Event Review

Multi Asset Class Investment Strategy Workshop, London, 4–5th December, 2006

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I was looking forward with interest to attending this event as I knew that Guy Fraser-Sampson had previously run it over one day in Paris, and had heard good things about it from people who attended. The content is of course based upon his best-selling book and I must declare a slight personal interest in that I was one of the early reviewers of it, and was happy to provide an endorsement for the cover.

When I read the book I was struck by how very different it was in its approach. Of course, I had studied traditional portfolio theory like everyone else, but this book seemed to be standing the old ideas on their head and looking at things in a completely new way. In particular, his analysis of the nature of risk, and how this should be geared to the particular circumstances of individual investors was original and compelling.

Writing a book is one thing, but turning it into a two-day workshop is quite another. Could he rise to the challenge of spreading the content across two days of verbal presentations without losing the attendees' attention? Would he be able to strike the right balance, given that the book contains no less than three chapters on risk? Would he be able to pitch things at the right level to accommodate an audience of wildly different levels of financial sophistication (he told me during the coffee break on the first morning that at his recent workshop in Paris a couple of people had never studied finance at all at any level, while at least one attendee had a PhD in some frighteningly technical branch of mathematics).

Briefly, I felt two days later that all these questions had been answered in the affirmative, but let me explain this more fully.

The content was drawn for the most part directly from the book, although there was quite a lot that was new, particularly when the discussion turned to the various individual asset classes. It turned out that he was knowledgeable across a very broad range of investments, even though there apparently had not been room to consider these in the book. For example, he gave a fascinating session on new developments such as structured products, exchange traded funds, 'death derivatives', etc and in each case had at least one interesting insight and some good practical advice.

Several particular topics were dealt with by visiting speakers and these had clearly been well planned and scripted in advance. As promised, there was no overt selling, and an effort had obviously been made to provide a truly informative and insightful view of each area: property, hedge funds, private equity, etc. Incidentally, I thought the decision to have private equity covered by a guest speaker when Fraser-Sampson is widely recognised as one of the world's leading experts on the subject himself was an amazingly modest gesture.

Overall, the balance was about right. The three chapters on risk had been cut back to two sessions, and an additional session was introduced specifically on how asset allocation happens in practice, which incidentally provided some fairly shocking insights into current practice among European pension funds. I had forgotten, for example, that the average UK trustee spends just

4 h a year discussing investment matters according to the NAFI, and that private equity and hedge funds together (both areas in which I have a professional interest) accounted for just one per cent of UK pension plan assets.

There was also a session on correlation, which does not appear separately in the book, and I felt this was a particularly good idea. Indeed, the workshop made explicit far more so than in the book that correlation, 'risk' (however you define it) and liquidity are the three theoretical building blocks upon which the whole of investment theory should rest, and which seem in particular to favour a multi-asset class approach.

The issue of possible difference in knowledge bases was also well handled. His approach is wherever possible to avoid formulae and to argue instead from real life, everyday images. The idea of a train journey is already used in the book, but I had no idea that things such as vasectomies and renaissance painting could be used to illustrate facets of investment theory and practice. Thus, when a formula did appear (and there really were very few) it had already been explained what it was representing and what it was designed to do.

Of course there were a few quibbles, and I think these arose mainly out of this having been the first time that this two-day format had been attempted. The explanation of weighted vintage year returns should definitely have appeared earlier, as it would have made the risk calculations easier to understand. Also, there was a general feeling that there should have been more discussion of LDI and that this too might happily have occurred a little earlier in the programme. These are, however, 'quibbles' in the true sense as overall this was an excellent event.

Apart from the content itself, which was consistently very good, the main reason for this was Fraser-Sampson himself. I have been taught by many people during my lifetime, but he is in a class of his own. He is fluent, informal and amusing and has a natural talent for making a complex subject seem both approachable and interesting. I noticed that he did not seem to be using any notes and when I asked him he confirmed this was indeed true. Given that he gave 12 of the 16 sessions himself, and that I

cannot remember him once saying either 'um' or 'er' over a two-day period, I thought this was a staggering achievement.

Attendance was a mix of pension funds, investment managers (both retail and institutional) and pension consultants from various countries, some of them quite unexpected, such as Liechtenstein and South Africa. Obviously being with a relatively small group of people over a whole two-day period offers a very different level of networking to, say, a conference, and the opportunity to build relationships and discuss things in detail was definitely a valuable experience. The atmosphere was more like a summer school, and everyone seemed very happy to open up about the circumstances of their own particular organisation. I would like to make this point specifically, since I cannot remember it appearing in any of the marketing material for the event, and I felt it offered a valuable benefit totally distinct from the learning experience of the sessions themselves.

I believe we need more events like this, if only to combat the stranglehold which traditional but now largely discredited views seem to exert on pension fund thinking. It was instructive, for example, to learn how differently North American pension plans view the concept of 'liability driven investment' and how strikingly dissimilar is their asset allocation. One of my New Year's resolutions will be to try never to refer to alternative investments again without inserting the caveat 'so-called'.

I understand that there are plans to repeat the workshop in other locations during 2007 including New York, Stockholm and Dubai, and also to add a one-day workshop specifically on private equity. I'm told by the organisers that these will incorporate the few changes that were suggested by attendee feedback. Whatever the case, if my experience in London is anything to go by, they will represent a first class opportunity for others around the globe to see Fraser-Sampson in action and hear what he has to say.

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