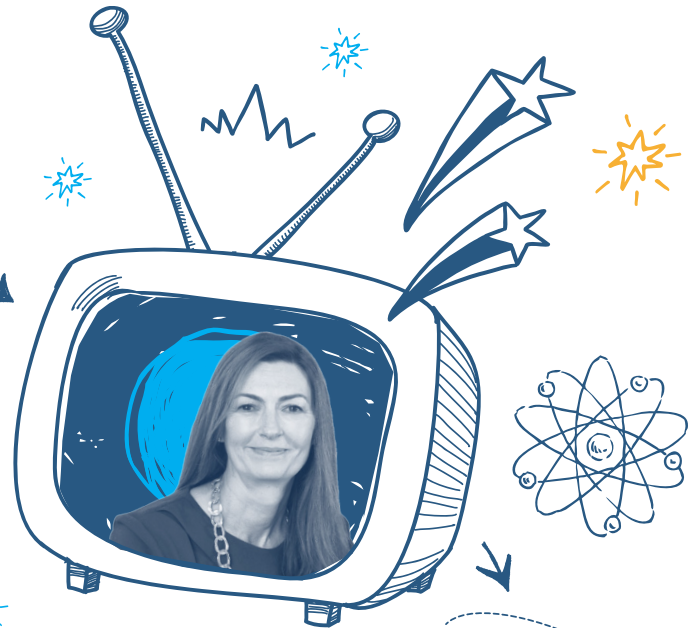


TALKING WITH

Anne Richards

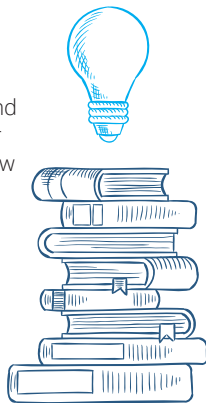
Anne Richards, Chief Executive, M&G talks diversity, ESG and allotments with Richard Romer-Lee, Square Mile



HOW DID YOU GET INTO THE INDUSTRY?

By mistake. My first degree was in Electronics and Engineering and I was heading towards a career in academia, with my first job as a research fellow at CERN, the European organisation for nuclear research near Geneva. I worked on the Large Electron Positron Collider or LEP - essentially a big atomic doughnut. It was an amazing time, but I wasn't sure I could spend my life looking for a particle that might take 30 years to find!

I eventually wound up studying for an MBA at Insead in France, where I discovered and fell in love with financial markets. My first job in the City was as an engineering analyst at Alliance Capital.



HOW MUST THE INDUSTRY ADAPT TO REGAIN TRUST WITH INVESTORS?

Anne Richards, Chief Executive, M&G

The bottom line is that we are looking after people's money and their future - what we do has an impact. There is a generational shift in the senior management of asset management companies and much more understanding of our obligation to society and the importance of trust.

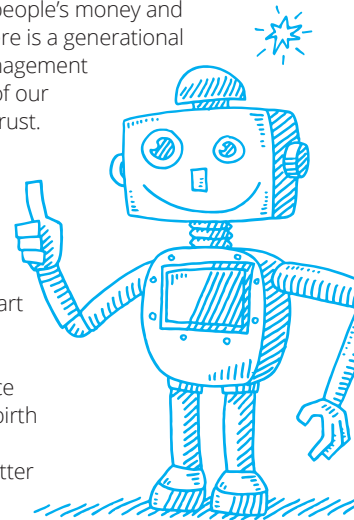
WHAT MAKES A GOOD FUND MANAGER?

Curiosity, integrity and tenacity. You have to have conviction in your views - even doing nothing is itself a decision. It can be a really lonely job. That's why I believe fund managers work best in teams with the right mix of skills and personality, each person looking through a different prism. The individual brilliance of the lone fund manager is a bit of a myth.



IS ARTIFICIAL INTELLIGENCE (AI) A THREAT TO FUND MANAGERS?

The combination of smart machines and smart people is powerful. When I was at university, AI was considered as sexy and leading edge. In reality it was more artificial than intelligence and it fell out of favour. Now it is seeing a rebirth through machine learning. A combination of smart people and smart machines will do better than either in isolation



WHAT CHALLENGES DOES THE INDUSTRY FACE?

