



TALKING WITH



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Talking teams of three and bird watching With Simon Edelsten, global equity fund manager at Artemis Fund Managers and Richard Romer-Lee, Managing Director at Square Mile

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HOW DID YOU GET INTO THE INDUSTRY?



After college – in 1983 – I got a clerical job in the BBC's news department. Following a Panorama programme about Big Bang, I dug out the Yellow Pages and wrote to 50 stockbroking firms. I received replies from two and was offered a job by one, Grenfell & Colegrave. Things were changing in the City and one no longer had to be related to someone to get a job as Mrs Thatcher's government sought to break up the closed shop. I was the only person at the firm to have a degree.



WHY WORK AS A TRIO?

Our team of three is a very specific design based on how Nils structured his team of Taube, Stonex and Hodson. We are three experienced people in a bigger organisation. If you know what you are looking for, three is enough. The danger with one on their own is getting carried away and thinking you know it all, whereas a team prevents hubris. We have shared principles but are different characters.



HOW DO YOU MAKE DECISIONS?

It's very formal – anyone can hold out saying no for as long as they want with no reason. We all have our money invested in this. If we are unsure, there's plenty of choice and we move on to the next idea. At THS the team decided not to invest in tobacco, which was



interesting in itself as many years earlier they had tried to take over one of the tobacco companies and I was the broker buying the shares on their behalf. We decided we could do better than invest in a company which produced something bad for their customer's health. Since then we have added lots more companies to the "what's the point" list, including weapons manufacturers and gambling companies. It's now called ESG.

HOW DO YOU TAKE ACCOUNT OF ESG FACTORS?

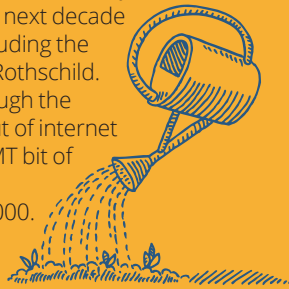
It's embedded in what we do and has been for years. We sold out of oil in 2015 when the oil price was high but going down whilst the risk when something goes wrong – as it has a habit of doing – costs billions and years to sort out. Governance has always had a high weighting – not just at the corporate level but we have to be mindful at the political level too when it comes to a country's attitude to foreign capital. We are more wary about China now than 3 or 4 years ago as there is more hostility towards foreign investors. At the same time, Myanmar is looking better than it has in the past, while Egypt and Turkey worse and their risk profile is too high. We do have relatively small investments in the FAANGs, but not as large as we could as they do not give us a vote – and that matters. ESG can't be quantitatively modelled as it changes.



HOW DID YOU MOVE ACROSS TO FUND MANAGEMENT?

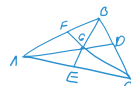
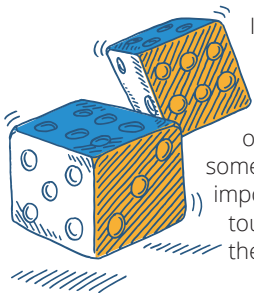


My next job was at Phillips & Drew – it was in the days when there was no division between broking and fund management, Phillips & Drew Fund Management was part of the same firm – and one of my clients was Nils Taube. I got to know him over the next decade through some exciting times, including the selling of their business to Jacob Rothschild. I continued to look after him through the 1990s and we all made money out of internet stocks. I ended up running the TMT bit of Dresdner Kleinwort, after which I crossed over to the buy-side in 2000.



WHAT MAKES A GOOD FUND MANAGER?

It's a vocation not a job. It's a mistake to think of it as a glamorous profession that pays well. To do the job well, you must always be reminded you are looking after others' life savings. Markets can fall, sometimes quickly, and it will be stressful. It's important to hold your nerve when things get tough, though the worry can wake you up in the middle of the night.





WHAT ARE THE CHALLENGES FACING INVESTORS?

