

THE PERFORMERS

× CANADA'S INFLUENTIAL THOUGHT LEADERS ×



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RAJIV JAIN

Chief Investment Officer
Vontobel Asset Management Inc.

What is your investment philosophy and what makes it unique?

Our goal is to buy high-quality businesses at reasonable prices and outperform relative to the benchmark, with less risk. The goal itself isn't unique – what sets us apart is our execution. Not only do we cover the world, we use the same team of experts to cover all our products. We focus on what we understand in order to compound shareholders' money over a full cycle.

How do you manage portfolio risk?

The problem with relying solely on quantitative risk models is they're often backward looking. As we learned in 2008, the world can change dramatically. Who would have predicted the U.S. banking system would be on the verge of collapse in 2008? Qualitative analysis allows us to fundamentally understand the earnings drivers of underlying companies and ensure they aren't exposed to the same things. For example, a company might be listed in Korea, but have the same risk factors as a tech company in the U.S. because the end consumer is identical. Quantitative models can't always capture that. Getting it right means going beyond quantitative models and conducting your own qualitative analysis.

What has driven performance for you?

Our ability to identify the duration of the tail – in other words, we've been able to find those companies that can continue to deliver better returns than the broad market on a long-term basis. So, when we're looking at a business with 20 times earnings, the important

question is, what will those earnings look like five years from now? You need to understand where the earnings will come from down the road – that's where we have been able to add more value for investors.

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What market or world events have taught you the most in your career?

I learned a lot from the emerging markets crisis of the 1990s. For example, during the Mexican crisis of 1994, Mexico's finance minister declared “we will never devalue the peso,” – then the next morning they devalued it. The main lessons here: you can't take public statements too seriously and almost any system is extremely vulnerable to crisis. From a client's perspective, it doesn't matter that a big crisis comes along only every 100 years: it can still be devastating when it happens. As a manager, I've learned how critical it is to understand how your portfolio will react if there is a crisis.

How do you manage your emerging markets versus your developed markets portfolios? Do you use different approaches?

The management is the same for both. While it's important to consider country factors such as political risk and the stability of the banking system, our process is the same for companies in both emerging and developed markets. That being said, you do have to appreciate the nuances of each country. We've never owned a Japanese bank or a Chinese bank but we do have exposure to Brazilian banks, for example. But despite those differences, the underlying philosophy works well across the world.

TO THE POINT.



WHAT ARE YOU READING?

The Life You Can Save: Acting Now to End World Poverty by Peter Singer.



WHAT TRAITS DO YOU VALUE MOST IN A COLLEAGUE?

Trustworthiness and integrity.



WHAT'S PLAYING IN YOUR CAR/ IPOD ON THE WAY HOME?

Bloomberg Radio.