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MAGAZINE

Research roundtable gets the view from London

 [Will Jackson](#) November 15, 2017

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Each year, a select group of senior portfolio construction practitioners travel to funds management centres in the UK or US as part of Portfolio Construction Forum’s Research Roundtable International.

During the intensive eight-day program, delegates hone their skills in secondary funds research and due diligence for research houses, fund managers and investments. They collaborate as an investment committee to evaluate strategies for inclusion in a hypothetical approved product list and multimanager portfolios.

This year’s program was based in London, and the recurring themes during the half-day meetings included Brexit, environmental, social and governance (ESG) concerns, and gender diversity.

The UK’s planned departure from the European Union has left many British economists down on the long-term domestic growth outlook while the Bank of England estimates that Brexit will trigger the loss of 75,000 London-based financial services jobs. Research reported a strongly negative consensus on this topic among British asset managers

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“Few [investment] professionals displayed anything but pessimism for [Brexit],” said David Graham, partner at Melbourne’s Story Wealth Management. “This appeared to be contrary to the view of the man in the street and [Brexit] does not appear to have systemic implications beyond the UK...Someone will be in for a surprise.”

Similarly, David Wright, managing partner at funds research house Zenith Investment Partners, noted an upbeat mood on the streets of central London, along with robust construction activity – a sign of confidence.

“Rumours of Britain’s death are greatly exaggerated,” added James Dakin, principal at high-net-worth financial planning firm Park Street Group. “If they bring in the right policies, they could be in a pretty strong position in five or seven years.”

ESG focus

Discussions of ESG policies were also plentiful – and at the instigation of the funds management firms, rather than the investment committee members.

“A number of fund managers have embedded ESG into their investment philosophy and investment process, as well as ... [into] their own corporate philosophy and culture,” said Leanne Milton, head of advice research at AMP Advice, in Sydney. “The UK appears to be leading the world in this respect.”

Likewise, Annick Donat, chief executive at Madison Financial Group, noted that ESG is increasingly “a pillar of [asset management] culture – being accountable to oneself and the society within which we live”.

However, some investment committee members expressed skepticism about ESG.

“If you turn off coal-fired power stations today, you can’t run hospitals,” one said.

Michael Furey, of Delta Research and Advisory, said investors are driving the ESG shift, and fund managers are simply reacting to growing demand.

“I’m not on board with investment managers being suddenly ESG-focused,” Furey said. “Over [the last] 100 years, if governance wasn’t part of your security analysis, whether you’re in equities or credit, then what on earth is going on?”

Wright noted that funds’ increased application of ESG criteria to the companies in which they invest, “shines a light” on their own practices, particularly with regard to gender diversity. He added that Australian asset managers have made surprisingly little progress on the issue over the last 25 years.

AMP’s Milton also remarked that Australian firms are lagging behind their British peers on this issue.

“One firm [the group visited] had women in 50 per cent of its leadership positions globally, [and] I have not seen this level of female participation in senior positions, in any funds management firm...in my 30-plus years of research,” she said.

Will Jackson is a writer and analyst for Portfolio Construction Forum.

Professional Planner is hosting its annual research forum on December 6 at the Hilton, Sydney. It is free to attend for researchers. [To sign up, click here](#). Professional Planner is an official media partner of Portfolio Construction Forum.

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