TALKING WITH

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Talking market challenges and playing piano with Matt Beesley, Chief Executive Officer at Jupiter Asset Management and Richard Romer-Lee, Chief Executive Officer at Square Mile.

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HOW DID YOU GET INTO THE INDUSTRY?

I applied for a range of jobs having studied politics and modern history at the University of Manchester. I had no idea what I wanted to do, but thought something analytical would be good so I applied for a range of financial services roles. Out of investment banking, business consulting, risk-based work and asset management, I had the most responses from asset managers. That led me to a job with Mercury Asset Management. It was an amazing business and place to work, and under the stewardship of Steven Zimmerman and Carol Galley, brought together what in those days was considered a diverse group of people, with lots of talent. I fitted in well and felt immediately at home in the asset management industry.

WHAT TYPE OF FUND MANAGER WERE YOU?

I joined the graduate team where we worked in roles around different parts of the business. A week after joining the global emerging markets desk Russia collapsed and bonds went to zero. The European emerging markets universe was shrunk to not a lot, given the contagion effects. I learned things there which have stood me in good stead – the volatility, the variability, the cyclicality and liquidity risk of emerging and other markets. I eventually went to global equities and stayed put.

WAS IT YOUR AMBITION TO BECOME A CEO?

To some degree, yes. I loved investing and still do – markets continue to fascinate me. But I realised I was not going to be an outstanding fund manager. In our industry money flows, rightfully, towards those who are truly outstanding. With a decent grasp of markets, client empathy and an understanding of what makes investment managers tick I became what was hopefully a good CIO to whom fund managers and clients could relate.

WHAT'S THE ROLE OF ACTIVE MANAGEMENT IN THE NEXT 5 TO 10 YEARS?

Underlying trends and pressures that come from passive are not going to go away. But we can prove our value, recognising that our fees are going to be under pressure. We must be relentlessly focussed on efficiency to keep shareholders happy.

There are other things that we have to provide including thought-leadership, data analytics and insights to our clients and reporting, and client service is crucial in every regard. The focus on corporate governance and sustainability is key. While passive managers can vote their proxies, we have the ultimate sanction of being able to engage with companies because we can be sellers and put pressure on management. Truly active managers will embrace all of these opportunities.

WHAT'S YOUR VISION FOR JUPITER?

Jupiter today is an active manager and we will remain so. But more than that, Jupiter needs to stand out. I would like as many people as possible to recognise that we are a provider of highly differentiated active products. We are never going to be a fund supermarket – that's not our ambition. But if any client, no matter what their geography or client base, is considering an active investment solution, I want them to think about Jupiter.

WHAT ARE SOME OF THE CHALLENGES YOU FACE?

Our active investment proposition has been somewhat diluted in recent years. We have had too many non-differentiated, overlapping, sub-scale funds which haven't helped clients be clear what it is that Jupiter stands for – which is active investment excellence. It has required some work over the last year to restructure the product range and make it clear what it is we stand for.

We've merged and closed some funds and we've had to lose some people. It's given us the opportunity to make it clearer what we stand for and to make sure we have the resources in the right places. We have the opportunities to scale both what we do and for whom we do so, for example in the institutional market and globally.

There are challenges in building the brand, the understanding, the scale, but it is helping to diversify our business and serving a broader set of client needs. That scale will help us further strengthen our business and make us more relevant to all of our clients, which has to be a good thing.

WHAT'S YOUR VIEW ON THE FCA'S PROPOSED SUSTAINABILITY DISCLOSURE REQUIREMENTS & INVESTMENT LABELS?

I'm fully supportive of creating a deliberate, overt labelling regime. It's what most clients are clamouring for. One of the challenges with Sustainable Finance Disclosure Regulation (SFDR), which was designed as a capital allocation framework not a labelling regime, is it has been used as a proxy for one and this has created an enormous amount of confusion. The FCA's intentions are to be lauded.

WHAT'S THE ROLE OF BUSINESSES LIKE JUPITER IN HELPING PEOPLE TO INVEST RESPONSIBLY?