We may be at a tipping point in the market as the liquidity backdrop is changing: central banks are raising the interest rates and moving from net purchases to net issuance. The period of the last 10 years of high liquidity is drawing to a close and we are moving to a new era. People who have been in the market for 10 years or less have seen neither a credit cycle nor a default - this has been an extended cycle after what was a brutal correction. With risks rising from Brexit, escalation in trade wars, tariffs, we have a lot to navigate.

Companies have been and are generally good at dealing with challenges. The question is how will they adapt in future?



HOW IMPORTANT IS CULTURE IN A BUSINESS?

Culture flows from behaviour. At M&G we have spent a lot of time thinking about the behaviours we want to see in the firm, including asking our staff for their ideas. Our company framework identifies five key behaviours - care, create, adapt, grow and enable - and we work with teams to apply these behaviours to everyone's job, so we can support our fundamental purpose of helping people to prosper by putting their investments to work.

HOW WILL IT BE COMBINING M&G AND PRUDENTIAL?

B

Each has a long and distinguished history and identity. However, lots of people have flowed back and forth between the two organisations over many years. Prudential's growth as an insurance business has been about offering

different propositions – for example life insurance, endowments and pensions - whereas, M&G is first and foremost an investment business - the opportunity is to bring these two different organisations together for the benefit of individual customers. We can be more creative and innovative together.



HOW DO YOU RELAX?

I have an allotment in Murrayfield. I like growing fruit – lots of berries – and vegetables – potatoes, leeks, brussel sprouts and carrots, although I am not very good at carrots. I also love mountains and skiing.



WHY IS DIVERSITY SO IMPORTANT?

There are relatively few people who in today's world don't believe that more diverse teams lead to better decision-making. Building teams takes time, however - our staff turnover is low (less than 10%), and so the pace of change is slower than we would like. People tend to recruit in their own likeness – we all do it – and so it is really important to create balance and diversity in long and short lists to shift the mix over time as it reminds us of choice. It really makes a difference. And it's not just about women. There is not enough equality for men – the stigma around paternity leave, sharing maternity and paternity leave, flexible working patterns – men feel chained to their desks. We need to give them more choice too.

WHAT ADVICE WOULD YOU GIVE SOMEONE STARTING THEIR CAREER TODAY?

Enjoy it. You are likely to be working for half a century – or even more! I have loved fund management since day one. But it's not for everyone. I never lose sight of the social purpose of what we do – the privilege of looking after people's financial futures. It is a great responsibility.

WHAT WAS THE SEMINAL MOMENT IN YOUR CAREER?

The day I walked into this (M&G's) building in 2002 with our then Chairman after having been on the board of Edinburgh Fund Managers for just six weeks for what I thought would be a routine shareholder meeting. We were presented with a letter of requisition to hold an EGM to remove the Chief Executive and two of the four nonexecutive directors. It was corporate governance live and unleashed. I was thrown in at the deep end. I learned so much from being in a business in crisis and having to make decisions quickly. We changed the entire board and then sold the business to Aberdeen.



WHAT'S THE BEST ADVICE YOU HAVE BEEN GIVEN?

Always have a plan B.

HOW DO WE EMBRACE A DIGITAL WORLD?

There is immense power in the whole digital world. I fell in love with the iPad when it was first launched, yet I sometimes wonder if there will be a backlash and we will become less connected as some people choose to go 'off grid'. Our industry, however, is still really analogue. Although it is starting to get a bit better, it has a long way to go.



WHAT WORRIES YOU ABOUT MARKETS?

The broad shape and nature of public equity markets is changing dramatically – and MiFID II is accelerating this – the number of companies is falling considerably and fewer companies are coming to the public markets. More and more of the world's capital is pouring into private markets, which are harder for most people to access as they tend to be restricted to 'professional investors'. Regulation needs to evolve to help individuals access these markets, in an appropriate way.

I also worry about the very long credit cycle and the potential mix of liquidity being withdrawn, interest rates rising and new faces at the Fed - the risk of policy mistakes is higher. Something will pop up...

WHAT EXCITES YOU ABOUT MARKETS TODAY?

The fact that the social impact and ESG agenda is becoming more mainstream. We are certainly thinking about it more throughout our investment teams.