

TALKING WITH

Edward Bonham Carter

Edward Bonham Carter, Vice Chairman, Jupiter, talks culture, yoga and reading widely with Richard Romer-Lee at Square Mile.



HOW DID YOU GET INTO FUND MANAGEMENT?

I read economics and politics at Manchester University. Most of my jobs applying as a graduate were to the likes of Procter and Gamble, Cadbury-Schweppes and Shell. I applied to a range of things and my father who was then working at SG Warburg, said I mustn't dismiss the City just because he was in it. I thought the idea of corporate finance sounded attractive, but I wasn't a qualified lawyer or accountant and as someone who hired me pointed out - corporate finance is all about investments. So, I joined the pensions admin department of Schroders in October 1982. I had to learn the investment business from the ground up.



Edward Bonham Carter, Vice Chairman, Jupiter Asset Management

HOW IMPORTANT IS CULTURE AND HOW DO YOU DEFINE IT?

Culture is defined by what sort of people you have in the business in terms of how they think, their beliefs, principles and how they behave.

Our view is that it's all about having talented fund managers and we encourage difference of views. It's important to have an environment where people exchange ideas.



WHAT ARE THE MAIN CHALLENGES FOR THE FUND MANAGEMENT INDUSTRY?

The main one for active management is delivery after fees and being clear and transparent about the investment proposition so that people can make rational decisions.

I think passive is here to stay but at what point does it distort the capital allocation in the market? The bigger it gets the more distorted prices will be and momentum strategies will work over value strategies. The test of these strategies as always is how they perform in tougher times.

AS THE COMPANY HAS CHANGED OWNERSHIP HAS IT BEEN TOUGH TO KEEP THE CULTURE?

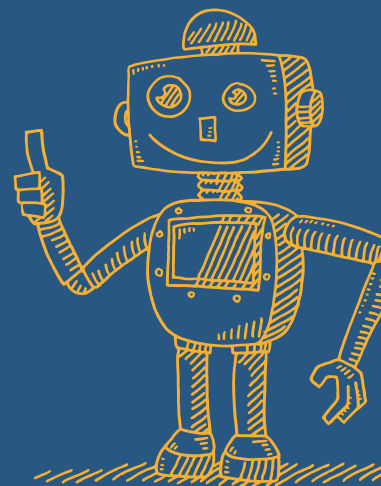
It's a challenge. It's like marriage vows - the importance of the word "cherish", like a garden, you need to keep on top of it. Don't be complacent about it. And quality is more important than size. I think that is crucial because there is this dynamic you see that people just want to be bigger, often for the sake of it. My view is you should be better - bigger is just an output.



DO YOU THINK FUND MANAGEMENT CAN BE REPLACED BY ARTIFICIAL INTELLIGENCE (AI)?

Possibly. I think AI is a fascinating subject. I think technology is one of the big trends of the world. There is an interesting thought - if you think of new jobs created in 30 years' time, it is very difficult because those industries haven't been invented yet.

So there's a sort of logical impossibility about it. I think it's going to have an enormous impact. Are there certain functions within the finance industries that could easily be replaced by AI? Yes absolutely. And will some of that be managing money? Yes.



WHAT MAKES A GOOD FUND MANAGER?

The characteristics are - in no particular order - they've got to be very curious, slightly obsessive, hard-working and have a strange mixture of confidence but not arrogance. Confidence because you've got to take views against the consensus but then have enough humility to know when to change your mind. The test of fund management is when you are underperforming knowing how you hold your nerve and when you're doing really well not letting it go to your head.

WHAT IS THE BEST LIFE LESSON YOU HAVE BEEN GIVEN?

My father was a remarkable man - he was disabled for the last 25 years of his life and gave an extraordinary lesson in courage. He was a very fit man but then suffered a brain tumour and after an operation was in hospital for 18 months needing 24-hour nursing. He was looked after by my mother - so they were both very courageous in different ways.



WHAT ABOUT CAREER ADVICE?

