

# TALKING WITH



Bill Stromberg

President and CEO  
T. Rowe Price



Talking working in Baltimore, Brexit and golf with Bill Stromberg, President and CEO, T. Rowe Price and Richard Romer-Lee, Square Mile

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## HOW DID YOU GET INTO THE INDUSTRY?

Very slowly. I became interested in investing at college, even though I was a maths major. I read books including Peter Lynch's One Up on Wall Street and John Train's The Money Masters, which profiles famous investors. They really interested me. I played American Football professionally for a year. I enjoyed it but I kept getting hurt. I tried to get a job in asset management but there were no takers. So I went to graduate school to study for an MBA, following which I joined T Rowe Price as an intern. They had called me to say they were offering two places and I was the runner-up. But luckily for me, someone pulled out. It was a wonderful experience, like drinking out of a fire-hose – learning about markets, companies and people.

## WAS IT YOUR AMBITION TO BECOME PRESIDENT AND CEO?

No – I wanted to become an investor. I was sold on the passion of companies, business and markets. 99% of investors want to be investors, not business managers.

## WHAT'S THE SECRET TO A SUCCESSFUL CAREER IN ONE BUSINESS?

Every company is different. At T. Rowe Price, there are many ingredients including teamwork, collaboration, trust and helping each other. Those were values I learned growing up both from my family and from team sports.

COLLABORATION  
TRUST  
TEAMWORK  
HELPING EACH OTHER

## HOW IMPORTANT IS THE CULTURE IN YOUR BUSINESS?

Over the long-term, culture is the single most important aspect to get right, to pass from one generation to the next to ensure the company survives and thrives. Everyone owns the culture in how they treat each other every day. Central to it is investment excellence – it's part of our DNA – and we hurt when we are not performing well. Being client orientated is crucial. Every business will say this – and some live up to the pledge. We do. Trust and mutual respect create a good climate. Collegiality and collaboration – sharing ideas, showing others how – makes us all better. Having a long-term time horizon gives a competitive advantage in a world that has become increasingly short term.



## HOW DO YOU BALANCE THE SHORTER TERM INTERESTS OF SHAREHOLDERS AND MANAGEMENT WITH THE LONGER TERM INTERESTS OF CLIENTS?

Balance is everything, as my mom has always said – and still does. It requires judgement and emphasis. We regularly demonstrate a clients-first bias. For example, in 2016 we repaid investors a sizable amount for a mistake we made voting a Dell Corp proxy and in 1990 a security we held in a money market fund went bad and we made good. It was the right thing to do...

## WHAT MAKES A GOOD FUND MANAGER?

Three things are of paramount importance. Firstly, have a process and stick to it. Value investors excel picking through typically messy companies; growth investing requires very different skills. Secondly, portfolio managers tend to be naturally curious people, always looking for and wanting to know another insight to help determine whether they are right or wrong. Knowing more helps them make better decisions. Thirdly, a willingness to admit when they are wrong. When the facts change, successful PMs know to reassess.

## ARE THERE ANY FUND MANAGERS YOU PARTICULARLY ADMIRE?

There are so many – I am almost afraid to mention some for not mentioning others. Brian Berghuis is a shining example, investing for 27+ years with process, discipline and care in mid-cap growth. Larry Puglia, has also delivered great returns over 25 years in large-cap growth. David Giroux in multi-asset, Gonzalo Pangaro in emerging markets and Mark Vasselkiv in high yield have all delivered brilliantly for their clients over the long term. There are another dozen or so I could mention who are best in class or on their way.

## WHAT'S IT LIKE BEING A CEO?

The challenge is to have a good team in place who trust each other and work well together; to agree a strategy and how it should work; to execute the strategy with focus; and have an open and honest dialogue about how to iterate and make it better. I get plenty of feedback and I am still learning! It is also important to enjoy seeing others succeed – it's always been fun for me.



