MACMILLAN
■ GUIDE TO ■
INTERNATIONAL
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Editor

Fiona Scott-Roberts

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CONTENTS

Foreword	vi
Introduction	ix
Directory	1
Index	287
Index of Advertisers	288

FOREWORD

I know of only one acceptable excuse for a money manager not to invest internationally: there is not enough information available to do the job well. The professional who knows enough not to tread where he cannot see must at least be respected.

The problem, of course, is that there is not a good enough investment return to be earned at home any longer – no matter where in the world home is. Ten years ago, Japanese stocks were worth some 20 per cent of the value of all stocks in the world in dollars, while US stocks were a towering 50 per cent or so. Today, Japan's stocks are worth 40 per cent and US stocks are down to 30 per cent. As of this writing, Norwegian stocks have risen nearly 58 per cent in 1989 while Japanese stocks have risen 33 per cent and US stocks 20 per cent. In 1988, Spanish stocks were up 33 per cent while Danish and American stocks were up barely at all.

Much is written about global investing these days, and the simplest fact is occasionally lost. The world is shrinking and every moment it does we know less and less about what is getting closer and closer to us. Even the most risk-averse of investment officers must begin to understand that you can no longer diversify adequately against risk without investing internationally.

With this in mind, let me tell you why *Guide to International Asset Managers* is so valuable. It is a comprehensive guide to the most significant and capable international investment managers in the world. More to the point, it is full of the sort of information an investment officer seeks once the formalities are over.

Take one small example. The author provides biographies of the firm's key investment managers. But the wise investment officer will be more curious about the manager's age than his or her schooling, which the

author is savvy enough to include as well. Age will, for example, suggest whether that particular professional has managed money through a recession as well as a boom, lived through double-digit inflation, or through that time not so long ago when few believed there would ever be double-digit inflation.

The author, Fiona Scott-Roberts, an experienced investment professional herself, knows that investment managers' nationalities, not merely their specialties, can be important in understanding how to pick stocks in their locales, and so she includes these information. She reports not only a firm's investment strategy but also whether it does its own research or relies mostly on others. She tells you not only how much money a firm manages but also who and how big the clients are.

She provides the customary roll call of officers and their titles and also summarizes what their responsibilities are and how much autonomy they actually have within their firms. She lists with which firms the money management firm is associated to let the reader decide about potential conflicts of interest.

It is a delight when a reference book works well both close up and from afar. Step back, and Ms Scott-Roberts gives you a capsule look at the management resources available throughout the world. Read the fine print and you get a personalized, pragmatic analysis of just what each firm does and how it works.

To cite any more statistics on global investment returns is by now banal. What will the next ten years bring? My answer is that you had better find. Let us hope that the author updates this pragmatist's treasure every few years.

Jeff Madrick
NBC
10 May 1989

*"All the world's a stage
and all the men and women
merely players"*

William Shakespeare

*"Some players are better
than others"*

Norwich Union Fund Managers

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INTRODUCTION

The aim of this book is to provide existing or potential investors with in-depth information in an unbiased form, on the world's leading international asset managers.

The information in the book has been compiled from a lengthy questionnaire which was mailed to asset managers who claim to have an international expertise. We asked all the questions that an existing or potential investor should ask if they want to evaluate every aspect of an international asset manager.

The responses were then edited by me with the invaluable help of Dr David Roberts and Penelope Allport, without whom this book would never have been completed.

Regrettably there are a few omissions. Some asset managers decided for a variety of reasons that they did not wish to have detailed information on their firms in print. Some asset managers lacked the resources to complete the questionnaire. And one asset management firm declined on the basis that it could not take on any new clients. It is also worth mentioning that many asset managers who claim to have an international expertise declared that they did not feel that they were eligible when they got down to completing the questionnaire.

In contrast to the information given out by asset managers themselves (whether in the form of presentations or brochures) which tends to highlight their strengths and to downplay their weaknesses, *Guide to International Asset Managers* enables investors to compare like with like in every aspect of asset management.

