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A Day in the Life of an Investment Professional

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Abstract. This article comprises four mini-cases that explore what an investment professional does in his or her job. The cases are based on interviews with individual subjects, and reveal what each person s job entails, with whom he or she interacts, and the challenges of the job. The cases describe security analysis at Fairview Asset Management; equity management at M&G Investments; fixed income at Athena Asset Management; and hedge funds at Regent Capital LP. Issues to be explored using these cases are the differing roles of asset-management professionals, variation in corporate cultures, the match of lifestyle to personal priorities, and how best to conduct and report on an interview with a finance professional.

Keywords: investment management, implementation, career, case study, project, shadowing.

1. Introduction

Some of the finest scholars have emphasized the value of linking financial theory with investment practice. Among Nobel laureates in finance, for example, there have been career consultants (see Markowitz, 1991), board members of security markets (see Miller, 1997), pension plan software vendors (see Sharpe, 2004), authors of leading case studies (see Merton, 1995), principals in asset management companies (see Scholes, 2003), behavioral investment (see Kahneman, 2000), and risk-management consultants (see Engle, 2003). As Bernstein (1992) highlights, there has been a close relationship between financial research and the world of asset management.

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1. BGI Professor of Investment Management; and 2004 EMBA, MBA, MIF and MIF (Masters in Finance) alumni. We wish to thank Kay Shergar, Giles Worthington, Julie Fernandez, and Hai Wang, who hosted us and responded generously to our questions, and who gave approval for us to publish these short cases. Twenty-seven other professionals, with a wide variety of roles in the investment world, gave time for similar interviews with other London Business School students. We wish to extend our appreciation to all these individuals as well. We thank Nicola Evans and Imran Haider for contributions to an earlier draft of this article.
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The substantial theoretical content and empirical evidence within the field of finance means that there is a lot to learn, and a lot to teach. Some professors use the case method exclusively from the first introductory class; an illustration would be Bruner (2002). His approach is, however, rare, and most courses have a substantial element of lecturing, sometimes supplemented by case discussions. Unfortunately, however skilled the case-writer, a case study is at best an imperfect substitute for exposure to the real world.

Those universities and business schools that are within reach of a financial center can diversify away from heavy reliance on the classroom experience. At London Business School, the elective course on asset management seeks to link theory to practice, classroom to reality, and case studies to applications. It does this by means of a series of live case situations. Supported by source materials that are kept current sometimes in the form of a case study, sometimes as a briefing pack the situations analyzed by the class focus on a wide variety of asset-management organizations. These live cases expose participants to ongoing dilemmas faced by investment practitioners, and there are a large number of classroom guests who are the stars of the cases.

As part of the course, students are required to meet with and observe an investment professional at his or her place of work, and to describe the job that their host does. Participants present their findings to their peers, so each student can share, at least in a limited way, the learning enjoyed by every individual enrolled in the elective. At the same time, the reports resulting from this process provide valuable mini-cases. These documents can help students to comprehend what is really involved in a professional role that might otherwise be understood only in a rather abstract way.

We present four cases prepared by participants on the asset-management elective. The four organizations and roles are described in sections 2 to 5. The interviews are with investment professionals at Fairview Asset Management, M&G Investments, Athena Asset Management, and Regent Capital LP. Note that, at the request of some interviewees, they and their companies names are sometimes disguised. The four interviewees have roles in security analysis, equity portfolio management, fixed income portfolio management, and hedge fund marketing. The meetings were conducted one-to-one at the host s place of work; the interviewers were Rushil Khanna (Fairview), Bennett Pugsley (M&G), Alexa Bodel (Athena), and Michael Wong (Regent).

There are two ways in which these mini-cases may be used: firstly, as a basis for class discussion; and secondly, as a guide for preparing interview-based reports on investment professionals. We refer to these two uses for our cases in section 6, which also concludes this article. There is teaching note following this article which provides instructors with a framework for leading discussion of the cases; and which also provides guidance for instructors who prefer to ask students to undertake fieldwork as their course assignment.

2. Security Analysis at Fairview Asset Management

Kay Shergar is an Equity Research Analyst, at the level of vice president, covering the non-US healthcare sector for Fairview Asset Management, a well-established and large investment house with over $150 billion of assets under management. The firm originates in the US and has been around for over fifty years; it set up its European operations around the turn of the new century.

Kay is one of six healthcare analysts, specializing in the non-US pharmaceutical companies. She covers the top twenty firms in the sector by market capitalization, including giants such as AstraZeneca and GSK. She is responsible for rating each stock she covers on a scale of 1 to 5, with a rating of 1 indicating a stock that is expected to outperform significantly, accompanied by a very favourably skewed risk/reward ratio; and a rating of 5 implying significant underperformance with a very unattractive risk/reward ratio.

2.1. Kay Shergar

Kay considers it important to understand the culture at Fairview Asset Management, the firm s investment philosophy, and the investment process. These three factors together influence her work on a daily basis. The interview addressed three main areas: Fairview Asset Management, the firm; equity research at Fairview; and the challenges of researching the pharmaceuticals sector.

