



## Our guest: Ignis Asset Management

Scotland is ranked as the fourth largest financial centre in Europe with total assets of more than \$700 billion, including more than \$370 billion in equities.

*Ignis Asset Management (previously called Resolution) is the largest investment management institution in Glasgow, running assets of approximately \$100 billion. Tracing its roots back to 1899, the group emerged following the acquisitions of Scottish Mutual, Scottish Provident and Abbey National Life. Today the firm runs pension and insurance accounts as well as mutual funds. Alison Porter is co-head of US equities at Ignis Asset Management. She has been following US equities since 1995.*



### What changes have you seen in the investment management industry?

"When I started, in the pre-Enron era, the trend for conglomerates and earnings management and manipulation was much higher. Today investors are no longer prepared to pay up for these types of stocks. The conglomerate premium has gone. Fund managers now are more discerning and prefer pure plays. People pay less for management than they did before.

But the biggest change is the internet. When I started in 1995, we still got morning faxes with all the news flow. So news flow now is quicker. I can now look at a company's business on their website. You can do more from your desk now. You can see a company's presentation or listen to the webcast even if you didn't attend the conference."

### What's the difference being based in Glasgow rather than Edinburgh or London?

"We see all the same people in Glasgow as they do in Edinburgh. Compared to London, we get more one-on-one access. London tends to have more group meetings. We are very proactive about getting calls with companies. If companies come to London we often do a conference call. We also come down to London to meet companies."

### Do you split sectors on the US desk?

"Yes. There are four of us on the US desk and we split sectors. We don't purposely rotate sectors but we try and strike a balance taking advantage of the industry expertise we have on the team, while also keeping things fresh.

### How would you describe your investment style?

"Active managers and conviction investors. We describe it as bottom up with a thematic overlay."

### What is your "Active Share"? (the measure of the divergence in the portfolio versus the benchmark index. Indexers have low Active Share ratios.)

Our Active Share figure is generally >70%. We are quite comfortable to have no weighting in a stock even if it is a large constituent of the index. If you look at the top 10 names in the index, at present we only own half of them. We're not anti-large cap but where we can find something better or if we don't like stocks, we don't own them. It's part of being conviction investors."

### Average holding period?

"We are very target price driven. We set a target price and that dictates our holding period. We look at the next forecastable earnings period and that would be looking forward 12 – 18 months. Many stocks we've held for many years though. Some stocks we've held for shorter periods."

### Do you screen stocks?

"We have our own proprietary model. It's a mixture of valuation, growth quality and momentum metrics. We don't rely on it exclusively because our experience and stock picking are our key drivers. We use it as back up when we are looking at key themes and as a check on areas of opportunity that we have overlooked during our fundamental analysis."

### Has the credit crunch changed your investment style?

"The main change is to the earnings momentum style as today I think there is less focus on this area. In an environment where we think all earnings are sharply negative, it becomes much more relative. Earnings visibility and stability becomes much more attractive. Dividend yields and balance sheets are much more important than they were a year and a half ago when debt was very cheap."

### Market cap constraints?

"It depends upon the fund to some extent. We really look at liquidity rather than market cap. However, we rarely look at anything with a market cap of less than \$1 billion. The mid cap arena is our sweet spot – so between \$3 and \$12 billion."

### Favourite sectors in the US?

"We generally look at things from a bottom-up perspective. But we like healthcare and we are warming to financials (ex banks) and consumer discretionary."

### Which sectors don't you favour?

"We don't have any big sector mismatches just now but we are less keen on utilities."

### Favorite companies?

"Within healthcare, one of our largest holdings is Baxter International which we've held for a long time. They've got structural margin improvement opportunities, good pricing power which, in a deflationary environment, is very rare. And better than average earnings visibility at

what we think is close to market multiple. Within health-care, Biogen Idec is another name that we like. Also, we are starting to build positions in some of the home builders.”

**Which companies aren't you favouring?**

“Banks and utilities which still have heavy capital raising requirements. This year is going to be characterised by many companies focusing on rebuilding balance sheets and cutting dividends and we are not going to see a lot of share buy backs. The importance of the equity investor appears to have been demoted in the eyes of company management who are very much focused on balance sheets.”

**How do you measure your performance?**

“For our pension and life funds, we benchmark against the S&P 500. For unit trusts (mutual funds) – against our peers.”

**How many US companies do you meet a year?**

“We try to meet as many companies as possible between Glasgow, London, across Europe and on trips to the US. As a team we see over 400 companies a year.”

**Best companies at IR?**

“Michael Sullivan at Intel was excellent. He set up a post quarter European investor conference call which was a great idea. If you participate in the US conference calls, the sell-side analysts dominate the Q&A so it's really difficult to ask a question. Intel pioneered a call for European investors with the CFO and senior management. That was very useful.”

**Who do you prefer to see?**

“I prefer to see the CEO or CFO but it depends on the IR person and the roles that they've had within a company and how strategically involved the IR is at that company. For example, Melissa Plaisance, who's at Safeway, has been there a long time and she has a crucial role within the company so she's equivalent to meeting the CEO or CFO but that's not always the case. The standard of IR varies quite widely.”

**Tips for US companies visiting Glasgow?**

“While we are very performance focused we certainly don't have a hedge fund mentality. We would differentiate ourselves by saying when we do have the opportunity to meet the CEO or CFO we are very cognisant of the fact that we have senior management's time and we do want to understand the strategy which is more about longer term trends rather than what's happening in the quarter.”