

Meeting on Common Ground

For the last nine years, Ian Riach has been leading Franklin Templeton's Institutional Balanced Portfolio Management Group. Speaking from this vantage point, he shares his thoughts on becoming Chief Investment Officer for Fiduciary Trust Company of Canada (Fiduciary Trust Canada).¹ Mr. Riach discusses shared history, the bifurcation of Canadian and US equity markets, today's stock-picking environment, the challenges individual and institutional clients have in common, and his varying success with tennis and guitars.



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- Ian Riach

Q: What would you like readers to know off the top?

Ian Riach: First, I am looking forward to working with Fiduciary Trust Canada’s team. I am also happy to say I already share a lot of common ground with the firm. In 1999, I joined Bissett Investment Management and became part of its senior investment group in 2002.² Both Fiduciary Trust Canada and Franklin Templeton’s Institutional Balanced Portfolio Management Group evolved out of that firm.

Over years of helping pension plan, endowment and foundation clients reach their investment objectives, I have had many conversations with members of Fiduciary Trust Canada’s investment team, as there are strong similarities in how we manage portfolios. We have been good neighbours for quite some time. With that in mind, investors can expect the firm’s strong investment approach, discipline and processes to remain consistent.

Q: Can you elaborate on the similarities?

Ian Riach: The responsibilities of managing wealth today are complex and people face a lot of demands on their time and resources. I think your readers and institutional clients greatly value long-term relationships and the mutual trust and respect that build up over time. I believe both place a great deal of importance on open and constant lines of communication. It is important, given the discretionary investment responsibilities of Fiduciary Trust Canada and Franklin Templeton’s Institutional Balanced Portfolio Management Group. In addition, there is the fiduciary role implicit in Fiduciary Trust Canada’s name and the help we provide to our institutional clients in fulfilling their fiduciary duties.

Q: In your eyes, what challenges do Fiduciary Trust Canada clients face?

Ian Riach: In these times, I think a lot of clients are likely considering two investment issues. Firstly, how do you generate adequate income and reasonable returns given the low interest rate environment, high bond prices and with equity valuations close to fair value, without adding a whole bunch more risk to the portfolio?

Secondly, I think Fiduciary Trust Canada clients are often dealing with multigenerational and multijurisdictional estate planning concerns that can be complex. Considering the thoughtful decisions that come into play, family dynamics and time pressures, I would expect it would be helpful to have an integrated investment and wealth transfer team at one firm. Besides offering efficiencies, I believe there is a level of confidence and comfort that comes with knowing the traditions, culture and people with whom you are working when addressing such matters.

1. Pending regulatory approval.

2. The company is now known as Franklin Bissett Investment Management.



Q: What are your broad thoughts on the Canadian market?

Ian Riach: My general concern is that the Canadian market remains very concentrated in the financial and resources sectors. Working with this reality, I believe it is important to take a total portfolio approach, diversifying away from that concentration by investing in markets outside of this country. For example, Canada's equity market has minimal representation in the health care sector, whereas US and European markets have many high-quality companies representing industries such as pharmaceuticals, equipment and medical devices. For our institutional clients, we take advantage of Franklin Templeton's worldwide network of expertise and options to achieve geographic and sector diversification for both equity and fixed income investments. I believe this approach should sound familiar to readers.

Q: What is your sense of today's market?

Ian Riach: I think the current investment climate is a bit challenging, with bond yields remaining very low and broad North American equity markets, generally near, or slightly above what is considered fair value. That said, both the Canadian and US equity markets are quite bifurcated at the moment. On the one hand, specific stocks in certain high-growth sectors are very expensive and are really driving broader benchmark performance, masking opportunities. On the other hand, there are a lot of very inexpensive stocks.

In this environment, investors need to avoid getting caught in the trap of just buying cheap stocks because they are cheap. There has to be a growth thesis for the company in which you are investing. However, this environment does provide an opportunity to trim areas that are identified as overvalued and find opportunities that are undervalued.

Right now, I believe it is a stock-picker's market in terms of generating returns and, as importantly, in terms of lessening risk by trimming or eliminating those names that have participated in this market rally more than their underlying earnings growth would suggest they should.

Q: How would you describe your management approach?

Ian Riach: In my view, teamwork is important. No one, including me, has a monopoly on knowledge. My management style is very much consensus-driven. I seek input from people whose abilities and opinions I respect. As with our institutional group, I see my role as more of a director—outlining a situation and then facilitating the process to achieve the outcome. Fiduciary Trust Canada has a strong team of experienced portfolio managers, as well as very capable operational and analytical support. We want to grow the team and plans are already in motion to hire another portfolio manager.

Q: Beyond your professional responsibilities, what interests do you pursue?

Ian Riach: My kids are the top priority, but I also try to make time for tennis. I have played for most of my life, but really started taking it seriously about 15 years ago. It has become my primary sport since hanging up my hockey skates a few years back. I should be better at it; but I plan on playing for years to come, so there is still time to improve my game. I also enjoy playing acoustic and electric guitar. My oldest son, who is a very good guitar player, helped rekindle my interest a few years ago, but he and others who have heard me play would agree that I could use a lot more practice.

Q: What or who has influenced your investment management career?

Ian Riach: Many experts have shaped my career, starting with those who contribute to the CFA Institute's education program. That may sound trite, but I regularly refer back to the program's foundations, and their regularly updated resources are one way I work to stay abreast of new trends. Closer to home, two now-retired Bissett colleagues, Mike Quinn and Fred Pynn, have greatly influenced my approach to investing. At different points in their careers, both held the position of Chief Investment Officer at the firm. Mike and Fred were very well-respected, rational, disciplined investors who built strong relationships with clients. I try to model my approach after them.