At any point, Kay needs to have a rating for every stock she covers. To do this she has to spend a considerable amount of time in researching the latest investment developments in the industry, understanding the business models of the companies, meeting with management and valuing the businesses. According to Kay, her day gets divided between dealing with the flow of news, talking to management and brokers, maintaining data files, and writing reports for internal communication. About one-half of a typical week is spent on desk research; a day a week is on average allocated to internal communication, and another day to travel and company visits; and several hours per week are spent on meeting and interviewing management.

Kay believes that one of the key requisites for delivering good investment performance is research. She emphasizes that this is one of the main reasons why Fairview Asset Management has a relatively large research team and is fully committed to in-house, proprietary fundamental analysis. By relying on their own independent research to drive their investment process, they are better able to add value through both opportunity discovery and problem avoidance. The only use of sell-side research is to leverage it, not to mimic it.

Fairview Asset Management has considerable size and reach, so analysts are able to interview some two thousand companies each year. The idea, Kay says, is to get into the minds of the management . She concentrates on industry trends, company strategies and management priorities. Proprietary research is at the heart of what the firm does. Most of the investment professionals were hired first as analysts, and portfolio managers are then selected from the team of analysts.

Kay mentioned that a lot of the firm s current investment philosophy lends itself to the firm s rich history and its strong business principles. The firm, according to Kay, has built its reputation on investment consistency and professionalism. Fairview is exclusively in the investment management business, and is diversified by the amount of funds the firm manages and the methods of distribution. The firm is independent and very focused on the long term. Indeed the publicly stated goal of the firm is to seek consistent risk-adjusted performance through a consistently applied investment philosophy and process. They take the view that it is not their mission to time the market or chase the hot sector; stylistic consistency is a hallmark of the firm.

As a result of the firm s goals and investment philosophy, Kay s role as a research analyst is quite different from that of other sell-side and buy-side firms. She does not have to change her rating every time there is a news item on one of the companies she follows. She is not rushed during quarterly earnings releases to make a fast update to her models and to change her forecasts. If a portfolio manager has decided to buy one of the stocks she recommends, that decision is made thorough in-depth analysis and consultation. The typical investment period for a stock is not fixed and depends on when the fair value of the stock is reached. This can take up to years. Portfolio turnover at Fairview Asset Management is substantially lower than the industry s average, and the tenure of portfolio managers and analysts typically exceeds that of competitors.

By the same token, having a long-term investment horizon does bring with it certain challenges that Kay has to deal with on a regular basis. One challenge comes from balancing the effects of short-term events with long-term views. When there is unexpected news flow, Kay needs to appraise its impact on the fair value of the company. Quite often, analysts get too passionate about their stocks and run the danger of not realizing that the fair value has actually dropped as a result of a particular news item. They are too close to the stock, according to Kay. This challenge is dealt with by having a full proof investment process: the analyst consistently has to pitch her ideas to a portfolio manager and this process usually unveils any biases that the analyst may have adopted over time.

A related challenge that analysts usually confront is how to absorb and make sense of the large amounts of information that they are faced with. In Kay s case, she finds this a constant dilemma as she covers the healthcare sector though she does not have a medical background. Her research extends from industry developments, such as new diseases that are identified, to more company-specific issues such as the type and potential impact of the research and development that is being undertaken by a company. Kay needs to be actively abreast of the developments among the largest twenty companies. Fortunately for Kay, her peers in the US include ex-pharmaceutical and medically qualified colleagues whose shoulders she often taps to help enhance her understanding of the technical aspects of the industry. Another way Kay addresses this challenge is by leveraging her network in the industry. As an analyst, Kay mentions, it is critical to develop a network that you can call on to better understand the industry.

It is a constant balancing act to keep abreast of developments, analyze new information and study companies in depth. When covering her core stocks, a great challenge for Kay (and, she says, for equity analysts in general) is to make sure that the time spent on research is value additive; in other words you have to know when to stop . The research, according to Kay, is endless. At some point you have to ask yourself Is my time spent understanding my core stocks better utilized if I cover non-core stocks in search of new investment ideas? This is essentially a time-management issue. Indeed, Kay mentioned that if there were one thing she could change, it would be to have more time to investigate new stock ideas. It s easy to fall into the trap of covering the core stocks and not having enough time to develop new themes and investment ideas. An example of a new theme for Kay might be covering small-cap biotech stocks.

According to Kay, one way of addressing these challenges is to develop a view on what aspects of research really impacts the intrinsic value of the company. This enables her to move on, once she realizes that she is getting into micro-detail that may be interesting but is not a significant factor in impacting value. Kay therefore tries to make time to visit other companies during her travels. Recently, while planning a trip to India the following Monday to visit the executives of Dr. Reddy s Laboratories, she also visited and interviewed the management of a couple of other companies in the region.

When identifying new ideas and themes, it is important to keep a fresh perspective. Kay mentioned that it is easy to carry baggage from one stock to another. This is dangerous as it could mean not fully understanding the business model of a company and under-valuing or over-valuing the stock. In these situations, the investment process at Fairview Asset Management really helps, since she gets to share her ideas and thoughts with other analysts and portfolio managers.

