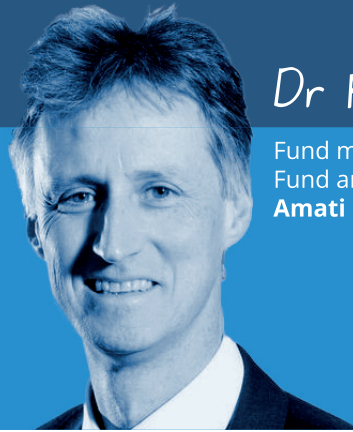




TALKING WITH



Dr Paul Jourdan

Fund manager of UK Smaller Companies Fund and Co-Founder
Amati Global Investors

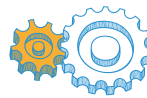
Talking growth companies and Mozart with Dr Paul Jourdan, Fund Manager of TB Amati UK Smaller Companies Fund and Co-Founder of Amati Global Investors and Richard Romer-Lee, Managing Director of Square Mile.

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HOW DID YOU GET INTO THE INDUSTRY?



I started out as a musician – a professional violinist with the City of Birmingham Symphony Orchestra. Investment was a hobby. I subscribed to a monthly strategy letter written by David Fuller. He advertised something called the Chart Seminar which looked interesting. I wrote to him about it, and he replied with what proved to be a life-changing letter inviting me to attend. After this I got the investment bug. I eventually left the orchestra and went back to university to do a PHD in music history – whilst part-funding it by trading, mainly Japanese Yen options. I had expected to become a teacher or lecturer in music, but I came to the realisation that I wanted to be a fund manager. I was worried at 32 I had left it too late, but was fortunate enough to be offered a job by Stewart Ivory in Edinburgh.



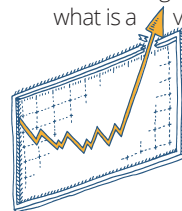
IS RUNNING A BUSINESS AND BEING A FUND MANAGER CHALLENGING?

Doing both creates additional pressures and there's lots of multi-tasking – it's important to have a great team. You learn so much about what it takes to run a business, which is really valuable for us as fund managers, particularly in smaller companies.



WHAT ARE THE PROS AND CONS OF BEING AN INVESTMENT BOUTIQUE?

You can determine your own culture, which is both a big responsibility and a benefit. You can create an environment that really works for the people in the business. Job satisfaction is more about the cultural fit and identifying with the business than it is about money. The main disadvantage was the time it took to get traction in what is a very competitive and vast market. It took about five years to grow the fund from £4m to £20m, mostly through performance. You need to give clients the ability to trust you – and that takes time.



WHY SMALLER COMPANIES?



When Colonial First State bought Stewart Ivory, I was asked if I would be interested in running the smaller companies fund. I jumped at the chance – it was a great opportunity and I was really interested in the sector. There was one major drawback, however, as the fund had one big institutional investor on a two-year contract – the pressure was on. Luckily they helped by allowing us to find new investors to buy their holdings over time. I am still running the same fund today 20 years later. I love it. The companies are interesting and the beauty of small-cap investing is, it's personal.



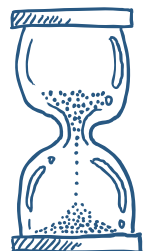
WHY DID YOU START YOUR OWN BUSINESS?

The truth is we set up Amati to keep our jobs. Douglas Lawson, Rachel Le Derf, Wulf Rajek and I had been at Noble Group, a corporate finance company which had sold itself to a bigger company in the aftermath of the global financial crisis. Our part of the business was not required, so we negotiated an MBO. On reflection there is no better way to start a business than by taking over the one you are in. We had a total of £21m under management, which wasn't much, but we had clients, contracts and a little momentum.



WHAT'S THE BASIS OF YOUR CULTURE?

