

TALKING WITH

Richard Romer-Lee, Managing Director of Square Mile discusses Asia, abstract thought and Chinese culture with Robert Horrocks, Chief Investment Officer and Portfolio Manager at Matthews Asia.



Robert Horrocks

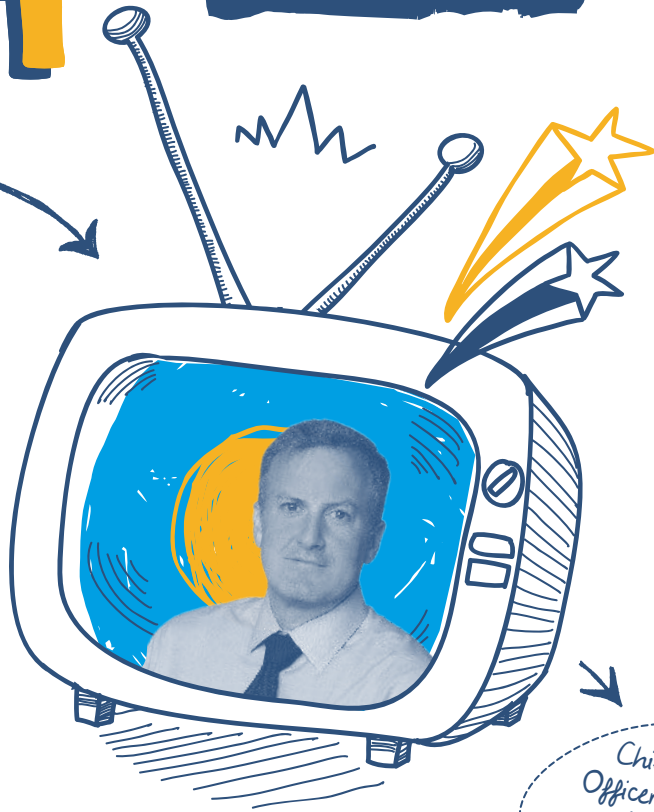
WHAT INTERESTED YOU IN FUND MANAGEMENT?

I was always interested in finance. As the son of a mathematician, I am a very abstract person and live in my head. Fund management allows me to participate in economies and politics in the real world using abstract theories and understanding.

WHEN DID YOUR INTEREST IN ASIA BEGIN?

I was good at languages at school, but when faced with choosing a degree course, the problem was who wants to read 17th century French poetry? Having the knack for languages, I looked at 2 options, Russian and Chinese. I opted for Chinese, the official story being that China was beginning to open up and it could be a smart gamble, the unofficial version being that China and its culture seemed much more exotic than Russia back then.

I spent a year of my course in China, which was brilliant. However I found the course boring so after a few weeks I stopped going, except for the odd visit to show my face. I learned Chinese the proper way by exploring and travelling around the country. I returned to Leeds, graduated and wrote to a dozen brokers and corporate finance businesses in Hong Kong looking for a job. I didn't get a single reply. It was in the aftermath of Tiananmen Square... I stayed at University to study for a PHD, studying the labour movement in 1925. My tutor taught me to put trust in people, especially young people, and give them freedom. This was ironic as his political views as a Trotskyite led him to be thrown out of the British Communist party for being too left wing, whereas I was a massive admirer of Mrs Thatcher, much to my mother's chagrin.



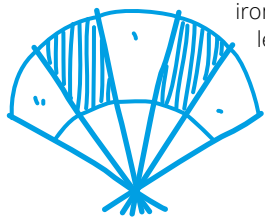
Chief Investment Officer and Portfolio Manager at Matthews Asia

WHAT IS THE NEXT CHALLENGE IN YOUR CAREER?

The most important thing for me is to look back with pride (and as little regret as possible) about what I have done and the decisions I have made. I always try to be progressive and do things in the right way and want each year to feel I am a better fund manager than I was the last. I recall a conversation early in my career where a senior manager sat me and my colleagues down and reminded us in no uncertain terms that we were stewards of people's money and thus had a fiduciary responsibility. You always need to be aware that your actions will impact the end investor. I want to stay grounded and maintain a broad balance between work and home life.