One of the aspects of the job that is often underestimated is the need for selling skills . People often think that sell-side analysts do all the selling. However, at a firm like Fairview, which prides itself on its in-house research, selling is often a huge component of the job. You constantly have to sell your ideas to the portfolio managers , and to be really effective, this means developing an understanding of the style and personalities of each portfolio manager. Kay actively spends time with these managers to better understand their current thoughts and views.

Having a good track record helps. Fairview Asset Management fosters a meritocratic environment, and performance matters. Clearly, there is not a lot of room to make mistakes. Typically, if the analyst is right 55 percent to 60 percent of the time, they are seen to be doing a good job and as a result get a lot of air time with portfolio managers. Another way Kay influences the users of her research is through careful use of the ratings she gives stocks. Most stocks according to Kay are between 2 and 4, and if she rates a stock as a 1, it is her way of sending a strong signal that the stock is a clear buy .

2.2. Observations

I asked Kay what makes a good analyst. At the end of the day, she replied, being a good analyst is essentially about being able to value companies correctly. This means building robust models and making the right assumptions about a company s business. Kay mentioned that it is critical to highlight any risks upfront in an investment recommendation, and any potential impact on the valuation. She also includes an over-reaction component to her valuation as markets often over- or under-shoot in response to news items.

When interviewing company management, Kay has to be wary that she is not influenced by the opinions of others about a particular stock. The analyst needs to be careful that she is not being a victim of group-think . According to Kay, it is critical to have even emotions and be an independent thinker. Additionally, you need to be entrepreneurial, which essentially means an ability to develop a network and build proprietary knowledge.

As I reflect on the interview, I am sure I heard the words network and selling consistently through our meeting. I had expected that the firm s culture would impact the role tremendously. However, I was pleasantly surprised by the degree of influencing, persuasion and entrepreneurial skills required to be a successful analyst.

3. Equity Management at M&G Investments

Having worked in the City of London for over six years, I am confident that I should have no problem finding the M&G offices. Nevertheless, for safety I have brought along a London atlas, and very quickly I am glad that I did. Alighting at Monument Station I confidently stride out along Cannon Street.

However Laurence Pountney Hill is a new name for me and draws blank stares from the passing suits I call on for directions. Defeated and fearful that I may be late for our lunch appointment, I resort to the map.

While the M&G offices may be located in an unprepossessing side street, one cannot fail to be impressed, situated as they are within the flagship Prudential building (the insurance giant now owns the 73-year-old M&G). Once inside the offices, I am faced with an array of artwork: modern and classical paintings and sculptures, which are clearly expensive, even to my untrained eye. As my host, Giles Worthington, later explains, the building itself forms part of the 150-year-old Prudential s property portfolio and the artwork, likewise, is a corporate investment. Apparently staff never know from one day to the next where a piece of art will be situated: the works are constantly moved about the office to ensure that they can be classed for tax purposes as investments rather than fixtures and fittings .

3.1. Giles Worthington

One need only spend a little time in Giles s company to learn that there is none of the brashness or arrogance often associated with successful City people. Rather, he is disarmingly open and engaging. He shows a genuine interest in my degree course and talks at length about his envy at my opportunity to study behavioral finance under Nick Barberis. Giles admits that he had, until recently, been somewhat skeptical about behavioral finance, seeing it as contrarian investing . However, having attended a lecture by Prudential s Dave Fishwick, a leading exponent of behaviorally driven investing, Giles is newly converted. We spend a good twenty minutes discussing areas such as greater fool theory and the possible reasons for the tech bubble at the end of the last century. Giles is quite happy to admit that, while Fishwick switched of tech stocks and into bonds less than a year before the bubble burst, Giles, like the majority of other managers, got his fingers burned occasionally: Looking back, people were buying stocks at crazy multiples; but when everyone else is caught up in the buying frenzy it is very difficult to take a detached view.

The meeting room in which we dine has an expansive view of the city s rooftops, including a perfect framing of the dome of St Paul s. Lunch is interrupted by two phone calls, each of which provides an intriguing insight into Giles s world. The first is a call from Raj, a trader Giles has asked to sell his holding in Bouygues, the French conglomerate. Confident in the price and in Raj s ability to secure a better than average selling price, he is willing to trust the sale of his entire line of the stock to Raj. Giles is more than happy to the rationale behind his decision to sell; a fascinating insight into his investment process.

Bouygues is essentially a family company; just five percent of its stock is listed on the open market. Historically it s a construction firm, run by Chairman Philippe Bouygues, which is a profitable, if steady, business; the build the road you often get the toll operation business as well. However, ten years ago Philippe s son, Martin, took over and wanted to diversify. To do so he bought 30 percent of the media company TFI (the French BBC), and five years ago diversified into Bouygues Telecom. This provides the company with a very good balance: the construction side of the business is cash generative, but with very little growth; the media side is very cash generative when things are going well, but it is cyclical; and (although there were difficult times recently) the Telecom business is high growth.

