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People Feature

60 seconds with Lion Global's Gerard Lee

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Gerard Lee, Singapore-based CEO of Lion Global Investors, has been at the helm of the largest domestic fund firms in the city-state for many years, in a career that was forged partly during a stint in New York that involved regular encounters with industry superstars, including Warren Buffett.



Gerard Lee, Lion Global Investors

After around a decade at Lion Global, Lee's current mission is to transform the company into a manufacturer as well as a curator of third-party investment portfolios to survive in an industry that is being increasingly dominated by a handful of large global players, at the same time as making mutual funds cheaper and more accessible for the man on the street.

1) Could you briefly describe your role, responsibilities and your day-to-day activities?

Being the CEO of Lion Global, I think, like most other CEOs, I tend to the general management of the company but, more importantly, I think my role is chief strategist for Lion Global's business positioning.

We separate the roles of CEO and chief investment officer, so I tend not to be very involved in the investment activities. Although in some of my earlier years at other firms, sometimes I did carry out both roles. But so far, in this job, over the past 10 years it's just general management.

2) What did you study at university, where, and what did you plan to do after graduation?

I actually did something very different when I was at university. I took a bachelor's level course in real estate at National University of Singapore that in many other universities would normally be a master's course.

Unfortunately though, upon graduation, it was during one of the biggest recessions Singapore has ever had. The real estate market was doing very badly, but I managed to land one of the most glamorous jobs at the time, which was to market what was one of the tallest buildings in Asia, One Raffles Place, which is about the same height as the Eiffel Tower.

Because of the recession in Singapore, I found it very tough and couldn't derive satisfaction. Not only because business was bad, but I also realised that the barrier to entry for real estate leasing is very low. You don't need to be a graduate to do real estate leasing, so I was competing with every Tom, Dick and Harry. Being a more cerebral person, I found that I didn't have a competitive advantage, so started looking for something else.

3) How did you end up working in asset management and in your present role?

I didn't specifically look for a job in asset management per se, but I just wanted to do something away from the real estate industry. I guess I had some faint ideas that banking and finance is a big sector so I should look towards that particular sector.

Very fortunately for me, GIC then had a new managing director who was very open minded about where he took his trainees from. This gentleman was J. Y. Pillay, who is also the founder of Singapore Airlines and is probably now in his late 80s.

He was the managing director of both GIC and the Monetary Authority of Singapore, and he introduced a management associates programme for both institutions. That presented me with an opportunity to apply for a job, which I was accepted for at both organisations and so then had to decide which one to join.

I checked around and everybody told me not to be stupid and just to go for the investment job, but actually, to me, being in a central bank seemed like the more prestigious job. But I listened to the people I talked to so that was how I actually stumbled into asset management.

I spent 10 years at GIC, during which time I had very good exposure because they sent me to New York for six and half years in the late 1980s and early 1990s. I subsequently spent more than a decade working for Temasek and Fullerton Fund Management, before moving to Lion Global about 10 years ago.

But what I actually took away from my time New York was quite interesting in that I developed a lot of confidence in relating to bigger-than-life personalities. Being based in New York, you get to meet a lot of these larger-than-life characters with big egos.

I had the opportunity to meet Fischer Black, the economist and one of the creators of the Black-Scholes options model, as well as hedge fund manager John Meriwether, and had the opportunity to go to Washington D.C. pretty often to listen to congressmen speak. I also had the opportunity to be among a small group of people to meet with Warren Buffett while he was at Salomon Brothers after the Treasury bonds scandal.

Buffett was a very down-to-earth and sort of regular person. His investing prowess is of course larger than life, but when I listened to him articulating the problems of Salomon Brothers, what he needed to do to get it back on track, and so on and so forth, I found it very much like how you or I would probably have analysed the situation. I realised that all these great minds, they don't approach things very differently from any of us. When they are confronted with big problems to solve, they actually do it like any of us would do.

4) What are some of the skills that you have had to develop and that you think are most crucial to your role?

The expected answer obviously would be to pick up investment skills, but I actually discovered I wasn't a very good portfolio manager. I came to the conclusion that actually investment skill is very much a function of personality, and so just like whether a leader is born or taught, being a good portfolio manager or good trader is also something you're born with.

I started paying a lot more attention to the business side of things and how people position the business. If I had outperformed year in year out, I think I would probably be still stuck in my CIO role, but I found that actually doing business is a lot more interesting. I have enjoyed the strategising, positioning, marketing, articulating product differentiation and appearing in front of investment panels – doing all these things excites me a lot more.

