friends said it didn't count.