

ADVISER Investment

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INTERVIEW

If you have the products but no talent, you'll be found out eventually

First State's Gary Withers talks to Simona Stankovska about building an emerging markets debt team – and being fined by his cricket team for being a banker

Investment bankers have had copious amounts of bad press since the global economic crisis – with the latest UBS scandal reviving the UK's hostility to the financial services sector. But the last place you'd expect one to be punished is on the cricket pitch. Unfortunately for Gary Withers, managing director of First State Investments, he has fallen victim to the populist stereotype, and now has to pay a 'banker's tax' to the cricket team that he plays for at weekends.

"Post the great financial crisis, you get a certain amount of abuse for working in the city. I play cricket at the weekend and at the end of every match the finance committee fines me 'banker's tax', which is a £1 fine for being a banker," he laughs.

"It's quite amusing and everyone has a giggle about it, but it does sum up exactly this point of, 'Hey he's a banker, he can pay a pound extra'. It's completely symptomatic – the message is far more significant than being down £52 by the end of the year."

In spite of this however, Mr Withers does not regret his career choice. "The ability to run a business in the environment that you're interested in following is actually a privilege," he says.

Mr Withers' career could have turned out very differently, however, as growing up in the leafy suburbs of Hertfordshire and unsure of what he wanted to do in life, he embarked on a degree in engineering at Cambridge.

Commercial instinct

"I had a rough idea of what farmers did but no idea of anything else – especially the City," he explains. "I always had a commercial instinct, so I was always interested in the outside world. Engineering kind of made sense as it could take you into business."

According to Mr Withers, the natural progression for students doing a degree in engineering in the 1980s, apart from the obvious, was investment management.

"I think the finance industry liked engineers because we had the technical, mathematical and analytical mindset that was required. Whether you were applying that to build a bridge, work out the fluid dynamics on a system, or applying it to investment or trading, you had the skillset to be able to do that," he explains.

Curious about what it would be like to work in the City, in 1986 he joined Shell in the operational research team. "Intellectually it was very daunting – a language, a jargon and a set of assumptions," he says, reflecting on the apprehension he felt on his first day.

"You have to absorb that knowledge very quickly. I felt 'Gosh there's a lot to learn here and I've got to get up to speed quickly', but I was a young guy and reasonably smart, so of course I thought I could add value."

It wasn't until Mr Withers was promoted to Shell's treasury department, however, that his love for investment management was ignited. This, coupled with an MBA in management in 1989, took him to Mercury Asset Management in 1994, where he was able to put his capabilities to good use.

It was also a time when Mercury was making the transition from UK institutional fund management to the international, retail market.

"I joined at a great stage. It was a world of opportunity – lots of potential things for us to develop and build, great people at the firm and a senior management team that was very supportive, and driving the business.

"It felt like all of the planets had aligned in my career; it was a culmination of all of the academic preparation of the early learning work that I'd done," he says.

However, Mr Withers' love for the company disappeared when it was bought by Merrill Lynch Asset Management in 1997.

"It's a bit like a flower, if the sun didn't shine it started to wilt, but as soon as the sun came out again, as soon as BlackRock gave it the right environment, it just exploded," he smiles.

Mr Withers says he was fortunate to leave at the right time, taking with him a knowledge base which he still calls on to this day in his current role as managing director of First State Investments.

However, the transition was not as smooth as it would appear. Before joining First State, Mr Withers spent five years in the insurance industry working for Norwich Union – a move that he now regrets.

"I regret it but it was also a terrific learning experience. There's a whole part of my management capabilities that have been built up from that which I never would have gained from running an asset management business. Asset management is a people business whereas insurance is a machine," he explains.

On September 1 2009 he joined First State and was given the responsibility of managing and growing the business in the context of global markets.

Cultural affinity

"When I got here I felt an immediate cultural affinity and understanding with who they were and what they did – at times it was like being back at Mercury, back to exactly that same environment," he reflects.

