

TALKING WITH

John Roe

John Roe, Head of Multi-Asset funds at Legal & General Investment Management talks people, behavioural finance and craft beer with Richard Romer-Lee at Square Mile.

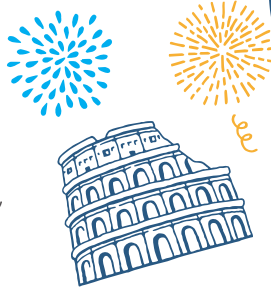


HOW DID YOU GET INTO FUND MANAGEMENT?

By leaving investment banking! I was originally an actuarial consultant before working at RBS. It was very transactional – your work ends when a trade happens or a project finishes. In asset management you can build something – it's much more about relationships.

DO YOU MISS INVESTMENT BANKING?

No – I went to a party after I left with lots of them - it was out of control, like the last days of Rome. From what I can remember, it wasn't memorable.



Head of Multi-Asset funds at LGIM

WHAT DO YOU FIND MOST REWARDING ABOUT YOUR JOB?

Asset management is a people business where we look after and grow people's money. Success builds on success. If you do a good job today, it will make it easier tomorrow. Plus I can make decisions – be the trigger puller if you like.



DO YOU HAVE A GOOD WORK LIFE BALANCE?

I choose to work hard, but I enjoy craft beer - I can recommend Sour Suzy and Salty Kiss - interesting holidays and FIFA (the game). I also have a gym in the garden.



WHAT'S THE BEST ADVICE YOU HAVE BEEN GIVEN?

Work hard. Work like there is a pack of wolves behind you after your job. My father advised me not to be an engineer – where you work really hard on interesting problems, then some manager who does not understand them will tell you what to do.

HOW DID YOU BECOME AN ACTUARY?

By the alphabet. The careers office at university had leaflets – I started at the top left looking for a good match. Number 1 was accounting, number 2 was actuary – that was far enough for me. I really like the idea of zoology – I could have done that.



WHAT ADVICE WOULD YOU GIVE TO SOMEONE STARTING THEIR CAREER TODAY?

Back to the pack of wolves. They say you need to work 10,000 hours to become an expert. If you do an extra 10 hours a week, you get there several years earlier than otherwise. That and only do what you enjoy.

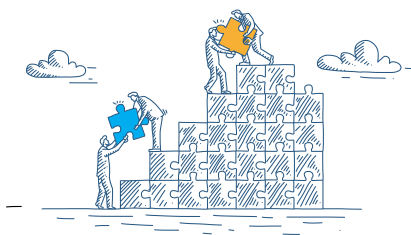


WHO HAS INSPIRED YOU ?



Daniel Kahneman and Amos Tversky. Not just for what they have come up with, but the vitriol thrown at them. They challenged the axioms of economic theory, for example, utility and humans aren't rational, and to keep on going to the point people accepted they had something. They were so self aware and looking at things in a totally different way.

Also Mark Zinkula, the CEO at LGIM. He confirmed he believed in the vision of building a multi -asset team - I was told I was getting to do the dream job and that I could do it. I think 5 years later we have shown that to be the case.



WHAT MAKES A GOOD FUND MANAGER ?

Self awareness and self criticism. It is so easy to congratulate yourself when things are going well. I am a big believer in the behavioural side. People aren't naturally good at investing, so systematic and structured approaches can be valuable.

Always accept the bits that are luck - don't take too much credit for them. The best fund managers generally underrate themselves in their yearly reviews and have a strong work ethic.



WHAT CHALLENGES DO YOU SEE IN MARKETS ?

There is one absolute certainty. There needs to be a time of reckoning in China, either slower growth for a long period of time or a proper collapse. The amount of credit per unit of GDP is out of control. Look at the amount (transfer fee) paid for Oscar the footballer! 15-20% credit growth for 6½% GDP growth can't go on forever. When will it happen? Maybe not in 2017 as the 19th party conference looms. Current markets are tough for investors - they need to stay invested and take risk in order to get the upside, yet market valuations are high.

WHAT CHALLENGES DO YOU SEE FOR THE INDUSTRY ?

There are too many players. It's akin to the jam factory - we produce a product and try to make it good, and then distribute it. But how many different makes of jam do people really need? It can't carry on. I expect huge consolidation as returns reduce.

There is also increased focus on fees - advisers had RDR, auto enrolment for DC and now it's the same in asset management. It will hurt the bottom line. We make money for people, there are not unlimited ways to do so. In fund management you need scale and quality... and not everyone will meet these - or you need to be a genuinely great boutique. Nowadays technology is so powerful it is harder for those not up to it to hide in the weeds.

SHOULD INVESTORS BE CONCERNED ABOUT THE BREXIT PROCESS ?

Yes - but it will be a slow burn. Now assets feel fairly valued. The horrible tail risk would be no transitional arrangements. Inflation and growth are likely to be affected, probably at least for a couple of years and these may coincide with the US cycle coming to an end. It has not felt painful for the UK yet as Sterling has weakened.

WHAT WOULD YOU DO IF YOU WERE NOT A FUND MANAGER?

If I wasn't a fund manager I'd still be playing chess. I played for Wales until I was 18...I went to school in Wales so qualified that way.



WHAT HAS BEEN THE SEMINAL MOMENT IN YOUR CAREER ?

When RBS went bust. It was amazing to be at the centre and to see how completely and utterly wrong the financial sector could be.

I read a lot about work. I am fascinated by behavioural finance - I have read 4 volumes inspired by Daniel Kahneman and Amos Tversky on the history of behavioural finance to try to unlock the problem. They realised the shortcomings in the human brain and why it goes wrong, why it makes the wrong decisions which lose money. I'm talking cognitive psychology, judgement and decision-making, heuristics and biases.

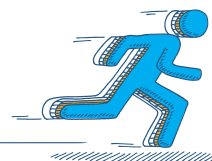


WHAT'S THE MOST VALUABLE LESSON YOU HAVE LEARNT ?

Other than the financial crisis? I was at a stage at LGIM when I was not sure if I fitted in. I hadn't adapted as well as I should have. Although my output was good, I needed to adapt how I behaved to get the most out of the firm and then out of myself.

WHAT HAS BEEN THE MOST MEMORABLE MOMENT ON THE POSITIVE SIDE?

The moment I qualified as an actuary. It was mainly relief that it was over as I knew I wasn't the best, but it took 3 years of working hard. It was relentless; I remember studying on a sailing holiday in Greece and at the gym on a running machine.



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