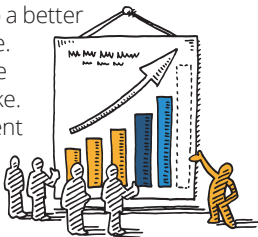
Respect is at the heart of our culture – we need to respect companies whether we invest in them or not so that they talk to us. I sense that being in Edinburgh is helpful in this regard as it feels less aggressive than London. It's important that we understand why we allocate capital and how it affects others. We must remain humane in a world which Saskia Sassen, the Dutch- American sociologist, describes as “too financialised and faceless”. That's why ESG is so important, which incidentally, is not really new. Most good fund managers have been thinking about this for the last 15 to 20 years. David Gait at First State (now First Sentier) had embraced this before most people had started to talk about it.





WHAT IS YOUR EDGE?

Having a team-based approach which leads to a better portfolio than any one of us could create alone. It's one of the reasons we are called Amati – we are like an artisan, a master craftsman if you like. What we do requires experience and judgement – there are no easy decisions in this job. The moment you think there are, you are finished.



WHAT MAKES A GOOD FUND MANAGER?

You need insights into people to understand what business managers tell you, and insight into crowds, as markets are crowds of people. You need to be able to think critically and understand how to do research. I was lucky as studying for a PHD was fantastic to develop a research discipline. Creativity and to be able to think differently from others, but not all the time. And a good communicator – it's a big part of the job, both in terms of receiving information and talking to clients.



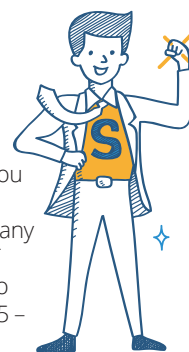
WHAT EXCITES YOU IN THE MARKET AT THE MOMENT?

Investment decisions right now are probably as difficult as I have ever seen. The world is getting crazier and there are uncomfortable things going on in the financial system. The consequence of the creation of all this money in the last 12 months, on top of what went beforehand, is that asset prices are high. In turn that makes it harder to find investments that are cheap, which makes the decisions to invest harder. However, we love finding new ideas and the best way to do this is to get into a company early. We recently made the biggest investment we have ever made, partly down to the size of our fund, in HeiQ, a Swiss materials technology business, at its IPO. The shares have done well but the company needs to perform and produce results, which it has yet to do.



WHAT ADVICE WOULD YOU GIVE TO THOSE STARTING THEIR CAREERS?

Find good teachers and have a hunger to learn. You need mentors – people to help you learn the ropes. I was very lucky that David Shaw Stewart taught me how to read company accounts at Stewart Ivory. His father, one of Stewart Ivory's founders, had told him not to invest in companies with p/e ratios below 15 – in other words buy the best companies.



WHAT WILL WE LEARN FROM THE COVID CRISIS?

When we emerge from this, we will reflect on what really matters and hopefully will have a slightly healthier perspective on life. I am sure most people have slowed down a bit already.

We are very lucky to work in this industry when you consider the devastation in others, such as the arts.



HOW DO YOU VIEW THE CURRENT INVESTMENT ENVIRONMENT?

We are in the midst of incredible change – industrial change – which is still accelerating. It throws out incredible opportunities, but you have to run fast to keep up. The opportunities created by digital technology are not new, but trying to balance the equation of having to pay up now for success into the future is a difficult one. That's a challenge with the large American businesses. The alternative is to look for something off the beaten track, which is what we do. We want to find growth companies on the right side of industrial change. Companies that are not can be wiped out, irrespective of their size, and it is even more important than ever to understand the detail of why industries change. That detail is crucial.



HOW DO YOU RELAX?

I play music – it's still very important to me, even if playing (the violin) can physically take its toll as you get older. As a family we play together as a chamber group, which has been a great thing to do through the lockdowns. We all play and our repertoire includes pieces from Brahms, Mozart and Schumann. I have also been involved with a number of charities, including Sistema Scotland, and am thinking through what to get involved with when things open up again.



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