## HOW IMPORTANT IS THE LEGACY OF THE FIRM'S FOUNDER?

Mr. Price wanted his business to be aligned with its clients. That alignment has permeated throughout the firm today. However, the business has evolved and leadership has steered it over decades to becoming a great investment manager using many approaches, whilst upholding the same high principles. Each CEO has inherited different challenges – mine include making the business more scalable and global.



## WHAT IS THE ROLE OF A MODERN DAY ASSET MANAGEMENT BUSINESS?

To help people achieve their financial goals. Doing so on a global scale is both challenging and exciting. Growing our capabilities and business while delivering for clients globally is a big challenge. We will aim to do so in typical T. Rowe Price manner, organically diversifying, steadily. The world's changing – we have to be more agile, accept change and improve for clients whilst holding true to our values.



## WHAT'S YOUR VIEW ON THE RISE OF PASSIVE INVESTING?

It is already a multi-decade phenomenon. It accelerated after the financial crisis when many of the big names and index constituents performed well. Passive investing has a big role to play and is right for many investors. But there is also a place for active investing. As in any craft or profession, people want to do better than average. That's what active managers are here to do. We have demonstrated the ability to do so in the past. We are investing heavily in the things that drive alpha – teams, process and tools – to continue that success.



## WHAT'S THE MOST EXTRAORDINARY THING YOU HAVE SEEN?

Two things come to mind. I started in this industry in August 1987, and two months later markets crashed. I saw investors lose 21% of their assets in one day. It was astonishing and has made me think of risk every step of the way. The second was how far things fell during the global financial crisis. Markets were unstable and on one Sunday afternoon in late 2008, we were not even sure if markets would open the following day.



## WHAT'S YOUR VIEW ON THE FUTURE OF CAPITALISM, GIVEN THE RISE OF POPULISM AROUND THE WORLD?

Capitalism is here to stay but has to evolve – as it always has. Populism stems from growing wealth disparity and a rebalancing of sorts will be needed. Patience and a long-term focus will help to see it through. Politics – which is not my area of expertise – plays a role in fund management but ultimately seems to give way to financial performance, so it's best to concentrate on that.

## WHAT IS THE PERCEPTION OF ASSET MANAGERS IN THE USA?

It's hard to tell. The same suspicions exist all over the world – that on average active managers have not done better than passive strategies, in which case it's not high. If one starts to look beyond the headlines, as many people do, there is excellence and integrity among many asset managers.



## WHAT ARE THE ATTRACTIONS OF BEING BASED IN BALTIMORE, AS T. ROWE PRICE IS?

There are many – but then again I am biased as a native Baltimorean. There are advantages to being outside of the major financial centres, in particular the ability to be away from the hustle and bustle and think clearly. We still get access to and are visited by companies. The lifestyle makes it easy to attract families, but a little less so for those who want to enjoy what's on offer in the big cities.



## HOW DO YOU SEE AND REACT TO THE GROWING FOCUS ON ESG FACTORS AND RESPONSIBLE INVESTING?

It's very important globally. It started in Europe and Australia but other parts of the world are catching up rapidly. We have invested heavily in our team and approach to ESG and it will be fully integrated across all parts of the business by the end of 2020. We'll introduce sustainable portfolios shortly and have been researching impact portfolios too – ESG is increasingly important to clients world-over.



## WHAT ADVICE DO YOU OFFER THOSE STARTING THEIR CAREERS?

I tell the young T. Rowe Pricers to become knowledgeable and expert in something that interests them, be passionate, help everyone they can, and seek feedback and act on it.

## WHAT IS THE PERCEPTION OF BREXIT IN THE US?

There are a million different views on it. Ultimately the UK will land on its feet either way, but there will be some transition and discomfort. The UK is a strong country with a strong financial system. We are right behind you.



## HOW DO YOU RELAX?

I have a caring and understanding spouse. This summer we celebrated being married for 35 years and have three kids in their 20s. They're awesome and we spend as much time as we can keeping up with them. I also try to exercise a little and play golf, but not as much as I would like to.

