



TALKING WITH



Matt Evans

Portfolio Manager,
UK Sustainable Equity Fund
Ninety One

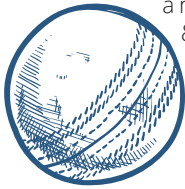
Talking UK companies and cricket with Matt Evans, portfolio manager at Ninety One and Richard Romer-Lee, Managing Director at Square Mile

December 2020 - 073

HOW DID YOU GET INTO THE INDUSTRY?

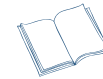


Not the straightforward way. I studied geography and sports science at Loughborough University and played lots of cricket. For a year after I played cricket in New Zealand and then I did two years at Middlesex CC. A combination of injuries and not being quite good enough meant I needed a new career. I got a job working for Legal & General's back office, in settlements converting paper to digital files. Eventually I joined the investment reporting team and while L&G was a big index-tracking house, I was interested in active management.



WHAT MAKES A GOOD FUND MANAGER?

There are some core rules – having financial analysis skills, a general interest in the world around you and being a good communicator. A disciplined approach should consider a company's business model, financial model and capital allocation. For sustainable investing, a curiosity and inherent belief that elements of it will lead to better financial outcomes. And what a sustainable business looks like – financial sustainability, internal sustainability – i.e. understanding the ESG risks and positive impact, which is the key differentiation – the output of the asset you are investing in. Engagement is so important and being clear about why you are engaging, the areas of real materiality and the ability to measure the benefit and impact. For example, how much energy as well as cost a customer of Spirax Sarco saves as a result of using one of their steam solutions.



HOW DID YOU BECOME A FUND MANAGER?

I pitched myself to the UK equity team as a graduate trainee – as they did not have one – and was fortunate that they took me on. The geography and sports science had equipped me with some worldly skills. It strikes me how unlikely such a shift in career would be to happen today and how we probably don't get the diversity of thought in the industry that is so valuable.



WHAT IS YOUR EDGE?

I know what I am looking for and what I need to ask. I'm rigorous and unemotional in my decision-making. A large part of it is about understanding the risks in a business and balancing the risk and reward in portfolio construction.

Although we get great access to executives, they are so polished and well-prepared and so you don't always get the insights you may be looking for. There is no substitute for going to see a business in situ and asking others questions. It provides a far deeper insight into the company.



WHY DID YOU TAKE ON SUSTAINABLE FUNDS?

I was a smaller companies manager at LGIM and thanks to their huge index-tracking we got great access to UK PLCs. It was a phenomenal and steep learning process as we spent lots of time with company management. With the access we had I learned just how powerful the dialogue we had with company management could be. I wanted to know how to invest in doing good as well as providing financial returns.



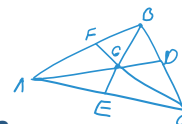
At this time some of the most interesting companies were offering products and services which provided tangible benefits for their customers, such as solar panels – PV Crystalox – or social housing repairs – Mears Group. Of course, ensuring these companies were also able to generate compelling financial returns was critical.

WHAT ADVICE DO YOU GIVE YOUNGER FUND MANAGERS?



Sometimes companies don't deliver what you expect and you can lose lots of money, especially in smaller companies. Make sure you understand the risks and potential reward. I often liken it to building a cricket squad – you need a steady opener who will be consistent over time and an exciting player who can change a game like Kevin Pietersen, for example.





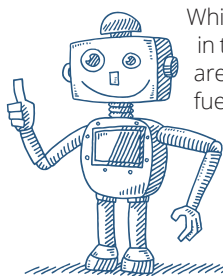
ARE THERE ENOUGH UK COMPANIES TO BUILD A WELL-DIVERSIFIED PORTFOLIO?

There are some amazing businesses in the UK. We are pursuing ten themes – five societal and five environmental, which we have linked to the UN's Sustainable Development Goals. At Unilever, while not all of its activities will change the world, it is genuinely a world leader in internal sustainability in its packaging, sourcing and supply chains, for example. The UK has great businesses in



healthcare, such as Smith & Nephew, online safety and security such as Avast, GBG Group and Experian which is crucial in helping tackle fraud and identity theft which are so important in a digital environment. There are highly exciting opportunities.

WHAT ABOUT TECHNOLOGY COMPANIES?



While there is not much in the way of technology companies in the FTSE 100, some of the new technologies in mid-caps are interesting. In the 2000s there were some early stage fuel cell companies which had lots of promise but were really research projects rather than commercial businesses. Now some of these firms are more established and making great progress. Ceres Power has visibility of orders and is building a licensing and royalty model, much as ARM Holdings did so successfully with semiconductors and software.

WHAT ADVICE HAS SERVED YOU WELL?

Keep it simple. Companies can make things really complicated but if I don't understand something, how can I possibly commit other peoples' money to it? It's why our investment principles have stood the test of time – understand how a company makes profits (the business model), how it generates cash (the financial model) and how it reinvests it (the capital model) and then be conscious of value.



WHAT WORRIES YOU?



I'm generally a glass-half-full person, but I always worry I don't know enough, so I do as much as I can to learn more. I have huge confidence in UK PLCs which on the whole are well managed by good management teams who communicate well. While there is much to be excited about in this space I worry that in with the pressure and impact of, and lack of accountability in, social media, the risks of making short-term political or business decisions may harm what is right in the longer term.



WHO HAS INSPIRED YOU?

In the financial world there are so many capable people to learn from. Yet I have taken inspiration from those close to me, particularly my grandparents who were very supportive of my sister and me when we were growing up. They always enjoyed the simple things in life and taught us the importance of being courteous to everyone we met. As a fund manager all I am doing is serving in a role looking after people's savings and if I can do it successfully with humility and integrity, I will have performed it well.



WHO ARE YOUR CLIENTS?

In the UK Sustainable Equity fund it's mainly wealth managers and some specialist sustainable platforms. However, the client base is broadening and we are having discussions with an increasing number of wealth managers and advisers who are considering how to offer sustainable solutions to their clients. Individual investors are becoming more aware of sustainability in their broader consumption which may have started with clothes and cars and it's now drifting into how they invest.



WILL RESPONSIBLE CAPITALISM BECOME THE NORM?



Our industry is giving a good message, but it is has not yet delivered across the piste. All capital needs to understand where it is causing harm and where it can do good. To make it the norm everyone really needs to believe that and be held to account. We don't have all the data and answers today, but we're doing all we can. There is still a long way to go and there undoubtedly will be a much larger and greater voice coming from the industry.

HOW DO YOU RELAX?

As I am doing this interview from a holiday in Cornwall, and I'm itching to don my wetsuit and head out into the surf. At my age it doesn't look good but the freedom of surfing is really something. My wife has rumbled why I like to come here and though I will never master it, the feeling of catching a wave is so good. I love spending time with my son and am still a bit of a cricket coach, which is not always relaxing. I like simple things, like cutting the grass and cooking, especially outdoors. I have a Big Green Egg BBQ and do a mean slow cooked shoulder of lamb in mint and garlic.



This publication is for the use of Professional Advisers and other regulated firms only and is issued by, and remains the copyright of Square Mile Investment Consulting and Research Limited (SM). No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods, without the prior written permission of SM. The views expressed are not necessarily those of SM and SM does not accept any responsibility for errors, inaccuracies, omissions or any inconsistencies herein.

