



TALKING WITH

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Talking market cycles, the role of a CIO and West Ham United with Mark Burgess, Chief Investment Officer EMEA, Columbia Threadneedle Investments and Richard Romer-Lee, Square Mile

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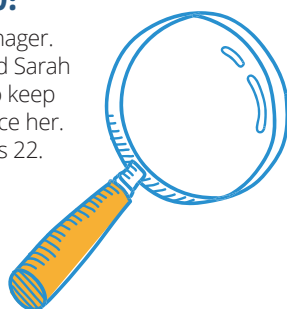
HOW DID YOU GET INTO THE INDUSTRY?

I studied Economics and Philosophy at Keele University in the 1980s. Philosophy because it was interesting and economics to get a job. The City sounded glamorous, exciting and lucrative. I had no money at all and it seemed like a heady cocktail. I wrote to lots of City firms and was offered a job as trainee fund manager at Refuge Assurance.



WAS IT YOUR AMBITION TO BECOME A CIO?

No. I wanted to be a successful UK equity fund manager. I was lucky enough to work for a talented lady called Sarah Polinger. She left after 6 months and I was asked to keep an eye on the portfolios whilst they sought to replace her. A few months later I became the replacement. I was 22.



WHAT MAKES A GOOD FUND MANAGER?

Most of the very best fund managers are strange people, quite eccentric. They need a huge amount of self-confidence - as most of the time they are saying the market is wrong. They need intellectual curiosity and a great sense of humour - it helps!



WHAT'S IT LIKE MANAGING FUND MANAGERS?

I sometimes wonder what I must have done to have 150 investment professionals working for me. It's not easy. While it requires lots of structure as one can't have 150 direct reports, it's important to have some form of personal relationship with everyone on the investment floor. I make time to talk to them about markets and their lives - the latter is so important as it can affect how they perform.



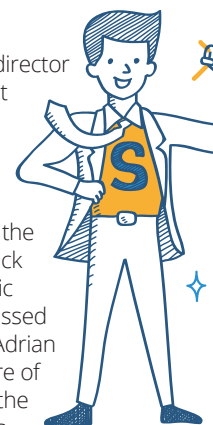
WHAT DOES A CIO DO?

I have three roles. Firstly, as the guardian of the investment process. It needs to be effective, well governed and well controlled to deliver the investment performance our clients are paying for. Secondly, I am a small part of the investment process, including being on the asset allocation committee, which I used to chair. Thirdly, as a senior executive in the EMEA region, I assist in the management of the business and support the CEO in their absence. A large part of the role is outwardly facing, talking to clients about markets, business and anything else they want to know.



WHO HAVE BEEN ROLE MODELS FOR YOU?

Neil Dunford, who was managing director of the UK pension fund business at Morgan Grenfell. He was a truly exceptional person - with an enormous level of integrity, no ego and strong leadership skills in some difficult times, not least with the Peter Young affair and Nicola Horlick leaving the business in a very public fashion. He kept the business focussed and placated clients. The other is Adrian Frost, with whom I had the pleasure of working for 11 years. He is one of the very best investors, with enormous curiosity and an amazing sense of humour.



WHAT DO YOU HOPE TO ACHIEVE AS CHAIR OF THE INVESTMENT ASSOCIATION'S INVESTMENT COMMITTEE?

To help the industry navigate some enormous challenges, not least those coming from regulation. The regulator is trying to do the right thing, but maybe not always in the right way. We need to improve the public perception of us. Being in fund management is the best job in the world. We meet extraordinary and influential people, we observe world affairs up close and personal, we interact with the leading companies of the world and get to understand their businesses. We also need to be more effective in lobbying the government - where was our industry's voice in the run up to the global financial crisis?

HOW DO YOU MOTIVATE AND RETAIN FUND MANAGERS?

It is important that when people come to work they like their job, their colleagues, critically that they like their boss. They need a career path to which they can aspire, cultural empathy and to be paid competitively. Large egos are not required. This is a tough job - the enemy should be outside the building, not within.



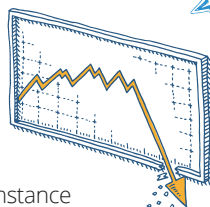
WHAT DOES BEING PART OF COLUMBIA BRING?