5) What has been the most rewarding moment of your career so far, and why?

The most rewarding moment in my career was probably when I was given the chance to start the new asset management company by Temasek Holdings. Out of the 11 years I spent with the Temasek Group, the first four years was spent in Temasek Holdings proper and the last seven years I spent starting out Fullerton Fund Management.

When I was working for Temasek Holdings, I was the CIO for the Treasury desk, managing the balance sheet and the corporate surplus cash, which was quite a sizeable pool of liquidity. When I was hired for the job, they already invested not only in money market instruments, cash and fixed income, but also in equities and some private equity funds. So it already had all the building blocks of a third-party asset management company.

So they threw me the challenge to set up that company. I just confidently said yes, although up to that point in time, I actually had no clue how to build a company. Having worked for Temasek Holdings, as well as for GIC, I was in the business of awarding mandates to external fund managers and now I was looking at it from the other side.

6) Could you talk about a challenging moment in your work or in your career, and how you managed to overcome that challenge?

After I left GIC, I spent some time working at the Morgan Grenfell Group, which had by then been bought by Deutsche Bank. I had to develop a new product for them, which was a pioneering local currency Asian fixed-income strategy. I launched the product just before the Asian financial crisis and the following couple of years were probably some of the worst years of my career.

As soon as we launched the product, the bonds started defaulting. We were not able to raise assets, but I still had to go and attend to the defaulted bonds. At that time, the fixed-income markets in local currency still didn't have proper standards in place and so I was very much left on my own to figure out how to take care of the defaults.

Those were very memorable and somewhat sad days. In 1997 I had a few bonds that defaulted in Indonesia, but the first currency that defaulted was in Thailand, so when my bonds in Thailand defaulted I was like a deer caught in the headlights. I didn't know what to do.

I realised I had to take things into my own hands, so a few months later I brought along a lawyer and credit analyst, and then flew to Jakarta to meet one of the bond issuers to see how much I could recover and was able to negotiate revised payment terms. I got five payments, which was not very much, but I guess I was probably the only bond holder to get some payments.

I still look back at that with a lot of pride because there was no script and I actually just took things into my own hands, and that helped save my job as a matter of fact.

7) Can you talk about an exciting or unusual place that your career has taken you?

Two instances. One was in Pakistan when I was at Fullerton. We had a joint venture with two banks to form an asset management company headquartered in Karachi, and I was travelling to a meeting there one time during a massive traffic jam. This traffic jam was during rush hour, but it was not caused by an accident or by too much traffic, it was caused by a camel. There were hundreds of cars stuck behind this camel, and probably it was just another day to the locals, but to me it's not something I had seen before. I was a little frustrated as I was running late to my meeting, but as we passed the camel, I saw the funny side.

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Another episode was in Kazakhstan, again while at Fullerton. I had a chance to pitch to the central banks and other government services, which took me to the capital, Astana. I went under the auspices of Temasek Holdings with other colleagues as special guests. They hosted a very interesting dinner in which we served horse meat sashimi, which was very gamey, as well as a sheep's head served on a platter, which we had to carve our own slice of meat.

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8) Could you talk about a person in the industry that has inspired you?

I was thinking along the lines of someone with incredible investment skills, but because I don't think I was a star investment manager that inspiration led to nowhere.

So, I am going to choose, J. Y. Pillay, the founder of Singapore Airlines who became chairman of GIC. He has fantastic command of English and is very succinct in his use of language. He paid so much attention to the use of language that joining him at GIC at that time we were all even given a copy of *Complete Plain Words* by Sir Ernest Gowers.

I was secretary to his management meetings for six months, during which time, in a sense, I relearned all the English I knew. Just taking his minutes was so educational, but he needed everything turned around in just 24 hours and there was often a lot of red ink involved. I took it in my stride and my English actually improved tremendously, so whatever I learned I felt I learned it during those six months, perhaps out of fear but also because he made language come alive. To today I still very much appreciate that a lot.

9) What goals or targets do you have for your career, or specifically for your role or in your company?

My role for Lion Global is like any other CEO: to improve profitability, meet my KPIs, grow my AUM and maintain our position as the largest Singaporean-owned asset manager.

Those are the usual things, but I am actually a big believer in the need to curate portfolios for others, and not just to sell things that we manufacture in our own shop floor. Even if we are good at it, there are many good musicians out there, so why not create a portfolio of good products from other people.

I also have to figure out to digitise my offerings, to cut away those many layers of middlemen so that the expense ratio wouldn't be 1.5% to 2% but we could bring it below 1%. The whole idea is to try to save the end investor about 1 percentage point per year and that will make a big difference to his lifetime of investing. Over a 40-year time frame that is a lot of money.

