

## **The Hedgeweek Interview: Ken Murray, Chief Executive, Blue Planet Investment Management: Seeking "the most promising banks in the most promising economies"**

By *Anonymous*  
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Ken Murray outlines the single-minded concentration on financial stocks that lies behind the Blue Planet Global Financials Fund, which was launched in March 2006.

HW: What is the background to the fund?

KM: The Blue Planet Global Financials Fund (long/short global financials sector fund) is domiciled in Cayman and listed on the Irish Stock Exchange. The fund was launched on 31 March 2006.

The fund is managed by Blue Planet Investment Management Ltd, an Edinburgh based investment Management Company specializing in the financial sector, regulated by the FSA. Our portfolios are exclusively invested in financial companies, principally banks, quoted on the world's stock markets. Our corporate philosophy is that consistent out-performance is more likely to be achieved by specialisation than it is from the generalist approach, which currently prevails across most of the fund management industry.

BPIM currently has c. USD 265m AUM.

Our team is as follows:

- Trading: Kenneth Murray / Dr Kay Bendall / Campbell Macleod
- Reporting, performance analysis: John Graham-Brown, Dean Bucknell, Shaun Tumblety, Stuart Murray
- Research and development: Kenneth Murray, Dr Kay Bendall, Campbell Macleod, Harish Haridas, Adrian McCormick, Scott Farnetti
- IT/Programming: Dean Bucknell, Stuart Murray
- Administration: Sarah Menzies, Laura Nisbet
- Compliance: Alastair Newman

HW: Who are your service providers?

KM: Our Auditor in Cayman is Deloitte & Touche, our Legal Adviser in London is Schulte Roth & Zabel, the fund administrator in Dublin is BISYS Hedge Fund Services (Ireland) Ltd, and the Prime Broker is Goldman Sachs International in London.

HW: How and where do you distribute the fund? What is the profile of your current and targeted client base?

KM: We populate a number of hedge fund databases. The fund has institutional and retail investors and going forward will increasingly target institutional investors.

HW: What is the investment process of your fund?

KM: Blue Planet Investment Management's investment philosophy is that by specialising exclusively in the financials sector we are more likely to generate returns in excess of those generated by broad based market indices such as the S&P 500 or the FTSE Eurofirst 300.

Our process starts with sector selection. We have not chosen to specialise in the financials sector by chance. We have done so after careful consideration. Historically, the financials sector and, in particular, the banking sector has been one of the best performing sectors in the stock market (as at 31st Dec 2005).

This has occurred due to the central and crucial role that banks play in free market economies, a role that we believe will ensure the prosperity of the banking sector as a whole over time. Money transmission is perhaps the single most important function performed in any free market economy and it is the banks dominance of this function that gives them tremendous economic muscle. Without banks and the money transmission services they provide, free market economies, as we know them, could not function. No other sector of the stock market is blessed with such an advantageous economic characteristic. Most sectors see their profitability rise and fall over time as their economic lifecycles run their courses, for example, ship building, shipping, textiles, coal production, engineering and so on. However, it is our belief that the banking sector's economic lifecycle and high level of profitability is more enduring and ensured by its unique place in the economy. Banks endure while others come and go. No matter what sector of the economy is at the peak of its economic cycle and generating the highest returns on capital it needs the banks to transact its business. The banking sector is to all intents and purposes blessed with economic immortality.

It is our opinion that the long term profitability of the banking sector is ensured not just by its critical role in the free market but also by other virtuous economic factors. Banks have been major beneficiaries of new technologies which have allowed them to dramatically cut their operating costs while improving their capital and risk management. Banks have also been busy buying up their competitors to obtain economies of scale, reduce competition and enhance their power to set prices all of which further enhances their long term profitability. If you understand the unique and commercially advantageous position that banks are in and the economic forces that will inevitably lead to further consolidation of the World's banking and financials markets, then you will understand not only why banks have performed so well in the past but also why we believe they are also likely to continue to be amongst the best performing sectors in the future.

We believe that the financial sector, and in particular the banking sector, will prosper over time and our investment process has been designed to identify better performing markets and stocks, however investors should be aware that the sector performance and the performance of individual stocks is not guaranteed and investment values may fall as well as rise.

HW: How do you generate ideas for your fund?

KM: Internal idea generation coupled with face-to-face meetings with senior management. In addition, over the years we have built up and maintain ties with various brokers.

HW: What is your approach to managing risk?

KM: We utilize the Goldman Sachs Portfolio Risk Management portal alongside internal checks.

HW: How/against what do you benchmark the performance of your fund?

KM: The fund will target absolute returns of 10-15% per annum.

HW: Has your performance been as per budget and expectations? Do you expect your performance or style to change going forward?

KM: The Fund is new, launched on 31 March 2006. Going forward we do not expect our style of management to change radically.

HW: What opportunities are you looking at right now?

KM: We continue to seek out and identify the most promising banks in the most promising economies. At the same time for shorts we are looking into the worst performing banks in the worst

performing economies subject to the possibility of being able to short in these countries.

HW: What events do you expect to see in your sector in the year ahead?

KM: Further considerable advances in profitability fuelled by economic growth and improved efficiency in the countries and banks we are invested in. We also expect to see further consolidation in the banking sector particularly in Italy, Russia etc.

HW: How will these changes/future events impact on your own portfolio?

KM: Specific opportunities will exist to spot banks that are acquisition targets. Generally the banking consolidation will increase banking efficiency, which is good for shareholder returns.

HW: What differentiates you from other managers in your sector?

KM: Our top down approach that looks at the global economics of regions and countries, before looking at the specific stocks. Once we have identified the strong economies we have a high number of analysts and experienced Chief Investment Officer relative to our funds under management, so we can research out the less well-known stocks that are missed by the large investment companies. This gives us an opportunity to get ahead of the market. Our approach of visiting companies in which we are invested in or are planning on investing in also gives us an edge.

Our single mindedness to be the best manager of financial stocks in the world is yet another factor that distinguishes us from the rest, as evidenced by our exceedingly strong track record of out-performance.

HW: Do you have any plans for similar/other product launches in the near future?

KM: Not in the hedge fund space. We may however launch an OEIC for the retail market. Our primary concern is to grow our hedge fund by providing outstanding returns to our investors.

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