

TALKING WITH

Heidi Heikenfeld

Talking emerging markets, female fund managers and tennis with Heidi Heikenfeld, Portfolio Manager, Emerging Markets, OppenheimerFunds with Richard Romer-Lee, Square Mile



Portfolio Manager, OppenheimerFunds

HOW DID YOU GET INTO THE INDUSTRY?

I interned all over - in a factory, in marketing, retail investing, on a currency trading desk - trying out lots of stuff. I was lucky that I graduated in 2000 and companies wanted new recruits. I was offered two jobs, one as a junior economist at the Philadelphia Federal Reserve Bank, - which looked like it was still in the 1970s - and the other as a junior bond analyst at OppenheimerFunds in New York. I ultimately chose a career in investing.



START

WHAT ABOUT FEMALE FUND MANAGERS?

Less than 10% of portfolio managers are women. That shouldn't be ok with anyone. We must ask, "why is society comfortable that 90% of investment decisions are made by men?" Being different put a chip on my shoulder that motivated me to work harder and prove I am capable. Every female portfolio manager I know has that same chip. We take the responsibility of representing women in portfolio management seriously. I hope my career inspires young women to enter the industry. We need more women in this role and over the next decade as more wealth transfers into the hands of women, they will demand it.



HOW DID YOU GET YOUR BREAK INTO EQUITIES?

After a couple of years as a bond analyst, I wanted to try equities. So, I wrote a stock pitch in my spare time. Though I was very nervous, I presented it to Frank Jennings, who leads the Oppenheimer Global Opportunities Fund, and who I believe is one of the world's best investors. He hired me the next day; not because my work was so brilliant, but because I worked hard and he thought he could teach me. I learned from Frank for the next ten years.



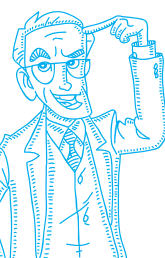
WHAT MAKES A GOOD FUND MANAGER?

Imagination - the need to believe there could be a transformation tomorrow or in five years' time. Intellectual curiosity, honesty and flex. The humility to understand when you have made a mistake. The resilience to accept you may fail. The willingness to be different.



WHAT IS THE PERCEPTION OF FUND MANAGERS IN THE US?

Overall there is still a negative perception. As an industry we have repair work to do. We have a responsibility to care about the impact of our investment choices. We have a duty to earn our fees and must demonstrate that we prioritize the responsibility we have to our clients. We should work hard to show investors we will do the right thing.



WHEN DID YOU BECOME A PORTFOLIO MANAGER?

I launched my portfolio in June 2014. It was a blank canvas. I was able to create something new in a segment of the market where there are 300+ others. Part of the trick was figuring out where there was a gap and how to leverage my skills to provide investors with something different. Emerging markets are underestimated. They are well known for commodities and cheap labour. But there are loads of entrepreneurs in high profit, high growth sectors like consumer discretionary, healthcare and IT. As an example, Korean, Indian and Chinese companies lead the way in making affordable, cutting edge drugs.





WHAT'S YOUR INVESTMENT STYLE?

I invest in innovation. I look for small and mid-sized companies that can generate high earnings growth and benefit the local population. 65-75% of my portfolio is invested in consumer, healthcare and technology companies. We believe these are the sectors with the highest concentration of innovation. The great thing about emerging markets is that the shape of the investment opportunity set is changing. The number of companies in these "innovation" sectors has doubled over the last five years, which is great for our fund.



WHAT EXCITES YOU ABOUT MARKETS?

In emerging markets you can find great companies that have a positive impact on the local people. You can encourage change.

WHAT SCARES YOU?

When you invest in thirty different markets something goes wrong every day. Politics cause a lot of volatility and you must remain focused on the long-term fundamentals. You also must remain calm to see the opportunities. What scares me is that there's always a chance investors will panic sell and then they won't participate in the rally when market sentiment improves. Emerging markets are risky but that is why you need a professional manager if you want to invest. And you need to trust your manager.

HOW IMPORTANT ARE ESG FACTORS?

My fund does not have a formal ESG mandate but we consider ESG factors when investing. Our goal is to generate high risk adjusted returns for our investors without exploiting the local people or the local environment. So we avoid businesses prefaced solely on cheap labour and avoid exploitive industries. Instead we want to support highly profitable businesses that invest in training their workforce. We also invest in areas like education, affordable healthcare and financial inclusion. We understand that for ESG to be more than a fad we must demonstrate that socially responsible portfolios can generate returns that are as good as non-socially responsible ones. If we can do that, we can change the way people invest and eventually change the way companies behave. That's our goal.



WHAT GOOD ADVICE HAVE YOU BEEN GIVEN?

I am lucky that my mentors – Frank Jennings and Justin Leverenz, PM, Oppenheimer Developing Markets Fund – are brilliant investors. They both encouraged me to embrace my uniqueness as an investor, identify transformational opportunities and to see my weaknesses clearly. It's not always easy being different but if you play to your unique strengths and remain humble you can do a better job for your investors.

WHAT ADVICE WOULD YOU GIVE TO SOMEONE STARTING AS AN ANALYST?

Focus on small areas of interest first. Zero in on areas of interest to you. Work in clusters to develop perspective. For example, if you want to cover healthcare, start with one disease like diabetes and look at all the ways to treat it. Once you understand that, then expand to another area of treatment. Make sure you understand the ecosystem so you can understand the size of the opportunity. Establish yourself as an expert in a small area, then broaden your knowledge. As a new analyst, your primary job is to learn. You need durability in this job too. No matter how confident you may be in your ideas and research, you will have failures. It's how you react to them which determines whether you have a five-year or fifty-year career. It's the bad days when our nerves are tested that I am paid for. Not everyone can do that.





WHAT'S THE BEST LESSON YOU HAVE LEARNED?

Resilience. This job requires emotional durability. I have failed many times in my career and I will have failures again. Failure can knock you sideways and the insecurity it causes affects everyone in this industry. But it's how you overcome failure and self-doubt that determines whether you will have a long and successful career. Everyone is a great investor in a bull market, but it's how you respond when the job is hard that matters most. That's when investors need us the most. Failure is the hardest part of success.

DO YOU HAVE A GOOD WORK LIFE BALANCE AND HOW DO YOU RELAX?

I try. But in any given weekday there are only about 4 hours when all of the markets I invest in are closed. So I work a lot. Luckily, I love to learn about the world so I am happy to spend 35-40% of my time on the ground in emerging markets. I spend time in Africa whenever I can and go on safari at least once a year. I like to be outdoors. I also play a lot of tennis. You can't think about the rest of the world when you are watching the ball.



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