Giles saw Bouygues as a strong investment opportunity because this diversification meant that the company was more profitable than a vanilla construction company (due to its media and telecoms interests), yet it is identified on Bloomberg and elsewhere as a pure construction group. Therefore, to those who do not know the company as well as Giles does, its multiples look high, as its comparables are construction firms, when in fact they are relatively low. In addition, Bouygues Telecom was the only major telecoms company not to bid for a 3G license. Whether this was luck or judgment it has turned out to be a fantastic decision. Giles was prepared to bet that it was good judgment and so bought 150,000 shares at 20 each. The shares today are at around 30 per share. There could be further upside for company if it were to buy out some minority telecoms companies or divest some of its construction business, but that requires positive action, and is outside my control. As it stands, I believe the stock today is trading at its long term fair value. Having made a great return, Giles is happy to take his profits.

The second call Giles takes during his lunch is from a broker, and Giles gives him short shrift: I m still in a meeting, I ll get back to you if I m interested. The problem with brokers, he explains, is that they re driven by turnover; if a stock has risen 25 percent it s a sale, irrespective of its true value, but that s not how I operate.

Giles s investment decisions are based on two criteria: the investment approach and the valuation approach. Under the investment approach, when considering a stock, Giles looks for a company that operates in an area that has reasonable barriers to entry, with profits that are not going to be eroded by a new entrant piggy-backing its good ideas; he likes a firm to be in control of its own destiny, being cash flow generative and self-funding on an ongoing basis; and he favors businesses with strong management. Under the valuation approach, Giles tries to project three-year sales figures and looks at EBIT and EPS forecasts to get a price target. He will then temper these projections by looking at the company s market share compared to the potential market, taking account of whether the company or industry is immature, and through reality checks on price/sales ratios and peer group comparisons.

Giles notes my obvious interest and is happy to expand, explaining that, particularly for the small-cap fund, he does not face what I would have termed traditional benchmark pressure: he has no mandate from a single investor to follow, and is not constrained by a designated level of tracking error . While there is a nominal benchmark, the HSBC European Smaller Companies Index, this alone has 1000 companies, when you consider that the universe of European Small Caps is between 3000 and 5000 companies, then it is impossible for anyone to replicate a small-cap index. In addition, small caps are far more fluid, good companies become big and so get promoted out of the universe, while bad companies become small and drop in .

All of this combines to place pressure on Giles to trade more than he would like. The more you trade the worse the fund does , he laments. He then laughingly tells me that a study recently found that the worst money managers are single white men as they trade too often (the best managers are single women; married women can be influenced, badly, by their husbands). I assume this is not part of the standard sales pitch.

After lunch we move to Giles s desk, where I notice a toy figurine, the sort to be found free in a cereal packet. Recognizing the crude image I enquire, That s not supposed to be Ryan Giggs [the famous Manchester United and Wales footballer], is it? Just as when talking about his favored stocks, Giles again becomes hugely animated. Manchester United, it transpires, is his great love. I was able to get tickets to the sold-out Community Shield at Cardiff s Millennium Stadium this season. As Cardiff is my hometown, we spend a distracted few moments extolling the virtue of the Principality s nightlife before bemoaning the lack of a comparable sports stadium in London.

Moving back to work, Giles shows me his workstation. There are just two computer screens here, but as he fires up Bloomberg I am confronted by a dizzying array of figures. Giles brings up screen after screen and regales me with different facts. Quickly noticing, however, that I am now totally lost, he takes things more slowly, showing me how he can track his two portfolios, the performance of all of the stocks he owns and also that of the stocks he has placed on watch as potentially interesting buys. I notice Giles s daily profit/loss counter. On the Blue Chip fund alone it stands today at £750,000 profit, and over the next 20 minutes or so we spend chatting at his desk this clicks over to in excess of £900,000.

Eventually, I can no longer resist pointing this out: Don t you ever get tempted to just take the profit? £150,000 in 20 minutes is incredible! He laughs: Well it certainly pays for lunch , but then reminds me that all of the stocks he holds are picked because he has a real feel for their long term prospects, and so taking short term profits is contrary to the reason he bought them in the first place. As long as I feel a stock is undervalued, I ll continue to hold it. If the market disagrees in the short-term, and the price falls, then great. That s just an opportunity for me to increase my holding even more cheaply.

Giles again becomes animated as he moves on to Puma, the sportswear company. Puma is the largest single holding in Giles s Smaller Companies fund. One of my great success stories , he explains. A friend of mine told me about this one a couple of years ago, when it was at 25 . He had bought it 20 and sold out several months later at 35; a great return by anyone s standards. But the pressure on hedge fund managers is even more short-term than it is for us, and I had the luxury of holding this one for the longer-term. at 173 , he beams. But Giles s continued success with Puma is not just down to some chance comment made by a friend. Like all of his stocks, Giles required, and still requires, a strong investment case for holding the company. Even now Puma is still only trading at approximately 10 times earnings, despite its stellar price rise, well below the industry multiple of around 15.