Many private investors will have had a good year having bought the likes of Amazon and Netflix, which have gone up. They think that's fund management. Valuation gets forgotten, but there will come a time, maybe next year, when valuations matter again.



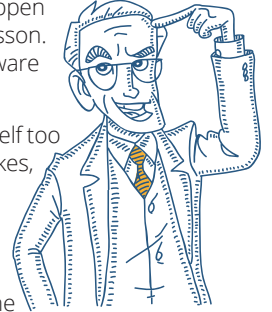
For the last 30 years or so, inflation has always been on a downward trend and savers have had a pretty easy time. With the amount of money being printed at the moment, the risk of inflation has increased. If this happens and there is no return in risk-free assets, savers will have to try to find investments that go up with the cost of living and greater attention will have to be paid to valuations.



WHAT IS THE BEST LESSON YOU HAVE LEARNED?

I was long the market in 1987 when I didn't have much money. I lost £2,000, which mattered to me greatly at the time. Every market was down 25% or more in a morning. They say that can't happen anymore – but it taught me a lesson. Never be complacent and be aware of your risks.

Nils used to say don't kick yourself too hard. When you do make mistakes, it's important to go through the rulebook and work out if you failed to adhere to it or should it be changed. It's usually the former. It's why this is an art – the balancing of a portfolio, diversification, sizing positions.



WHAT DO YOU FIND EXCITING IN MARKETS AT THE MOMENT?

The challenge of how to generate real returns of 4 or 5% without taking excessive risk. What has happened in the last year or so and what is happening now is a necessary shake-up, out of which new ideas will be born.



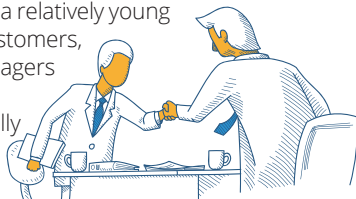
HAS THE PANDEMIC CHANGED HOW YOU WORK?

We used to fly around the world a lot to visit companies, but they are now all online and their response to keeping people in touch has been amazing. They won't talk about the financials – which suits us – but will talk about the challenges. It's okay to work in this way in the shortish term, but we wouldn't want it longer term. Assessing management matters is best done in person.



WHAT'S THE BENEFIT OF WORKING AT ARTEMIS?

It's one of the last partnerships left and everyone in the firm respects this. Behaviour matters and we are completely focused on our franchise. If we do well, there's absolutely nowhere to go – we can't be promoted to management or moved to another investment team. A Plc structure does not really suit fund management. We are stable, have short lines of communication and are close to our clients. As a relatively young business looking after retail customers, the attitude is one of fund managers being accessible to clients and explaining themselves, especially when things are going badly.



WILL YOU STILL BE DOING THIS WHEN YOU ARE 80?

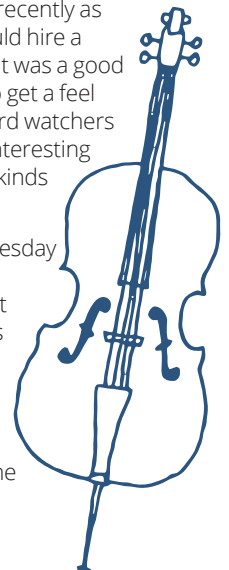


Quite possibly! It's entertaining and as Nils used to say, perhaps I will get it right this year. You do get better with experience, a bit like doing crosswords, but you can't do it part-time or if your memory fails.

HOW DO YOU RELAX?

I used to do a lot of bird watching, although it has taken a bit of a back seat more recently as I'm not travelling as much. I would hire a guide and a van for a few days. It was a good way of overcoming jetlag and to get a feel for a country and local views. Bird watchers are an extraordinary range of interesting and thoughtful people from all kinds of backgrounds.

I now play the cello every Wednesday evening with the Wandsworth Symphony Orchestra. Last night I played Fingal's Cave, which has a very difficult cello part, with 30 people in a room, socially distanced of course. It was as terrifying as it was fantastic and completely takes my mind off the stock market.



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