

# The *Ambachtsheer* Letter

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## **‘BEAUTY CONTEST’ INVESTING: NOT DEAD YET**

*“If the whole market became more long-term and was trading on a 10-year outlook, that would be fine, but they’re not, so you just have to trade on what they’re trading on...”*

### **“Déjà Vu All Over Again”**

Observing active portfolio management from the inside out is quite an eye-opener for the uninitiated. We first had that opportunity 35 years ago when we traded the ivory halls of academia for a ‘real’ job in the financial services industry. PhD candidate Danyelle Guyatt’s opportunity came just last year, as she studied the relationship between the Statements of Investment Policy & Goals (SIPG) of three major UK financial organizations in the pensions/insurance field, and the behavior of 20 external and internal portfolio managers with investment mandates received from these institutions. The SIPGs and related documentation at the three institutions “amounted to over 250 pages”. The 20 portfolio manager interviews, each lasting 1.5 hours, “were recorded and fully transcribed for analysis”. The quotes at the top of this page were just two of many that resulted from these interviews.

Guyatt’s findings suggest that little has changed in the institutional money management world since we had our own first look 35 years ago. As Yogi Berra would say, a case of “déjà vu all over again”. On the one hand, the

three SIPGs of the financial institutions were wonderfully aspirational, including stated intents to be responsible, long-term investors, with due regard for the importance of good corporate governance and other broad, long-horizon drivers of investment value. On the other hand, it was clear from the 20 interviews that most front-line active portfolio managers continue to live in a very different world.

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