This investment philosophy is borne out in two other of Giles s recent stocks: the German doll-maker, Zapf; and the German wiring looms manufacturer, Leoni. No matter how much research you do, someone always knows more than you do , he says. If you can t see a simple investment story, don t go for it. In each of these he has seen the story behind the company.

Zapf is a stock Giles owned for a long time. While boys tastes change, girls always want dolls, and in each of the country markets Zapf has entered it has quickly gathered 20-30 percent market share, so everything was looking good for their market entry into the US. However, shortly after entering the US, Zapf issued a profit warning, and the alarming thing was that no one in the company knew why things were not working out. This was enough of a warning signal for Giles, who sold his entire holding. Within a month the company had issued a second profit warning causing its share price to plummet.

In Leoni, however, Giles sees a strong investment story, every new Mondeo has two to three kilometers of wire , he tells me, and the electrics content of cars is only going up . So what is it that separates Leoni from its competitors? In Germany labor costs 30 per hour per worker, so the company moved to the Czech Republic, where the hourly rate is 3 per hour, and then to the Ukraine where the rate is 0.3 per hour *for the same quality*.

3.2. Observations

Realizing that I had taken up the majority of Giles s afternoon, I decided it would be best to take my leave. Giles saw me out and explained that he was his way to get a coffee from his local Starbucks. The good thing about M&G , he explained, is that if you are getting the results, then people trust on with it. I decide how to spend my time. As you know, I travel all over Europe to visit my target companies, and I ve got active relationships with most of them; best of all, I remain in contact not only with the companies whose shares I ve bought, but also with firms that we have not invested in.

I reflected that the M&G brand must be pretty powerful if it opens doors for Giles to meet companies that are not even in the firm s portfolio. As I said goodbye, I remarked on the flexibility of Giles s job. That s the way things are here , Giles replied. It also means that provided I am doing my job well, no one minds if I pop out on Friday afternoon with you to get myself a coffee.

4. Fixed Income at Athena Asset Management

Julie Fernandez works as a fixed income fund manager at Athena Asset Management. The firm is a medium-sized European-based fund manager with a handful of offices across Europe. This includes a London-based office of approximately 100 investment professionals. The fixed income team is made up of 30 individuals across Europe, 15 of whom specialize in credit management.

I met Julie at the firm s City of London offices, to discuss her role in the investment grade credit team. The team covers all non-gilt issues, including corporate bonds, supranationals, asset-backed securities and other fixed income categories. Julie has eight years of industry experience; five of these were spent managing fixed income assets at her current firm.

4.1. Julie Fernandez

Julie explained her role as a joint fund manager and analyst. She is responsible for managing a portion of the investment grade UK credit (non-government) bond assets run by her firm and is also responsible for researching UK-based sterling issuers. The sectors that she covers for credit analysis are industrials and asset-backed securities. Julie runs between £500 million and £1 billion of investment-grade credit portfolios and provides research input used to manage the rest of the firm s credit assets.

As with most investment teams, communication is important for Julie and her colleagues. Formal communication is facilitated with a meeting cycle; in reality the open-plan nature of her office allows for ongoing discussion amongst the team members. A typical day for Julie begins at about 8:45 a.m., when she preps for the morning meeting, which starts at 9:00 a.m. and is attended by all of her firm s London-based investment professionals. The fixed income meeting then takes place at 9:15 followed by the credit meeting.

Finally, a weekly credit meeting, attended by all other credit professionals in the firm via conference call, takes place each Wednesday.

Outside of the formal meeting cycle, Julie s day is divided across a variety of tasks. As a portfolio manager she must manage the portfolio. It needs to be monitored for consistency and the positions are checked to ensure that market views are accurately reflected. Julie s portfolios do not have a high turnover this is essential for institutional credit management where trading is expensive. So, although she is monitoring her portfolio daily she will not be trading daily. The majority of the portfolio is invested to be buy-and-hold.

As an analyst she attends company meetings, follows new issues (on average there are two-three new issues per week), and writes research reports on her views on individual issues. The majority of the work is spent looking at issues rated between BBB and A+; less detailed work is carried out on the more highly rated issues.

Non-investment activities also take up a significant portion of Julie s time. In fact, she admitted that up to one-half of her time is spent on tasks such as marketing to clients and consultants, client reporting, and other non-investment activities. Julie is concerned that this split of her time is not sustainable and more time should be dedicated to investment.

Julie s working day usually finishes around 5:30 or 6:00 p.m. This allows her to enjoy a reasonable work-life balance. Although the world of bond management is still dominated by men, there are more and more women entering credit fund management; those that work in the industry can successfully balance a career and a family and there are a number of examples of this at Julie s firm.

I asked Julie about the highs and lows of her job. A key positive attribute of Julie s position is that it combines both the disciplines of fund management and credit analysis. Julie feels that stand-alone analysts are not as close to the market as fund managers, and therefore take a more short-term view on a company. As a dedicated analyst one would be less concerned with portfolio turnover, and can change one s views more frequently. The joint role allows Julie to be closer to the market and have a more focused research agenda. Managing the assets makes the role far more interesting; in many firms there is a hierarchy between analysts and fund managers and Julie is happy that she is not working within these constraints.

