

# Pensions & Investments

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## FACE TO FACE: Helena Morrissey

# British invasion

Helena Morrissey is focused on bringing Newton's thematic investing message to the attention of more U.S. institutions

By Drew Carter



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**W**hen Helena Morrissey joined London-based Newton Capital Management Ltd. in 1994, the firm managed less than \$8 billion. Now Newton's assets under management have grown to \$48.5 billion, more than \$2 billion of which is from U.S. clients. A growing portion of those U.S. assets are institutional, helped along greatly by a \$750 million active global equity mandate from the \$29.2 billion Colorado Public Employees' Retirement Association that was announced in April. Ms. Morrissey says she has spent the past two years building the foundation of the U.S. business, the growth of which has been "quite lumpy, but it takes time." And she says growth in the U.S. will be something against which she judges her own performance.

Ms. Morrissey and her husband have similarly grown their family, welcoming their ninth child in January. She didn't grow up in a big family, but family seems to be a core theme for her, from the gold signet ring (an English family tradition) on her left pinkie finger to the culture at Newton, where everyone is encouraged to share ideas and where "there is no monopoly on good ideas." The culture is "much more collegiate" than other firms, Ms. Morrissey says.

Everyone contributes to the development of the 15 themes that provide the framework for investment ideas at Newton. In May, the firm released a white paper, called "All Change," on its new major theme, which describes the post-crash volatile environment of today. In it, Newton says deleveraging and continued volatility will drive investors toward unconstrained mandates that are simple and transparent.

### SNAPSHOT:

#### Helena Morrissey

- ▶ **Current position:** CEO, Newton Capital Management Ltd., London
- ▶ **Assets under management:** \$48.5 billion as of March 31
- ▶ **Investment staff:** 100
- ▶ **Age:** 43
- ▶ **Education:** M.A., philosophy, University of Cambridge
- ▶ **Personal:** Married, nine children
- ▶ **Performance** (annualized, as of April 30):
  - Global equity higher income composite
  - One-year return: **-38.8%** Benchmark: **-39.3%**
  - Three-year return: **-5.5%** Benchmark: **-11.5%**
  - EAFE-plus composite
  - One-year return: **-42.9%** Benchmark: **-42.8%**
  - Three-year return: **-11.8%** Benchmark: **-12.3%**
  - Five-year return: **2.9%** Benchmark: **0.7%**
  - Newton absolute-return composite (in £)
  - One-year return: **3.9%** Benchmark: **3.8%**
  - Three-year return: **6.9%** Benchmark: **5.0%**

Benchmarks (respectively): MSCI World NDR (US\$), MSCI EAFE NDR (US\$), One-month LIBOR (£).  
Source: Newton

**How does “thematic investing” help you make better choices?** Our investment process starts with themes. ... These are our interpretation of the key forces (behind investing). They are not macro-economic forecasts. We don't set great store by economic forecasts — they can be right, they can be wrong. Whereas these are, in our minds, obvious things that are happening. So, “Networked World” is an obvious example — we've all got our Blackberry, our children are using Facebook, and all the rest of it. Everyone's working and communicating with each other in a different way than they were 10 years ago. Identifying this as a theme means that when we're looking at companies, when we're looking at sectors, when we're looking at particular regions to invest in, then we need to take into account the impact of that change in people's pattern of behavior ... So, it's like a framework.

**“All Change” talks about investors’ “disillusionment with equities” — what are the implications of this for money managers?** Disillusionment with equities is understandable ... (but) rather than people rushing around from active to passive, which I think is the wrong decision. ... I think it requires people to be confident that the manager they're choosing is going to be able to pick the right equities. And as an industry, I think that's what we have to be able to demonstrate.

**Investors are piling into passive strategies. How will active managers grow assets given this trend?** I think we have to speak up a bit more loudly. It does seem like it's more of a reflection of people not having confidence that their manager can perform well. It's going to be more winners and losers in a harsher environment. It strikes us as a great opportunity for active managers to add value. So, clearly we have to be demonstrating that we do that, and, secondly, speaking up about it.

**How are you adjusting your business to address the structural shift to DC from DB?**

Conservatively, people think that a third of the pension fund assets in this country are DC already and will become two-thirds in relatively short order, and will almost inevitably carry on growing. So, we need to get it right. We need to be working to encourage people to understand their investment, then to think, when they see that Newton name, “Oh, we like them.”

**You've said that Newton is not about being “sexy.” Will that change to attract DC investors?** One of the side effects of the recent decline in markets and downturn in economies is that ... there's a little less bling out there. I'm hopeful — and I don't think this is unfounded hope — that perhaps people are looking through (marketing) a little bit (to look at investments in more detail). ... It's not about being lured, about the big name or the big advertisement that promises something and then under-delivers. It's about really having something that's going to perform well for you. I think that's interesting, and might not be getting the headlines, but it will gradually sink in, perhaps because people have been so disappointed already by the other approach.

**Newton's AUM grew rapidly until 2008. How will you continue that growth?** We don't think asset size is the measure of success that we should be benchmarking against. We actually have most of our institutional investors pay us (four-year rolling) performance fees. So as a business, we do much better when we're outperforming for existing clients than if we rush around the world gathering assets. It's a very important part of our culture and aligns our interests with our clients, and it's unusual in the long-only world.

**What role do U.S. institutional assets play in your business strategy?** Is that role changing? We're having a good reception from plan sponsors and from consultants based in the U.S., and it's a very important part of our business strategy going forward. It will

be one of the things I'll be judging my own success on in coming years, as to whether that has grown, because it makes every sense for us. We don't rush around the globe gathering lots of new mandates ... but we found all the right ingredients in the U.S. market.

**What's the toughest thing about balancing a big family and a demanding job?** Is there only one that I'm allowed? People make a lot out of it, and I understand why, because it is unusual, statistically it's unusual. But the challenges that I would have are probably just another — perhaps sometimes more intense — but another variant on the theme of anybody looking after other dependents, trying to juggle the needs and the interests of all these people who depend on you.

It sounds a bit glib, but I love what I do. I love Newton; it's a privilege to be the CEO. And I adore my family. I find it very rewarding. There are moments, you know: I walk in the door last night and my oldest daughter says, “I want you to sit down and do my theory” ... and I'm thinking, “Ugh, I don't understand that bit she's doing. I understood it when I was about 10 or something, but (not now).” You know, there are no shortcuts.

**Are there lessons you've learned as a parent that make you a better CEO?** Stuart Newton (the firm's founder, who in 2002) used to say this very nicely. He said, “Helena, I know when you come back you're usually a better investor this time around, it gives you perspective,” and so forth. And I thought, well, at some point his theory might just be disproved.

But ... I think previously I was a much more impatient person and you have to be patient with children. And the long-term expectations and plans for the business and how we've developed it — it's a long game. Investment is about running a marathon, not a series of sprints. You don't get it right all the time. Family's like that. ■

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