Profile

The first paragraph of each entry gives a brief history of each firm and their current ownership. After the recent wave of takeovers and divestitures among financial institutions, it is useful to know who owns what – particularly if there are potential conflicts of interest involved. Reading on, you can find out where the asset managers' offices are located, giving an idea of their geographical areas of expertise and how accessible they are to you as a client.

Fund management history

In this section we aim to draw a precise picture of the nature of the portfolios and the type of client handled by each asset manager. Once again we start off with a brief history of the number of portfolios and the total value of funds under management before moving on to give a detailed snapshot picture of the type, value and size of portfolio handled today. A list of major clients and a breakdown of clients by nationality clarifies the type of client handled by the firm.

Organization and personnel

The section on Organization and personnel aims to reveal what human resources are available to each firm

and where and in what capacity they are used. The personnel profiles are perhaps one of the most important features of the book. Reading through them you can get valuable insight into the education and previous experience of each investment professional. These are the people who are responsible for the day-to-day management of your money. However, for the most part, these are not the people that you are likely to meet if you attend a presentation given by the firm.

Research

As the world of international asset management becomes more sophisticated, new approaches to research are constantly being adopted. Our section on Research reflects how each firm carries out its research. Some firms rely almost exclusively on quantitative analysis. Others spend a substantial amount of time on visiting companies and talking to management. Some firms have invested heavily in building up their own in-house capabilities. Other firms rely heavily on outside resources.

Investment philosophy

In the section on Investment philosophy we aim to give a clear picture of the criteria governing the day-to-day management of portfolios. On what basis are equities, fixed interest stocks, commodities, property and currencies selected? If indeed they are used at all. In many respects, the response to all the questions in this section illustrates the degree of risk that each firm is prepared to take in managing a portfolio. We also think it is important to know the degree of discretion permitted to individual portfolio managers as well as what ultimate checks the firm has on its managers.

Investment decision-making process

Asset management firms employ different methods to arrive at the ultimate selection of stocks for a portfolio. And the process is more complicated if they also have to decide on the geographical weighting of a portfolio. The purpose of the Investment decision-making process section is to give a clear idea of how firms arrive at their ultimate choice of geographical weightings and currency exposure. And how they finally decide on their stock and bond selection as well as the use of other financial instruments.

The most difficult task in preparing this book was to compile meaningful performance returns on a compatible basis. Many asset managers have only recently begun to break down their returns on a geographical basis, but without this breakdown it is difficult to draw any conclusions about a firm's geographical weaknesses and strengths.

Administration and fees

The final section deals with perhaps the most mundane but nevertheless one of the most important aspects of

asset management: administration and fees. How often does the manager meet up with the client and who attends these meetings? What information does the client receive and what kind of investment record-keeping and administration services are included? Also important is the minimum size of an account that the firm is prepared to manage on a segregated basis and for funds below this size what in-house pooled vehicles are available.

We also asked the asset managers whether they engaged in trading and underwriting. These activities represent areas of potential conflict and it is important to know exactly on what basis these activities are undertaken. And when it comes to the question of fees we made sure that each firm explained precisely what was included in the figures that they quoted.

International asset management is a relatively new industry but its rapid growth in recent years means that

many important aspects are constantly changing. Every year there are new players in the field. There are new markets in which to invest. There are new techniques and new tools for evaluating markets, currencies, stocks and bonds. There are new stars emerging and key personnel are on the move. All these factors are likely to influence the performance of funds under management. Our aim is to keep abreast of these changes by updating this book every year.

As this is the first edition of *Guide to International Asset Managers* we would first like to thank all the firms listed in the book for their co-operation in completing a very exacting questionnaire and secondly to invite any reader of this book to suggest how the contents could be usefully improved in future editions.

Fiona Scott-Roberts
May 1989

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