Threadneedle has always had a strong culture. Although Columbia is largely a domestically focussed business in North America, it has enormous resources and a global reach, which we can now tap into. It enables us to have a deeper and broader understanding of many markets and the ability to have greater insights, for example in fixed interest markets, is considerable. Scale, internal resources and an international business help, especially given the regulatory agenda, which is gifting a competitive advantage to larger companies, and the impact of MiFID II and sell-side research being de-skilled.



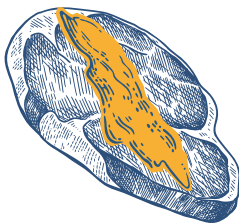
WHAT'S THE MOST EXTRAORDINARY THING YOU HAVE SEEN?

The global financial crisis was pretty extreme. Northern Rock was apparently a low-risk, sleepy mortgage lender brought to its knees in a matter of days. I met with a senior executive of a large and well-known business, who responded to my question of could there being any circumstance in which they might need more capital with a resounding no. Six weeks later came a rescue rights issue. The incompetence and/or deceit in various companies and the fragility of the financial system was truly extraordinary. It's equally extraordinary to think that the regulator, market and shareholders all thought it was okay that RBS was 77 times levered in the aftermath of its takeover of ABN Amro.



HOW IMPORTANT ARE ESG FACTORS IN ASSET MANAGEMENT?

These factors are such a driving force of market returns. We must integrate and embrace them. Whether you are investing in equities or in bonds, traditional financial analysis would assess risks to those cashflows, for example disruptive technology, new entrants and regulatory risks. ESG sits alongside these. Are companies conducting themselves in ways that are unsustainable? Are the incentives for the management team misaligned with the long-term interests of the company? So many issues have been down to ESG considerations - Wells Fargo fraud, diesel-gate, BP to name a few.



WHAT DOES THE FUTURE HOLD FOR ACTIVE MANAGERS?

Active managers will have to demonstrate value for money and not confuse value with cost. That means producing considerable and material returns above benchmarks, net of fees.



WHAT IS THE EFFECT OF THE CURRENT, ELONGATED MARKET CYCLE ON THE PSYCHE OF INVESTORS?

Many people's view of what recession is like is anchored to the global financial crisis, which was such a scarring event. There are some seasoned investors who haven't experienced a recession or bear market. They are helping to lengthen this cycle as it's all they know. It is making most investors feel nervous, jittery and uncomfortable. We could have two quarters of negative growth - a recession - and it be a minor event.

WHAT IS YOUR VIEW ON WHERE WE ARE IN THE ECONOMIC CYCLE?

The world is very indebted. Tomorrow's consumption has and continues to be brought forward to today. That could mean decades of low growth, low inflation and low interest rates, which should be okay for markets. Risk assets shouldn't be threatened. But the geopolitical backdrop is quite lively - if a market event is looming, this could well be the cause of it. The financial system is largely appropriately capitalised.

WHO ARE THE STARS OF THE FUTURE?

Scott Woods who has taken over the Global Small Cap growth fund and Ebele Nwangwu, an investment analyst who joined us through the Investment 2020 scheme, who I predict will be a very senior person in our industry.

SHOULD LESS LIQUID ASSET CLASSES AND INVESTMENTS BE AVAILABLE TO RETAIL INVESTORS?

All investors need to understand the risks when investing and even more importantly when investing in less liquid asset classes. It is not in everyone's interest to hold these types of investments, and advisers need to make it clear to retail investors that less liquid assets are longer term investments.

WHAT ABOUT THE INCLUSION OF ETFs IN THE IA SECTORS?

It is a perfectly understandable development. ETFs are increasingly popular with clients. They want to see how they compare.

WHAT DO YOU DO OUTSIDE WORK?

I grew up in the East End of London and am afflicted with a lifelong passion for West Ham United. I am a season ticket holder and watch them with my brother and other members of the family. I also have a passion for cooking, eating and drinking. I do most of the cooking for family and friends, and for our two teenage daughters and often their friends too. My signature dish is chateaubriand with bearnaise sauce.

WHAT'S THE BEST ADVICE YOU HAVE BEEN GIVEN?

Be yourself and tell the truth. Remember that people do business with people and are more likely to give their business to those they like.