



# TALKING WITH



Saker Nusseibeh, CBE

CEO of Hermes Fund Managers

Talking stewardship and electric guitars with Saker Nusseibeh, CBE - CEO of Hermes Fund Managers and Richard Romer-Lee, CEO of Square Mile

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## HOW DID YOU GET INTO THE INDUSTRY?



Entirely by accident. I have a PhD in History and wanted to be a university lecturer – but I couldn't get a job. I thought the City sounded a good idea and applied to the SG Warburg programme but was not good enough to be accepted in merchant banking. Being a broker wasn't right either as I couldn't sell anything to anyone. I ended up in its subsidiary Mercury Asset Management.



When I stepped onto the floor in March 1987, I think about the number of senior women at Mercury, which was outstanding – it was an anomaly yet extraordinary. For example, Carol Galley in the UK, my mentor for many years Consuelo Brooke in Europe, Julia Hobart, Nicola Horlick, and Belinda Davy in Japan.



## DID YOU ASPIRE TO BE A CEO?

No. At first my aspiration was simply not to be sacked in the first two years – lots of graduates didn't make it through the program. When I became a fund manager, I ran concentrated portfolios. Beating the benchmark was not enough. I wanted to know how I could formulate teams who could work together. At Hermes I saw a company that had developed a shining light on finance which was about to be switched off, and lots of talent in responsible and financial investing. However, the two were not connected. I had a duty to those people to help, as if it was not sorted the business would be closed.



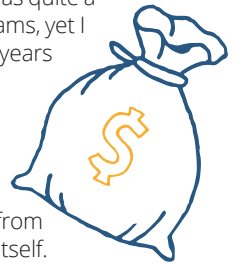
## WHO HAS INSPIRED YOU?

The industry is full of amazing people. I will name three. Consuelo Brooke, who ran the European team at Mercury, represented the ultimate in craftsmanship. James D'Albiac was a fantastic fund manager! He had been investing since the 1970s and had a deep understanding of the long-term. When the market crashed in 1987 and everyone was panicking, he told us to switch off our screens and get back to work. Ralph Quartano, the first CEO of Hermes, who sadly passed away recently, was another deep thinker, especially about the purpose and responsibility of what we do, stewardship and doing things right. He thought about the differences between active investing and market exposure – passive investing. Hermes launched the first index fund outside North America in 1985.



## DO YOU STILL MANAGE MONEY TODAY?

No, I gave that up reluctantly when I became CIO at Hermes. It was one of the hardest decisions I have ever made, but it was the right one. Sometimes I feel the universe plays jokes on us. Throughout my education I was quite a lazy student and I loathed exams, yet I pursued a career for over 25 years as an active fund manager where every single day is an exam, and every day produces results. As a CIO, I had to switch to looking after everyone, but detach myself from the art of fund management itself.



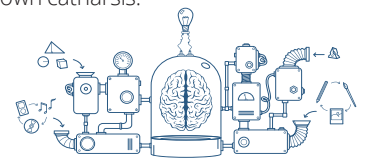
## YOUR MISSION IS TO BRING ESG AND RESPONSIBLE INVESTING INTO THE MAINSTREAM. HOW FAR HAVE WE COME AND HOW FAR IS THERE TO GO?



In Europe there seems to be a general acknowledgement that ESG is a good thing. There's a big controversy about greenwashing. In my faith, we say it's okay to pretend to be moved by faith and to cry because eventually one day you will cry for real. In some ways, greenwashing is the same as at least there's an acknowledgement it's important to pretend to be ESG. European players routinely say ESG has been integrated from the start. This is extraordinary as it was not the case when I was talking to them six or seven years ago.



In the US they still have the challenge of a more legal-based system and a narrower view of what fiduciary duty means. They are however going through their own catharsis.



## WHAT MAKES A GOOD FUND MANAGER?

The ability to grasp trends really well, be they in businesses, sectors or society. To have an almost schizophrenic ability to believe you are smarter than everyone else in taking your positions – active share – whilst keeping in mind you may be 100% wrong. This is a very odd and rare combination – it's not easy to do.