Furthermore, despite the fact that bond management is often considered to be the less glamorous area of investment after equities and other asset classes, this asset class has been a stable area of growth over the past five years as issuance in the UK increases and institutional investors increase their non-government bond allocations. This growth is forecast to continue. Julie has enjoyed being part of this growing area, which is probably one of the few mainstream asset classes that added to headcount over the past three years.

The job itself is interesting as it involves aspects of traditional fixed income management along with company analysis. Julie often shares her research ideas with the firm s equity analysts to get a broader perspective on specific issuers. This is the upside of not working within a specialist fixed income house.

A negative attribute of Julie s job is the necessity of speaking to consultants, which personally she does not enjoy. Not only does it take her away from investment activities, but she also feels that this is not an honest exercise and rather more of a show to try and sell to them. She wishes that the process with consultants were more transparent (on both sides).

Furthermore, Julie dislikes the way the business is built around marketing. There is a constant tension between the marketing team and the fund management team. Marketing will offer the client the world with little regard for the costs or the impacts on the asset management team. For example, Julie has nine mandates run against seven different benchmarks. The marketing team does not consider the costs of running the business this way and the fund managers are often not consulted until well after the promises have been made. The goal of a marketer is to win assets while the goal of the fund manager is to outperform; this divergence will inevitably cause some tension.

I moved the conversation on to the challenges which Julie faces in her role specifically, and which the industry is facing. We discussed some of these issues. First, Julie talked about the difficulty of getting good third-party research. The problem with the ratings agencies and their role in the market been debated at length, especially with the recent accounting scandals. Julie feels that rating agency research is inconsistent and is clearly not independent. Furthermore, sell-side research is scrutinized more and more, and often analysts are forbidden from reporting their opinion on specific issues with which their bank is involved. Overall these trends are leading to a minor crisis on the research side. Fund managers are addressing this by either building up significant internal credit research resources, or relying more and more on external, independent research.

Fund managers are expected to work on a broad range of activities, and Julie doesn t feel that her time is used efficiently when allocated to marketing demands. A challenge for firms is to develop better systems for managing portfolios in order to lighten the work of portfolio monitoring. Furthermore, firms should adopt the model of employing a dedicated product manager with a fixed income background to alleviate the workload and demands of marketing and client servicing. These professionals can focus on client management and sales, areas in which investment managers do not always excel.

Fortunately for Julie, the recent accounting scandals have not spread to the UK (although some US firms, such as Enron, had investment grade debt denominated in sterling). So, although there has been some pressure on analysts to scrutinize accounts in more detail, there have not been massive changes in the UK. Still, the challenge for the industry will be to maintain quality standards of research of both buy- and sell-side analysts. The challenge for her and her firm is to learn from previous mistakes and to ensure that communication channels are facilitated in order to allow the investment professionals within the firm to share their knowledge and ideas. This should allow uncertainties at specific companies, such as Parmalat, to be communicated quickly.

What are the key attributes for success in her job? Julie feels that in order to do well as a fund manager you must have the ability to take decisions and have the confidence to stand by them; once the decision is made you may have to stomach markets going against you for a while so you cannot be constantly second-guessing yourself. You must believe in your own arguments and be able to defend them.

Clearly, to manage non-government bonds you must be analytical and able to see things from both a bottom-up perspective with respect to the specific credit you are analyzing, as well as a top-down perspective in terms of market characteristics and technicals. It is essential to be able to judge a company s prospects from a qualitative viewpoint and you must have a thorough understanding of the risks/downside of any position that you take.

It helps if you are a social person, as this is a social industry. Socializing is important internally: her team goes out together often and Julie likes getting to know her team-mates better as it helps to understand their personalities and their impact on their research views (for example, are they always optimistic?). Also, socializing with the sell side is relatively common. As a fund manager she goes out with the sell-side less frequently than the dealers at her firm do, but she still makes a point of getting to know the individuals she speaks to at the banks. Of course there is also some expectation to go out with clients. As a young fund manager in the organization this is less important for her. Clients are relatively conservative and, she admitted, they prefer to have the manager charged with their account have many years of experience (and never change). This means younger managers must be willing to do the work to manage the fund, but are sometimes not given the role of facing the clients.

Finally, Julie discussed issues and trends for the industry looking ahead. In general it appears that the industry overall is ready for a shake-up. Firstly, feels that benchmarks will soon be re-thought, with the industry becoming more oriented to total return. She would welcome the prospect of managing money against a cash benchmark, giving her the freedom to add alpha wherever she could.

Research teams are being built up as firms are forced to rely more on independent or internal research. Medium sized firms such as hers will tend to go the route of buying more independent research because of the expense of building massive credit analyst teams.

Due to the relative newness of credit as a major asset class for institutional investors in the UK, the traditional risk systems employed by fund managers are not appropriate for analyzing the risk of a credit portfolio. Although there are a few systems on the market, more and improved analytical tools are required. Similarly, performance measurement and attribution of credit portfolios needs to be improved in the industry.

