

Meet the managers

PETER BENTLEY AND ADAM WHITELEY
FROM INSIGHT INVESTMENT



Peter Bentley



Adam Whiteley

Peter Bentley is head of UK and global credit at Insight Investment, which he joined in 2008.

After studying economics and econometrics at Nottingham University, Peter began working life as a graduate trainee at the Bank of England (BoE) with his four-year stint culminating in the role of supervisory manager, regulating gilts and money-market institutions. After this broad exposure to finance, Peter decided he wanted to pursue a career in fund management and in 1997 he joined Schrodgers where he deepened his interest and knowledge of investment management, including completing the industry exams. He then moved to specialise in fixed-income fund management via roles at Morley (now Aviva Investors) and PIMCO, before he joined Insight in 2008.

Adam Whiteley has been a portfolio manager at Insight since 2008, having started at the firm 18 months earlier as a credit analyst on the graduate training scheme. He also studied economics at Nottingham University.

Peter and Adam have been working together since 2008.

What appealed about studying economics?

[ADAM WHITELEY] Economics brings together the 'real world' and academic theory, as well as how markets and economies behave and interact. The 'real world' is not black and white and exhibits much more of a spectrum.

At university, the behavioural module particularly interested me – how people's decisions are influenced by social, behavioural and psychological factors. It's not the 'right answer' that generates returns rather what the market as a whole believes is the 'right answer'.

When it came to fund management, having done macro and microeconomics, my skill set was suited towards credit. I look at companies from a bottom-up perspective, while at the same time being aware of what's going on in the bigger picture.

What attracted you to fund management?

[ADAM WHITELEY] Fund management looked like it was a good mixture of intellectual challenge and interest as well as offering a good work-life balance. One of the great things about fund management is that there is always something new to get to grips with.

[PETER BENTLEY] For me, the appeal of fund management was the intellectual stimulus and variety. In the credit markets, you are looking at dozens of different permutations and combinations of investment strategies and so the variety is almost endless.

Starting out, bond markets attracted me because they provided an opportunity to apply what I'd learned in mathematics and economics. I found equity markets

tended to be a bit more 'story based', which I found less appealing. Also at an early stage in my career, I got a sense that bond markets were a growth area and there were more opportunities to push the boundaries of something new and make a different contribution.

What was it like beginning your career at the BoE?

[PETER BENTLEY] Without wishing to sound flippant, it was like a 'finishing school' in finance. I gained significant exposure to important people, such as the governor and senior BoE directors, as well as chief executives and finance directors at major financial institutions. Besides learning to brief senior people, it taught me how to analyse markets. At this early point in my career, I got a sense of the big picture stories rather than the narrow focus of many first jobs. I was there for the collapse of the UK's Barings Bank in 1995. It was an example of financial risk management gone wrong and illustrates how things seemingly taken for granted in terms of risk can quickly turn against you. And I saw how it affected the institutions – the discount houses, the money-market and bond counterparties of the BoE – that we were regulating.

What led you to specialise in corporate bonds?

[PETER BENTLEY] Corporate bonds were expanding and developing quickly in the late 1990s – they went from being relatively sleepy to clearly at the leading edge of innovation.

Since then the types of bonds issued have broadened, as have their characteristics. At the same time, there has been a big globalisation of markets and an expansion in the use of derivatives.



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Meet the managers

Derivatives are an extremely useful tool. They allow you access to investments and exposures that may not be available in the cash market if there's not the right maturity of bond. You can move quickly and effectively in and out of different credit markets as well as hedging out risk you don't want in the portfolio. However, like any investment, if you invest without full knowledge and scrutiny, they can be dangerous.

What was it like starting out shortly before the financial crisis in 2008?

[ADAM WHITELEY] Starting before the financial crisis gives me a slightly different perspective. I was not pre-programmed to think: 'this is what happened last time'. You can go through a whole career and not experience a crisis like that.

What stands out in my mind from that time is how rapidly events can unfold. I was struck by the speed at which large institutions can unravel. The ripples continue to be felt even today.

The experience taught me to expect the unexpected and not to assume that relationships will hold constant.

What was your impression of the financial crisis of 2008?

[PETER BENTLEY] No one expected it to be as major as it was. But it was certainly a useful grounding in risk management. Everyone who came out the other side is stronger and better for it.

It was a classic lesson in managing risk effectively, as things that seemed like minor risks quickly developed into major risks. It showed how assumptions on relative value and correlations between seemingly closely related asset classes were able break down quite quickly.

The main thing I learned was to do with hedging – offsetting risks in one area of a portfolio with short positions in another area. In normal market

conditions, you may look as if you're flattening that risk but you still need to budget for it. It is something that needs to be very carefully managed.

In a sense though, the 2008 crisis was a kind of career highlight in that it was distinct and memorable and helped me to learn a lot.

Although the credit crisis of 2001/2002 was not on the same scale and was characterised by frauds and defaults, it taught the lesson you need a whole range of instruments to assess credit worthiness apart from traditional ones. It pays to exercise a healthy degree of cynicism about anything that looks to be too good to be true.

In terms of risk management what do you keep foremost in your mind?

[PETER BENTLEY] No risk measure is the right one and risk management is more of an art than a science if you are doing it properly. It's dangerous when people say they have a perfect risk management model – it always goes wrong. Be broadminded and look at lots of different ways of investing and assess the risks you're running.

[ADAM WHITELEY] I'd agree there is no single risk measure that is correct. There is a need to look at a variety of different risk metrics and at the picture that this combination creates to determine what's really going on. It is useful to have a combination of what market pricing is currently telling you alongside what history reveals.

What shapes your investment style?

[ADAM WHITELEY] I have to process a large amount of information and assimilate key drivers, while stripping out the noise of the market. That allows me to frame a series of outcomes to help guide the possible returns we might realise.

If you don't understand a company, its product and the management or simply

why markets are behaving the way they are, then that is a warning sign that you should be staying away and not taking any risk. Poor governance is definitely an alarm bell.

In the credit sphere, you need to be aware both of what individual companies are doing and also what the macro picture looks like. Is central bank action outweighing corporate fundamentals? Is a company producing enough cash to pay interest on its bonds? Is it carrying too much debt? What risks are they exposed to? The threat from technology, for instance.

[PETER BENTLEY] My approach as a fund manager is to use the broadest range of tools and instruments and markets possible in order to best meet the type of mandate I'm trying to run. I keep a relatively open mind as to the best way of achieving what a client wants, while always being conscious of risk management, in particular scrutinising idiosyncratic risks.

Also I'd emphasise learning about new instruments and assessing new opportunities; being reasonably self aware and humble is an approach to life that can also be applied to asset management. That and not taking things for granted.

What do you like to do outside of work?

[ADAM WHITELEY] I enjoy watching rugby, football and motor sport. In fact, any team-orientated sport.

A few years back, I did an ironman triathlon in South Africa with a group of friends raising money for Macmillan Cancer Support. The camaraderie was fantastic.

[PETER BENTLEY] I run and cycle as well as play football and cricket. I like to keep up with cultural things – music and theatre, for instance. I prefer to have a broad range of interests. It's a similar approach to my investment style.

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