

TRANSCRIPT: EPISODE 4

16 May 2019 (pre-recorded 24 Apr 2019)

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[INTRODUCTION]

**Ryan Lightfoot-Brown (RLB):** I'm Ryan Lightfoot-Brown from FundCalibre, joined today by Ken Wotton manager of the Gresham House UK Multi Cap Income fund, which sits on FundCalibre's Elite Radar. Thanks for joining us Ken.

**Ken Wotton (KW):** Good to be here.

[INTERVIEW]

[0:18]

**RYB:** How would you describe your job to someone outside of financial services?

**KW:** It's a difficult question. So I'm a fund manager, which my children used to think meant fun manager, so they thought I had a lot of fun at work.

I guess the job of a fund manager is to sit between people who are saving money for retirement or for whatever other purposes they have and helping them to invest it into opportunities that can give them a decent return.

From the other side of it, it's trying to provide capital to smaller companies that are going to use that money to help them to grow and to helpfully create jobs and create tax revenue and contribute to the UK economy.

[1:00]

**RYB:** You started out as a chartered accountant, what made you change careers and how does that background help you as a fund manager?

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**KW:** Chartered accountancy is a fantastic grounding in business, it's a really great training, lots of variety, you meet a lot of companies, you understand how they work, but it was never something I sort of anticipated doing as a long term career.

When I moved careers from being an accountant I initially went into the city as an equity research analyst, so advising fund managers on what they should invest in. I quickly realised that the interesting bit was actually doing the investing rather than advising people on what to do.

[1:40]

So I became a fund manager, in small companies, really because it's fascinating. It's really great to meet interesting entrepreneurs and business owners who are really driving their businesses forward and creating something. And while it's intelligently stimulating it's also rewarding to see those companies grow over time. I also like the competitive element of it, where you're trying to beat your peers in terms of performance.

[2:09]

**RLB:** You launched this fund in June 2017, why did you decide to launch it? Why make a multi cap fund instead of a micro, small cap fund, a bit like your Elite Rated Gresham House UK Micro Cap fund?

**KW:** So we launched the Gresham House UK Multi Cap Income fund in June 2017 and really we'd seen what some of our direct competitors had done and where they'd successfully transitioned from smaller companies funds into this type of product but we felt we could do a similar thing but using our own sort of differentiated investment process.

[2:46]

But what doing a multi cap fund enables us to do relative to keeping it small cap, is it allows us to follow some of the companies we've known for a number of years and the management teams we've built relationships with and as those businesses matured it's perhaps the potential returns from those companies start to skew more towards income as part of the total return than capital growth then we're still able to have a fund where we can continue to back those businesses over a longer term.

[3:13]

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**RLB:** Both yourself, the team and the company have expertise in engaging with those businesses we mentioned before they get a listing and become companies anyone can buy the shares of. What edge does this give you and how do you go about it?

**KW:** Our business and our funds originated within a private equity business so my investment, sort of, education has been part of a private equity firm and that means that the way we think about analysing companies is just a little bit different than most other public fund managers.

We place a lot of emphasis on our network and trying to find experts that we know within our wider network that can help us to evaluate companies or reference people or business models. That goes to finding businesses potentially before they're listed, building relationships with them so that when it comes to them doing an IPO or to AIM or onto the London Stock Exchange, we're already quite far up the curve in terms of our research and we can already validate the track record of the management team, which is something other public fund managers find more difficult to do because they haven't had the experience with those companies beforehand.

[4:19]

**RLB:** Have you had any surprises or learn anything new since launching the fund?

**KW:** I think launching an income fund was interesting in that the complexity of managing an income account alongside trying to deliver capital growth, is probably greater than I first anticipated. It's been really interesting to work out the best way to do that.

I guess it's been a nice problem to have but because the capital growth of the initial portfolio when we launched the fund was really quite strong in its first year, it actually meant that we had yield compression in a number of the stocks that we held. So in order to achieve an attractive yield target for the fund overall, we had to probably rotate the portfolio a little bit more than we anticipated initially.

So the returns have been strong but we've had to do a bit more work on generating the income than maybe we anticipated when we first launched it.

**RLB:** Well Ken, thank you very much that's been really interesting and thank you for listening. I've been Ryan Lightfoot-Brown, if you'd like to listen to more of our podcast please subscribe to FundCalibre.