



TALENT, TENACITY AND ARTIFICIAL INTELLIGENCE

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ABOUT THE AUTHOR

Hywel is responsible for the investment performance delivered by Old Mutual Investment Group. He has worked at leading global institutional and private client asset management companies across the globe. His experience spans 30 years in asset management in Europe and the Middle East.

"Being an investor, actually running other people's money, attracts men and women who tend to be intellectually self-confident and opinionated. A questing mind, the gambling instinct, and the ability to make tough decisions on inconclusive evidence are all essential characteristics." – Barton Biggs, Hedgehogging

A few weeks back, I sat down with some of the analysts participating in our Investment Analyst Programme. We talked about many things, including what it takes to be a great fund manager.

Of course, there are a multitude of factors and what works for one person may not work for another. The obvious attributes include an aptitude for numbers; spreadsheet and company analysis; an understanding, ideally economic, of how the world works, and an ability to work with others. There are also, I believe, some core fundamental – and mostly personality based – factors without which it is extremely difficult to be a successful fund manager. These are:

1. An intensely curious nature and insatiable appetite to ask questions and find out more about... well... everything.
2. An innate ability to be able to see the world differently from most others (when you are buying a stock you are betting that the rest of the world – the prevailing market price – is wrong).
3. The courage to back your convictions and actually pull the trigger and buy the stock.
4. The humility to realise when you are wrong and do something about it (even if you are a successful fund manager you will be wrong 45% of the time, so sell discipline is critical).

5. A deep hunger to succeed and a passion for the task. Without this you will not get through the inevitable tough times. When you are outperforming, fund management is the best job in the world, when you are not, it's the worst.
6. An ability to frame a stock-specific (or portfolio) decision within a broad, well-informed framework, through time and with a high degree of self-awareness.
7. An ability to make decisions based on incomplete information (there is never a complete answer, and those who seek one generally fail).

MORE ABOUT OUR ANALYST PROGRAMME

Our Investment Analyst Programme is an intensive 18-month development programme aimed at building investment analyst skills. The programme includes on-the-job experience, formal training to further develop technical and interpersonal skills and sponsorship of professional studies.

8. An ability to distil the signal from the noise. Understand which two, maybe three, factors matter at a point in time in determining the future stock price.
9. An ability to control your emotions, good and bad, and take objective, detached decisions, sometimes under extreme (and at times, unrelenting) pressure.
10. A willingness to hold an unpopular view, sometimes for an extended period of time.

These are the traits I look for when interviewing potential fund managers, and which I rely on to continue to evaluate those already here. Those who possess all of these traits and are able to do so over long periods of time in different market environments, are incredibly rare. I have probably come across four, maybe five, individuals in 30 years of investing.

EMBRACING AI AS THE NEW NORMAL

We have spent considerable time and effort so far this year evaluating the best way forward for integrating artificial intelligence (AI) into our investing world. The motivation for driving this research is based on our belief that:

1. AI will change the way we work and conduct ourselves fundamentally in all aspects of our lives over the coming decade.
2. AI will change the way each of us invests and goes about fundamental – and quantitative – research and portfolio construction.
3. AI is a new toolbox (just like Excel was when it came in – anyone remember that?!) and will facilitate greater productivity and insight from humans. The winners will be those who optimise the relationship between human and machine.

4. We will each have to change the way we work if we are to be competitive. This will not be some central endeavour where we hire a few data scientists to advise and help us. At BlackRock, for instance, every person in the organisation now has to spend one hour a week learning how to code!

To date, our findings as a working group are as follows:

- The data we need to source will evolve (news scrapes, management emotion measures, satellite imagery etc.) and our ability to clean and curate that data will be key.
- AI will be able to help us interpret that data and look for themes, or indicators, that will help us find new ideas.
- AI will help us design better stock and sector filter screens to identify those companies with the characteristics we crave.
- AI will help with portfolio construction and risk management, aiding us in identifying risk clusters that were previously hidden.
- AI will also help in stock-specific fundamental research, finding anomalies that beg questions and helping dig into issues where we would like more information.

You will notice that each of these issues pertains to fundamental investing as well as quantitative investing. We are about to embark on our first AI pilot project where we will partner with UCT to undergo a concentrated investigation of our sell discipline across our business. I mentioned that sell discipline is a critical attribute of a successful fund manager; and most fund managers globally are very bad at it. AI will help us analyse how good we have been.

I am certain that embracing AI will drive our success as an asset manager – and ultimately benefit our clients as we grow their savings.



AWARDS



STANDARD BANK TOP GENDER EMPOWERED COMPANY: FINANCIAL SERVICES AWARD

We recently received this award in recognition of our "outstanding example in advancing opportunities for women in leadership and demonstrating corresponding and measurable success".

At Old Mutual Investment Group, we are committed to transformation and ensuring diversity across both race and gender in our business. As spelt out in our recent open letter to CEOs, we believe that achieving socially inclusive growth and transformation are two challenges that we need to address as a country – both in the companies in which we invest and in our own.



ECONOMIST OF THE YEAR AWARD... AGAIN

Rian le Roux has been awarded the News24/Sake Economist of the Year Award for his economic forecasts in 2017. He is the only economist to have won this accolade three times, having previously received it in 2014 and 2016.

This brings to five the number of times that Old Mutual economists have won the award, with Old Mutual Wealth's economist Dave Mohr having won it on two previous occasions.

Rian stepped down as our chief economist in July last year, in anticipation of retiring. As such, the timing of this award offers a fitting valediction, as Rian will be formally retiring at the end of November this year. His contribution to Old Mutual's clients during his illustrious 37-year long career is immeasurable. The multiple award wins also demonstrate the industry's recognition of his skills as an economist and his ability to assess the South African and global economic and political landscapes to bring market-leading context to his work.

Now in its 29th year, the News24/Sake Economist of the Year Award competition is one of the oldest and most prestigious economic events on the financial calendar and past winners include some of the most distinguished names in South African economic circles. Entrants for the award are asked to submit monthly forecasts on 14 economic variables, including economic growth, the value of the rand, inflation, interest rates and the current account deficit. The annual winner is the economist whose forecasts are consistently closest to the actual figures.



"I have always considered it an honour to participate in the award because the forecasts we provide are made available to small businesses and individuals who would not usually be able to afford economic research," says Rian. ■



Beeld editor Barnard Beukman, Marina and Rian le Roux, and Henriëtte Loubser, editor of Netwerk24