Our job is to be very thoughtful and authentic about what we do and why we do it. We need a plethora of approaches to meet the needs of a range of clients, from investing responsibly to having impact. At the same time, there are some things which are really important to do all the time as good fiduciaries. For example, proxy voting is good basic corporate governance that we must always do. There are certain things we don't ever want to invest in and like most asset management companies we ban the investment in cluster munitions, for example. We are in the process of formalising a list of controversies, recognising there are certain assets that require deeper degrees of scrutiny prior to investment as they are more controversial and come with greater risks.

WHAT CAN INVESTORS EXPECT FROM MARKETS OVER THE NEXT 5 TO 10 YEARS?

It's hard to make the case, given the outlook for likely muted growth, for equities or bonds to generate huge returns from here. I do worry we might be in a stagflation environment where growth is limited. Inflation is more embedded, globally, than people might think. The worry is not so much headline inflation but inflation expectations, which might make it harder to tame in the next couple of years. This hasn't been the case for over 30 years. The world is flush with business leaders – me included – who haven't managed in an inflationary environment. Some businesses will make mistakes, creating volatility and inefficiencies. It might be great for active managers, but won't necessarily be for politicians, central bankers and business leaders trying to manage their way through this.

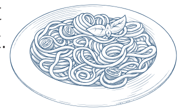
I see value in certain asset classes, however. Emerging markets on a multi-year view, given how poor returns have been in equities over a decade, and bonds with structural growth stories still strong, valuations low, and sovereign balance sheets a lot more resilient.

WHAT DO YOU THINK ABOUT THE RISE OF PRIVATE MARKETS?

Private assets are increasingly relevant for lots of the right reasons. The challenge is how private investors get access to them given the lack of vehicles, other than investment trusts. Governments and regulators globally are pushing to democratise private assets and that makes complete sense. People seem to be anchored on the need for liquidity in their personal savings and investments even though they don't often access them. For people with multi-year horizons, to allocate and lock-up a small portion of their portfolio shouldn't be a problem. The returns should make the trade-off attractive. I'm surprised we haven't seen more take-up of Long Term Asset Funds (LTAFs), but the restrictions have made it hard to make them mainstream.

WHAT MAKES A GOOD FUND MANAGER?

I was once told that great fund managers probably make poor dinner party guests (though I couldn't possibly comment!). They tend to be introverted, contrarian and stubborn. They are typically very intelligent people with the ability to focus on the right salient things that are ultimately going to impact the valuation of an asset. I'm not sure there are many people who aspire to be in asset management. Most people don't know much about it. We need to do more to help people understand our industry's role in society and explain what we do. That should help to attract a more diverse group of people to the industry which in turn will improve it – and outcomes for clients.



DO YOU LIKE STAR FUND MANAGERS OR TEAMS?

Clients rightly want to know who is ultimately responsible for managing their money. The very best investment managers I have ever seen have always been part of wider teams. While there may be one person that's well known, or manages the team, or for whom the regulatory perspective is ultimately responsible, the very best managers want to be part of a team and infuse it with their secret sauce. It should lead to better, more consistent outcomes.

WHY IS CULTURE SO IMPORTANT?

It should permeate all of its people all of the time. Our culture has evolved – we had to work hard when we brought two businesses together three years ago.
We have thought very deliberately with our colleagues about the behaviours we want to exhibit.

WHAT ADVICE HAS SERVED YOU WELL?

Learn from the smart people you meet. One of the best things about being an investment manager is you meet so many people across a broad range of industries, and you can learn from them all. I have tried to over the course of my career so far and will continue to do so.

HOW DO YOU RELAX?

Quite easily. I am able to compartmentalise my life and I don't tend to get stressed. I'm happy to work hard but recognise it's important to switch off. Sleep is vastly underestimated as a cure for so many things – I learned that too late in life as a former global equity manager travelling too much. I like exercise – sleep is a wonderful tonic to that too. I like cooking and love being outdoors, but not camping. I'd rather sleep inside. I can play the piano badly, and have a soft spot for West End musicals. We often have the family around the piano singing along after paella with fresh shellfish.