Read widely. The most successful people tend to be curious, which leads them to read a lot. The stock market doesn't operate in splendid isolation. If you read widely you tend to see connections. That's what investing is partly about - connecting.

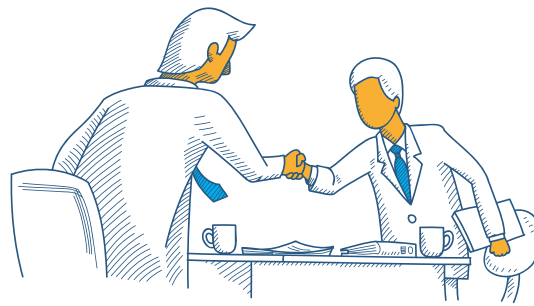


WHAT ADVICE WOULD YOU GIVE TO SOMEONE STARTING OUT TODAY?

Work it out while you're doing it. People come into this industry because they think they can make a lot of money - that may or may not be true. The point is your motivation.

Don't be in a hurry to get responsibilities or new jobs too quickly. You're lucky (or unlucky) to be working for another 50 years so take your time.

One regret I have is I have not worked overseas. I think you're really lucky if you get the chance to work overseas as you get a different perspective on your own country and your own life.



WHAT CAN THE ASSET MANAGEMENT INDUSTRY DO TO REGAIN TRUST?

Firstly, I think lack of trust is a societal issue that is happening to a range of industries - just look at politicians and bankers. I think the reason is because of social media and technology - people now are far more sceptical about people's so-called authority and expertise.

You just have to be as transparent as possible. I read an interesting piece of research that said a good way to earn trust with people at an individual level is to admit when you are wrong. The industry is seen as a lot of highly paid arrogant people who have not owned up to mistakes.

Deliver value for money and trust grows. So, the challenge for the industry - if we are in a low growth world for the next 10 years, is how to create sufficient gross returns to justify fees to customers.

Getting people in at the bottom, training them and keeping them will also help. We encourage flexible working at Jupiter. Often your best ideas might be when you're digging up the garden or sitting in the bath, rather than when you're sitting in front of a flickering screen. And that's another attractive reason to be in this industry.



WHAT'S THE MOST EXTRAORDINARY THING YOU'VE SEEN?

The 1987 crisis was particularly spectacular. But this was beaten by the global financial crash in 2008/9 - it was so extensive and had a far more consequential ripple effect in terms of extraordinary monetary measures, for example quantitative easing. It wasn't a single event but a defining moment in finance.

DO YOU THINK WE'VE LEARNED ANYTHING FROM THAT?

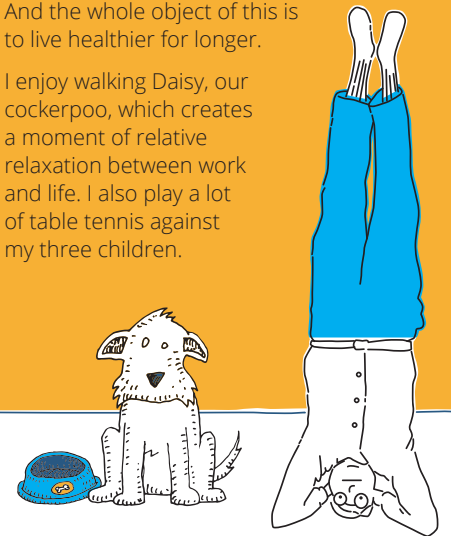
The best quote to describe the cause of the previous crisis is from Hyman Minsky, a Chicago based economist, who said 'stability leads to instability'. In other words, if things seem calm people will take more risk which leads to trouble later on.



WHAT DO YOU DO OUTSIDE OF WORK?

I practise yoga every Monday evening. I can do a headstand but I am working towards a freestanding handstand. Yoga is rather like the old Victorian ethic of mind and body. It builds overall strength particularly core, improves balance, increases suppleness over time and it teaches you to breathe properly. And the whole object of this is to live healthier for longer.

I enjoy walking Daisy, our cockerpool, which creates a moment of relative relaxation between work and life. I also play a lot of table tennis against my three children.



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