## DOES ESG CHANGE THE WAY COMPANIES SHOULD BE VALUED?

It should do and does – it's our secret sauce. We find that companies that adhere to what we call responsible values – and like all financial analysis it's by no means black and white - generally outperform over the longer term. You can't run money and abide by your fiduciary duty if you do not integrate ESG, because doing so is simply the most efficient way of investing for sustainable long-term wealth creation. Once this is better known, companies will be valued that way. It's good to see lots of young academics, at Harvard and London Business School for example, looking at this. That tells you the way companies are going to be valued will change as academia is catching up.



## AS FOUNDER OF THE 300 CLUB, WHICH SEEKS TO CHALLENGE INVESTMENT ORTHODOXY, WHAT PROGRESS IS BEING MADE?

We have made great strides in responsible investing, thinking about longer time horizons and understanding the difference between investment and trading. There's more to do to understand investment returns in a broader sense – they have a much bigger impact than purely financial – from environmental, economic, regional points of view to name but a few.

There's also more to do to embed investment as long term, otherwise it's just gambling – which there is nothing wrong with, but it's probably more fun in Las Vegas.



## WHAT ABOUT THE NEXT GENERATION AND ESG?

They are way ahead of us. If you speak to younger people in other industries, they are much more aware of ESG. But society more broadly has moved on. We could have tackled Covid differently valuing younger, more productive life but instead as a society we showed we value all life. We decided to shut down, take the pain and look after the elderly. This has been difficult for the young, yet it has demonstrated that society has values, and these should not be separate to the marketplace.



## YOU HAVE WON MANY ACCOLADES AND RECOGNITION, FROM CEO OF THE YEAR TO YOUR CBE. WHAT DOES IT MEAN TO YOU?

I'm seen as the face of the business, but these awards are for the whole firm. I was humbled to receive a CBE, especially as an immigrant. I entered the City and fund management by mistake rather than intention but have been served well by always asking those stupid questions which have helped me to progress.



## WHAT IS THE IMPORTANCE OF ACTIVE MANAGEMENT IN THE PURSUIT OF SUSTAINABILITY AND IMPACT?

There's a role for passive management, assuming it combines with active, not activist, stewardship. Yet active management, which pursues the same aims, is a lot more focussed and concentrated. A deep 10-year engagement is needed to help companies with sustainability practices to explore and develop ideas that will bring forward how business will develop.

It's a misunderstanding of how the market works to think the market allocates capital. Fund managers do, however, have influence on capital allocation as they own banks, private equity companies and so on that issue capital. They can act as guardians of businesses and help them develop and maintain long-term sustainable practices that benefit everybody.

However, 2008 was a seminal year when I was extremely angry with the asset management industry. We weren't blamed for it, but we were the guardians of the system and yet somehow, we never stood up and said sorry.



## WHAT ADVICE DO YOU GIVE TO YOUNGER PEOPLE EARLY IN THEIR CAREERS?

There are three pieces of advice I like to give. Firstly, ask basic questions but don't assume you are given the right answers. Secondly, something that came from father, with the many choices you will make, ask yourself if you will stand by these publicly. Thirdly, we are remarkably privileged in the developed world, so walk gently, be grateful, don't be smug and help others.



## DO YOU EXPECT INVESTORS TO BE OFFERED AND DEMAND A MEASURABLE AMOUNT OF SUSTAINABILITY OR IMPACT ALONGSIDE THE FINANCIAL OBJECTIVES?

We are seeing some moves where investors and regulators are demanding to see some kind of measure of impact or outcome. People invest because they want to retire, and they want to retire well. For most people that means in a society that is both sustainable and fair, and in which we invest and create.



## HOW DO YOU RELAX?

I value family time enormously. I have been trying to play the guitar for some 45 years. I have recently switched to an electric guitar but it's a case of perseverance over talent. I like to read Terry Pratchett books – I'm not very good at reading non-fiction. I spend an hour every evening catching up with myself – some advice I was given by a farmer friend – it's a chance to empty my mind. And I ride a Royal Enfield Bullet 500 – even though it is relatively new it's like riding a bike the same as they were made in 1945.

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