Julie feels that growth in the credit market is set to continue as firms restructure their balance sheets, M&A activity picks-up, more funds are raised for investment, and so on. Her experience is that there are still many new names coming to market and this continues to be a growth area in the UK. In Europe, financing through debt issuance is an even newer phenomenon for companies, so there are plenty of opportunities here.

4.2. Observations

I asked Julie s advice for someone interested in entering the area of credit. She advises developing strong analytical skills (an accounting background is ideal, but not necessary), and choosing to work for a firm that takes credit management seriously and is willing to provide resources to its credit team. Large teams of credit analysts are more likely to be hiring and to take on someone without specific credit analysis experience. Her experience is that professionals in the industry have come from a number of routes including the sell-side, accountancy, or equity analysis. Of course, many also start their careers at a ratings agency.

Julie feels that, despite the snobbery of the equity culture in the UK, credit management is an interesting career. The future is likely to see fund management firms building teams of company analysts , or joint analyst teams covering firms equity and debt. Many opportunities exist in this market and this trend will continue into the future.

5. Hedge Funds at Regent Capital LP

I met Hai Wang at his offices, and was immediately struck by the impressive new block in Regent Street, in London s West End. This was a gleaming building with white marble floors and floor-to-ceiling windows. There was the distinct impression of a successful organization that clearly had no intention to hide its success. I was at the headquarters of Regent Capital LP, a hedge fund with a top-tier track record in managed futures, with nearly $3 billion in funds under management. This being the first hedge fund I had visited, I wondered what kind of person I would be meeting. Hedge funds are commonly known for their informal nature, with a focus on intellectual rigor rather than ostentatious display.

Hai greeted me a warm handshake and brought me into a meeting room where he discussed the operations of the hedge fund. The funds under management have grown substantially in the last few years, and the number of employees has now doubled to close to sixty , he explained. We will soon be occupying the 5th floor as well as this (the 6th) floor. This came as a surprise, especially with the difficult market conditions. Together with approximately $500m in equities, Regent now runs a dozen funds, including long-only and long-short equity products.

5.1. Hai Wang

Hai is the head of institutional clients marketing and product development at Regent, and is experienced in the hedge fund industry and the competitive landscape. Born and educated in Beijing, he is a well-traveled man with substantial international experience. He had spent the early part of his career as a trader with Nomura; this had led him to work several years in Japan as well as stints in Singapore and Hong Kong. He then studied for an MBA at INSEAD, in France, and joined Citibank on graduation.

It turns out that Hai had little direct experience in the financial markets before joining Regent Capital, as he worked in a leveraged finance team at Citibank, involved in high yield origination. When asked if it was a high-risk strategy at the time to move to a hedge fund from an investment-banking environment, he answered Initially I was concerned with the time horizon of the fund. After all, many hedge fund players were happy to make lots of money quickly, and then retire early without leaving a trace behind. This did not suit someone like me in the middle of my career, but after being exposed to the systems in place at Regent Capital, it was clear the company had invested for the long run, with much investment in the offices and information technology. This seemed a compelling argument.

This led me to be curious about how the lifestyle and work differed in a hedge fund compared to an investment bank. The work is quite similar to what I was doing in Citibank. I find the work flow is quite structured, and there is always something to do. The culture is not all that different either. This I found surprising, so I questioned him further. It s because of the way we do things here at Regent, which follows a highly systematic and structured process. The trading strategies here are model driven, and the culture of the firm is one of structure and transparency. It became clear that there were similarities, and hedge funds were not necessarily the opaque institutions they once were.

We went for lunch to Defune, a local Japanese restaurant, which he thought to be amongst the best in London. Hai greeted the waitresses in impressive Japanese, again emphasizing his personal cultural diversity, and perhaps that of the hedge fund industry in general. I asked him about his links with Japan to which he answered, I am very fond of the Japanese culture having lived there for a few years. It turns out that the founders of the firm like Japan very much and visit often.

I wondered if this link with Japan was just a coincidence. On the subject of Japan, it turns out that Regent had just launched a new Japanese long-short equity fund. This fund had proven very popular even though the performance had been below expectations so far. There is a real lack of supply for Japanese long-short equity funds at the moment. This is because people really want to invest in the Japanese economy right now as they believe the economy is finally recovering , he noted insightfully. Hedge funds were after all ordinary businesses that focused on where customer demand was. One of the most successful Japanese equity hedge funds is Sparx, who also have offices in Hawaii where they do their marketing. How come I never get to travel there? he asked. Perhaps I should ask management here to open an office in Hawaii too

I asked Hai about his role within Regent, and the day-to-day challenges he faced. A major challenge I face as marketing director is the discipline to turn down deals. This seemed unusual, and I was surprised he listed it as one of the major challenges. Hedge funds are in vogue currently, and sometimes you have to turn down a deal no matter how attractive it looks, as it may affect the long term reputation and sustainability of the business. I asked him to explain further. This is because sometimes the client can ask for a feature or provision that may damage the performance of the fund or manager and this business is largely about past performance and perception. A good example is the business of guaranteed funds, where most out there are rubbish and a con. They do not serve investors needs nor are they generally good for the fund. There are exceptions however, and one of them is Man Group who offer a very good product.

