STORY TIME

The investment world has changed over the past 30 years, so more treasurers have to get involved in investor relations

Words: **Andrew Sawers**

In the old days, back when Thatcherism still had some novelty value, bond investors were simple folk and that suited corporate treasurers just fine. I don't mean that their intellect was below room temperature in Fahrenheit. Nor that a sharp treasurer might try to take advantage of that simplicity by overenthusiastically pricing an issue. Certainly not. No.

It's just that, in those days, bonds were really quite simple. In an Institute and Faculty of Actuaries six-volume tome on *Institutional Investment* that I bought in 1982, the one on 'Other Fixed Interest Securities' (ie not gilts) is pretty much the slimmest volume of the set. At 58 pages, it's not exactly a rocket science manual. There's some basic maths, inverse correlation between price and yield, a bit of stuff about tax and floating charges, but all perfectly vanilla flavoured and nothing wrong with that.

So it was rare, back then, for the FD to drag the quivering wreck of a treasurer to go and actually meet an investor – or worse, a *potential* investor, someone who wasn't already locked in, but whose investment cash pile had the CFO salivating.

When that did happen, the bond investor would probably ask: "In coming years*, do you expect that the company will generate more than enough cash to service its debts?"(*In those days, one said "In coming years" and never "Going forward…") The treasurer would invariably answer with a firm, but monosyllabic, "Yes", at which point the bond investor would sit back, quite satisfied that all was well. Job done.

Nowadays, the treasurer is increasingly likely to be not only *involved* in investor relations, but dragged right out of their usual comfort zone and perhaps even put *in charge* of investor relations – for bonds *and* equities. And dash if the investors' questions aren't a lot more difficult now, with horrid-sounding acronyms such as "ee-bit-daw" and questions such as: "What's your operating risk model?" *(We try to steer clear of trouble.)* "What's your strategic vision?" *(Vision? Have you met our CEO?)* "What is your governance framework?" *(We do what we're told or we're out.)* "Can you explain your FX swaptions?" *(No.)* And (my favourite) "What does your company actually make?" *(It's complicated. Read our annual report.)*

Of course, in the old days, bond prices barely twitched. Just as well, because bond investors didn't understand things that went up and down in price. In fact, many of them didn't understand things that went *up* in prices. Today, bonds, like everything else, are all over the place, showing about as much volatility as a call option on a Greek bank. So the modern-day treasurer's experience with seismographic markets has put him or her in a good place to deal with risk-aware equity investors as well as volatility-bludgeoned bond folk.

It's just that having to go into what they call 'story-telling mode' and actually *talk* about it all to investors is still something of an acquired skill for some treasurers. More on that story later.

Andrew Sawers is a freelance business and financial journalist. He is the former editor of *Financial Director* and has worked on *Accountancy Age*, *Business Age* and *Commercial Lawyer*. He tweets as @Mr_Numbers

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