WHAT GOOD ADVICE HAVE YOU RECEIVED?

The training at Schroders was very good. I can remember three pieces of good advice. Andy Brough said if you really like a company, it's dangerous to sell it. Don't try to be too smart. I guess he meant run your winners. Denis Clough told me the importance of valuation, saying he would rather own a good company at a great price than a great company at an expensive price. Whilst Jim Cox urged us to look at companies like a corporate financier would and understand the component parts.





HOW DO YOU RELAX?

A weakness of living in ones head is I spend too much time thinking and have neglected my body in the past. I am wise to that now and have lost 45lbs in recent months. I go to the gym and play soccer, or football with the feet as one interview candidate described it - an important detail living in the USA. I also read a lot.

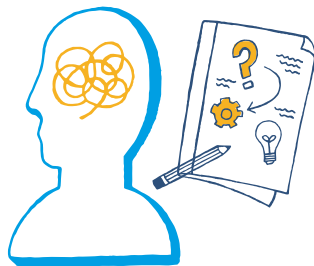
WHAT DO YOU OBSERVE HAVING INVESTED IN ASIA FOR OVER TWENTY YEARS?

How unremarkable the growth in Asia is. Asians save, try to better themselves and are motivated by making money. Yet Asian governments are more interested in supply side reform than wealth redistribution. Human beings are not that different around the world and they all have a desire to express themselves and aspire to comfort and convenience.



WHAT'S IT LIKE BEING AN ENGLISHMAN WORKING IN SAN FRANCISCO INVESTING IN ASIA?

There is a very English influence at Matthews – Paul Matthews himself was English. San Francisco is removed from the markets in which we invest and therefore everything is virtual. It means we can control the environment in which decisions can be made. It's also a fabulous place. To work in Asian markets, it is not necessary to speak the local language (although I do speak Mandarin), but it definitely helps to have been there. An understanding of the regulatory and economic backdrop is important, but the most important thing is to understand companies and what generates profits.



WHAT MAKES A GOOD FUND MANAGER?

I continually think about this and there are four crucial components.

- 1 You have to form a strategy and framework for looking at the world. You have to make some sense of it - it is big and complex and you can't know it all.
- 2 Discipline - you need to be able to execute within your framework - you need to know what to look for.
- 3 The ability to take decisions. You will never know it all and being able to take decisions in conditions of uncertainty is essential.
- 4 The most powerful and important thing is the need for introspection. We all have biases - the decision making part of the brain is driven by emotion, not logic, and you need to know how your synapses fire.

My approach is to be patient and invest for the long term, by which I mean 10 years. Investment is about layering returns. My discipline is to focus on dividends - they tell you much about the ability of a company to generate cash and its approach to corporate governance as well as helping with valuation.

WHAT HAVE BEEN THE SEMINAL MOMENTS IN YOUR CAREER?



Asian markets have been prone to crashes, or dislocations and volatility as they are now called. Observing people who have been through that and have the ability to keep calm and make decisions in moments of turmoil. For example Robin Parbrook was writing buy tickets at knock down prices amongst the mayhem created when Soros and Druckenmiller were targeting the Hong Kong market, convinced that someone would buy at those levels. John Pinkel buying western consumer staple stocks at the height of the TMT craziness also springs to mind.

WHAT ADVICE WOULD YOU GIVE TO THOSE STARTING THEIR CAREERS?



My career has been based on saying "yes". So my advice would be to say yes, do something out of the ordinary, give things a go. Don't worry if it doesn't work out, what's the worst that can happen? Investment is a vocation where you are wrong a lot of the time, therefore each decision is an opportunity to learn.

WHAT IS THE MOST VALUABLE LESSON YOU HAVE LEARNED?

It was from my father. He dedicated his life to one discipline, mathematics. He only wrote seven papers in his lifetime, but every one was considered to be important. He did not publish for the sake of it, or for his ego. When choosing to do something, be dedicated to it and have a sense of responsibility.

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