Our conversation soon migrated to the subject of quantitative versus fundamental trading strategies, as Hai and I both came from a background of traditional fundamental analysis. As part of the marketing team at Regent Capital this was something he spent a lot time discussing with clients, and so had spent much time thinking about. Firstly, I found the whole quantitative approach to trading difficult to understand, as fundamental analysis was what I was familiar with and exposed to at Citibank. However over time, watching it day by day, I have gained confidence in our trading strategy , he commented. He elaborated that he believed both strategies have a role to play and that both

I asked if the model driven strategy used by Regent was similar to mainstream asset managers such as BGI. BGI are an excellent firm who execute this strategy extremely well. There are many other reputable houses, such as Numerica and Trafalgar. In fact many hedge funds such as Caxton and others are based on quant driven strategies , he said. I asked him if he thought such strategies were beginning to be the trend. One strategy is not necessarily better than the other. In contrast to us, the very successful funds such as Soros and Maverick have qualitative strategies. But with technology available, why not use it to our advantage?

He noted the increasing use of technology that had developed, and put forward a very convincing argument. Philosophically, quantitative strategy makes sense, and I now certainly believe in the philosophy of this investment approach. Whereas a fundamental analyst will probably outperform us over a few stocks, we are happy to gain a smaller amount, but over substantially more securities. I now invest all my money in the fund not because it is the only strategy I believe works, but it s all that I have time to monitor , he continued. This I thought to be a very fair and honest reflection of both the fund, and his personal investment ethos. The model proves its worth when there are events, and you continually see the losses are not substantial. In fact I recommend you speak to me when there is an event you find interesting in the market and I ll be able to tell you just how the model and our P&L did. This I planned to pursue.

He concluded on another advantage of a quantitative strategy. The sustainability of our business is better than that of a qualitative fund , he commented. Take the time when the main people here defected from their former firm to set up Regent. The performance of their previous fund remained impressive due to the systems that were in place. This is unlike the case of Lazard where, after the star managers left, the fund they managed subsequently underperformed. He pointed out that these were important concerns of clients, and hence made his job as a marketer easier.

5.2. Observations

To conclude, I asked Hai about his working hours. He explained: Working in a hedge fund is much more entrepreneurial and I find my hours are flexible, though I often work long hours. This made me wonder what he considered as long hours. When you begin your career in Asia, you are used to long hours, as this is something ingrained in the culture , Hai explained. We used to have something called a Telex machine, which was an early communication device. detail and was surprised when my expression showed I was unfamiliar with such obsolete equipment. I do however do a lot of traveling , he continued.

As a marketer, I visit clients from all round the world. It turned out that the week after he would be going to Asia for a number of weeks: firstly to Japan and Singapore, then on to Australia. His lifestyle meant that he was traveling every couple of months.

However the culture in this organization is very flat, and everyone from researchers to portfolio managers is very accessible , he continued. I believe it takes a certain kind of person to work here. You have to be a person who relishes transparency. Even the performance of each fund in every geographical region is displayed on every employee s screen at all times. This was indeed highly transparent fund performance. I had many interviews before I was offered this position, going through five interview rounds. You also have to be a relaxed character to succeed in this very flat and structured organization.

Finally, we talked about what else Hai did outside the office. Besides work, I also enjoy skiing and playing golf (though I have a handicap of around 100). Regent has a ski-lodge in Colorado, which has facilities he described as fantastic. In general, I am very fond of my job , he remarked. Although, maybe someday Regent will also open a marketing office in Hawaii. Somehow, I can see myself being very happy there, he said in a wishful and introspective voice. It was clear to me that Hai was a man who enjoyed his role and believed in the company he worked for.

6. Conclusion

The interviews in these four cases portray several aspects of the asset-management industry. The interviewees are involved in investment research, portfolio management, and marketing. The assets range from the conventional equities and fixed income through to alternative assets; and the investments vary from long-only to market-neutral. The organizations are of substantial size relative to their peers, and are well known within their segment of the market. They provide an opportunity to discuss what it feels like to work in these differing environments.

The four mini-cases may be used for conventional, classroom-based case-discussion. The following teaching note provides material to support this use of the four interviews. Alternatively, the cases may be used as a model for student fieldwork. The teaching note also provides guidance for instructors interested in asking students to report on interviews as a course assignment. While the four cases presented here focus on investment management, the process is replicable for the full range of fields in finance.

One benefit from getting out of the classroom and into the real world is to deepen students understanding of what is taught in standard courses, and to demonstrate the challenge of implementing classroom frameworks. An

ancillary benefit is exposure to recruiters. Interviewing a professional about his or her job enhances skills that are valuable in the job market, and extends the
interviewer s network. Interview contacts can give rise to project work, and can evolve into permanent employment: an interview with an investment

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