So that is my new challenge, and because I have been doing this now for quite some time and I am quite near my retirement, I probably won't be able to take it to its finality, but I have got the wheels in motion at my company. My successor will probably be able to take over what I am doing and will be able to do it better, and will not have to sell the idea to the shop floor.

10) What do you think is the most important or interesting trend that could change the asset management industry, and perhaps specifically alter your role, over the next five or 10 years?

Interesting things are happening in our industry that only happen every 30 years or so. As we speak our industry is becoming an oligopoly, just like the automobile sector or many others. It is BlackRock, Vanguard, State Street, Amundi and a few other names. You have to be above US\$1 trillion in AUM and then after that you have to be above US\$3 trillion if you want to be in the top 10.

But the rest of us are just so far away from US\$1 trillion, and for those of us in Singapore we are not even that close to US\$100 billion in AUM, so it has almost become impossible to close the gap.

The business of asset management in the public markets has moved away from an artisan trade to one that is driven by technology. So I think a successful asset management company today, and this is what BlackRock has been claiming, is no longer an asset management company but a technology company.

What does that mean for Lion Global? It means that if we do business the usual way we won't be around, and so we have to look at things differently.

We have to morph from being a pure manufacturer into a manufacturer and a portfolio curator. The problem with asset management is that it is such a glamour profession that everyone wants to be a portfolio manager. But the fact of the matter is that it is just like a musician, in that while many of us take piano lessons, few of us end up being good pianists. So there are lots of portfolio managers who are very smart people but they are just not gifted.

After taking into account transaction costs it is no longer a zero-sum game. By definition, the industry itself cannot outperform, but despite that the glamour and the promise of outperformance will bring people to the industry again and again.

So I would rather be in the business of curating such portfolio managers, and finding them around the world and putting them into a portfolio. And how do you cut costs? You cut costs by digitising your costs for your end customers.

11) What is the one area of the industry, or of your working life that you would like to change for the better and how?

In finance, there is a term called financialisation. It is a term that has been coined for the industry to describe people who do things to benefit themselves and not to benefit the end user.

In finance, we very seldom ask what our purpose is in doing what we do other than in terms of profit and loss. We have to look beyond P&L, we have to look at purpose. That means how what we can do can benefit the end user and the wider community.

That's one area that I would like to change, or would like to be an advocate for, would be to help people in my industry to think about their purpose, other than just trying to outperform the index. So, for example, trying to demoralise unit trusts or mutual funds for the man on the street, trying to lower expense ratios, and trying to do things simply and trying to be self-directed.

That is something I would really like to do in an advisory capacity, so I will probably try to spend my time after retirement doing that.

12) What advice would you give someone beginning their career in asset management now who might end up doing your job in the future?

Today, because youngsters read about Warren Buffett, everyone wants to be a Warren Buffett. But the fact of the matter is that Warren Buffett cannot find a successor because he can't replace himself. This shows that his talents are inborn and not built.

A lot of the portfolio managers and analysts, in my opinion, they are very smart students, and that's why they ended up in asset management. But because of their inability to outperform, it is very sad that after doing their job for 30 or 40 years, they cannot build a legacy.

I would rather impress upon people that in the business of asset management there are many other things you can teach yourself to be good at. For example, now we talk a lot about digitalisation, we talk about trying to build low-cost products, we talk about trying to build products that are useful and about moving beyond the public markets into the private markets.

I would advise people not to be so obsessed with trying to become another Warren Buffett. Have an open mind and learn the business of asset management rather than trying to learn the intricacies of investment management.

Build a business and focus on the business. This business is inherently a good one because if there is a capitalist economy then there is always money to be managed. So be in the business but you don't necessarily have to be an asset manager, you will find a lot more satisfaction by building a business.

13) If you weren't in the asset management industry what other professional field could you see yourself working in?

After I retire, I wouldn't necessarily want to go into another industry. But if I could have chosen another industry, I would have gone back to my university to be a lecturer. I studied real estate, so that would have been the most natural area for me to go into, and the area that I would have specialised in would have been real estate finance. I quite like to teach, so I think that would have been quite natural.

14) When you are not working hard in the office, where are you to be found?

I spend quite a bit of my time volunteering for charities and with church work. The one that I probably assist with most closely here in Singapore is Boys' Town. Boys' Town is a residential home for youngsters who might otherwise get into trouble. I have been the chairman of this charity for quite a long time.

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