



Global Matters Weekly

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Carolean Carousel

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May is one of my favourite months. Not only is it my birth month (the excitement fades a little each year), but the cherry blossom, lighter evenings, and smell of freshly cut grass mark the seasonal transition. Spring has sprung I like to say. In the UK we also get bookended bank holidays on the first and last Mondays of the month. This year however, we got a third, and who could avoid the spectacular pageantry last weekend of the coronation of King Charles III, beamed into our homes as never before in HD. Three four-day weeks in a month – hurrah, three cheers for the King! There is probably no better example of stage-managed succession planning than the coronation of a new British monarch.

There is a natural linkage between the concept of success and that of succession. Derived from the Latin word *successus*, success literally means advancing or climbing, or following after. Thus, it seems fair to equate success with effective stewardship, and in order to maintain success over the longer term you must have succession planning. At Momentum, this is something we look for in the managers with whom we invest; to ensure continuity of an investment process – and to ensure its success – the business should ideally be structured in a way to promote and incentivise the next generation of leaders. This also helps ensure there is an alignment of interests between the employees and the business, which in turn helps align their interests with those of our clients. We employ several third-party managers whose founders have built successful investment businesses and who are now looking to facilitate a smooth transition to their protégés. In the investment world this is probably most well recognised with Warren Buffett and Charlie Munger, aged 92 and 99 respectively, who have anointed Greg Abel as their heir apparent at Berkshire Hathaway, although at 60 he should maybe start to think about his own successor!

As well as looking outward to those we choose to partner with, it is equally important to our own investment process to reflect this internally.

The success of our clients is inextricably linked with the success of our own firm, and that of our selected investment managers. I have highlighted in a previous blog¹ how at Momentum we like to ‘grow our own timber’ and have recruited some exciting young prospects into the team over the years, such that one of the first interns we took in is now head of the investment desk (and considerably younger than Mr Abel too).

The concept of stewardship applies as much to investing as it does to ‘The Crown’ and is fundamental to the bond of trust that exists between investment managers like us and our clients, and to companies and their investors. As custodians of other people’s assets there is a fiduciary duty to act in the interests of the clients or beneficiaries. Often there is an inter-generational transfer of wealth and effective stewardship is required to ensure that happens successfully. Last week I attended a conference hosted by one of our managers who pride themselves on not only being effective stewards of their clients’ money, but also in identifying companies that embody the concept of sustainable investing. This is qualified through the lens of generating sustainable earnings over time, often investing alongside the founding family, where effective stewardship is guided by a sense of moral purpose which spans the environmental, social and governance issues that encompass today’s ‘ESG’ debate. Investing in this way is more likely to achieve sustainable earnings that can be passed on to the next generation.

As we usher in a new Carolean era, and to coin a luxury watchmaker’s slogan, King Charles will do well to remember that you never really own the crown and sceptre, you simply look after it for the next generation.

Sources:

1 https://www.bis.hk/PDF/16Aug2021_article.pdf

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