According to Mr Withers, the success that both companies have had – Mercury and First State – is based on one common theme: the quality of their investment managers.

"If you have good investment managers and good products, you can do all of the other things, such as putting them into product structures and marketing them. But if you have the products and the sales and marketing but no investment management talent, it's like selling drugs – you'll be found out eventually."

"Mercury was about investment excellence and that's exactly what First State's about," he adds.

In the past two years the company has increased its AUM in Europe, the Middle East and Africa (EMEA) by 19 per cent to £23.3bn, and added new products to its range, including UK Oeics, and the First State Latin America, First State Global Emerging Markets Sustainability and First State Global Agribusiness funds.

He admits: "My main challenge has been making certain that the company can keep up

PHOTOGRAPHER: SIMON HARGRAVE



CV

GARY WITHERS

SEPTEMBER 2009 - present
Regional managing director for EMEA,
First State Investments

2007 - June 2009
Chief executive of global investors business and
head of asset management, EMEA,
Credit Suisse Asset Management

2001-06
Chief executive, Norwich Union Life; group
strategy and development director, Aviva

1994-2001
Retail director and head of strategy (the last in a
succession of roles), Mercury Asset
Management/Merrill Lynch Investment
Managers

1990-94
Engagement manager, McKinsey & Company

1989-1990
MBA, INSEAD Business School

1986-89
Shell

with the rate of growth that we've had, because we've doubled the business and doubled it again, and to do that in this timeframe is very demanding.

"At Mercury we had a similar level of growth, and it does stretch your culture and your business, so it's helpful that I've been there before."

The latest development for the company is the introduction of an emerging markets debt team, headed up by former F&C Asset Management's head of emerging markets debt, Helene Williamson

The company, which has already had great success in emerging markets equities, thought the time was right to extend its skills to the bond market.

Star manager Angus Tulloch's Global Emerging Markets fund has outperformed both its benchmark the MSCI Emerging Markets and the IMA Global Emerging Markets sector by 26.26 percentage points and 80 percentage points respectively in the 10 years to September 19 2011, with cumulative performance of 368.05 per cent.

With bond returns in the UK and Europe currently at an all-time low, there is a great opportunity for making money from emerging market debt.

"We know emerging markets from the work we do in equities, we know the customer base, we know how to operate in these markets and we have a culture internally that understands it. Therefore, building a debt team makes a lot of sense," he says.

It's not going to be easy though, according to Mr Withers, who is preparing himself for "12 months of hard work" to get the team up and running.

Given the baton

"When you take on a role you take it on from somebody, and you hand it over to someone else. It's like a relay race - you are given the baton at a certain stage and you are going to hand it over.

"To me the most important thing is that when I hand over the baton I have done something with the company that people are going to say, 'I'm glad he did that; that was a good leg in the relay.'

"For me that will be about building out that new capability on that emerging market debt side. I think that's where the future lies."

Mr Withers believes the next two years will be far more challenging than the last, with global economic growth shrinking.

"The City will shrink - I think there are far

too many institutions and profit margins will get eroded.

"The golden days have passed. There's still going to be a very substantial business here, and a substantial profit pool, but it will shrink and there's going to be an uncomfortable period when people will be let go.

"I was really surprised that post the crisis the banks recruited people so quickly, which was pretty foolish.

"We will see that begin to unwind permanently now - the next level of letting people go will not be replaced; they need to take capacity out of this marketplace," he adds.

Unfortunately, according to Mr Withers, it's young people who will suffer the most.

"I think there will be a number of young people who will find that after five years they're just let go and they're going to have to start again. They will feel betrayed and question why they were not welcomed, why they didn't have the opportunities the previous generation had.

"The country as a whole needs to offer different opportunities to capable people - we can't have a disproportionate number of bright young people feeling that finance is the only place to come to.

"That will take a number of years to adjust," he concludes.