

MEET THE MANAGER



STYLE-AGNOSTIC GREENBERG GAINS IN TOUGH MARKETS THROUGH QUALITY BIAS

Gary Greenberg, manager of the Hermes Global Emerging Markets fund, has achieved sector-topping returns and is adding to Chinese stocks with promising futures

DANIELLE LEVY

Citywire AAA-rated Gary Greenberg, who runs the Hermes Global Emerging Markets fund, took an unusual path to fund management.

Economics, accounting or finance-related degrees typically lead students into an investment career. But US-born Greenberg studied comparative religion for his undergraduate degree, specialising in Eastern religions.

'I was a bit of a mystic,' he said. 'I spent several years working and travelling. I then decided to go to graduate school to study business. I wanted to make a difference and felt no other field made a more direct impact on the way the world works than business.'

In particular, he thought managing international pension funds could be a good way to move money into less developed countries.

Eastern promise

After finishing graduate school, Greenberg took his first investment job at Harris Associates in 1989. He moved to Peregrine Asset Management five years later, working from its Hong Kong office.

'It was fascinating and a massive learning curve. I saw what running a business in Hong Kong was like, and saw the Chinese work ethic and practices up close,' he said.

After four years working in Asia, he concluded investing locally did not necessarily make a significant difference.

'I don't think you necessarily invest better by being close,' he said. 'You can invest far away as long as information sources are good and you have a robust investment process.'

In 1999 he joined Goldman

Sachs Asset Management as co-head of emerging markets, and moved to London with the role. After that, he ran his own long-short equity hedge fund.

Focus on social responsibility

In 2010 'finally the stars aligned', said Greenberg, when he joined Hermes to head up the emerging markets team. He was drawn to the group's focus on responsible fund management, so it is no surprise environmental, social and governance (ESG) issues feature in his investment process.

'We have an integrated process with explicit bottom-up and top-down modelling. This is supported, although not dictated, by quantitative models and a strong ESG flavouring,' he said. 'We use both as a risk-awareness and engagement tool to try to perpetuate change, improvements and greater awareness at management level.'

Greenberg manages a team of nine, who cover emerging markets from the London office. They are style agnostic.

'Our style is currently more quality growth but it has been more value. We are not too biased one way or the other. It depends where we see valuations and what our bottom-up and top-down processes are telling us,' he said.

Sector leader

Greenberg recently added to his holding in Chinese internet search company Baidu, as he believes its move from online to offline will be successful. Elsewhere, he has bought China Biologic Products on

share price weakness. It is one of only a few blood plasma biopharmaceutical companies with a licence to operate in China.

Despite a challenging three years for emerging markets, the fund's quality bias has served it well. Greenberg has returned 9% and claims top spot in the 202-strong Citywire Equity – Global Emerging Markets sector, compared with a near

The Chinese authorities have one foot on the accelerator and one on the brake. They're going to make it but not without some serious bumps along the road

Gary Greenberg Hermes Investment Management

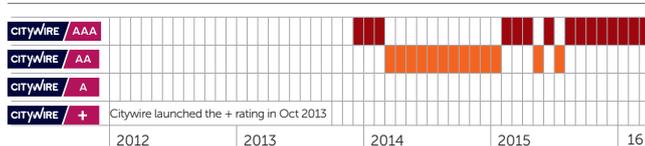


18% loss by the MSCI Emerging Markets index. Over five years, the portfolio is up 14.6% compared with a fall of 11.6% by the index.

Historically, two-thirds of the alpha generated in the Hermes Global Emerging Markets portfolio has come from the bottom up, while the remaining third has come from the top down.

GARY GREENBERG'S MANAGER RATINGS HISTORY SINCE JANUARY 2012

SOURCE: CITYWIRE





TECH GIANT: Chinese media, entertainment, internet and mobile provider Tencent, based in Shenzhen, is one of the fund's top holdings, with a 5% weighting at the end of March 2016

Fragile recovery

There was a sharp sell-off at the start of 2016, although emerging market equities have rallied in recent weeks, erasing losses. However, Greenberg is not convinced this rally will last long.

'Earnings estimates must start to turn,' he said. 'For that to happen, you need economic reacceleration or self-help, meaning slower wage growth, less capital expenditure, better capital discipline, better pricing for goods and services of companies, and consolidation in industries. Those things don't turn on a dime and have not turned.'

Likewise, he does not buy into the recent commodities bounce.

'Normally you see commodities rally because demand is going up or because supply has been taken out of the system, but none of that has happened,' he said. 'There is just speculation that this could happen, based on the weakening of the dollar over the last few weeks. I don't know if that's sustainable.'

Chinese concerns

On the vital question about the path ahead for China, Greenberg said: 'My sense is the Chinese authorities have one foot on the accelerator and one on the brake. I think they're going to make it, but it is hard to argue that there won't be some serious bumps along the road.'

He is impressed with restructuring in the steel, glass, cement and aluminium sectors, but believes communication needs to improve regarding the renminbi.

Likewise, the recapitalisation of the banking sector needs to happen sooner rather than later.

Greenberg expects emerging markets to outperform developed markets in the next two to three years, as soon as the dollar peaks. He estimates this will happen later this year.

Keeping things in perspective

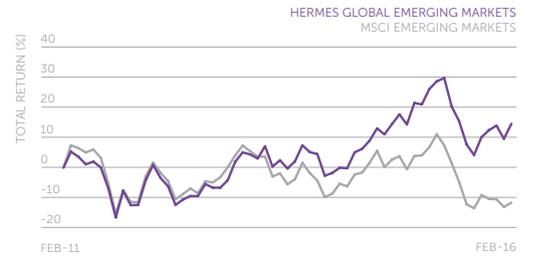
Even if volatility lies ahead for the markets, Greenberg's hobbies outside of work are conducive to inducing calm. He enjoys literature and meditating, which takes his mind off the stresses of City life.

'It helps a lot,' he said. 'Investing is based on emotion. Remembering it is just emotion is a great way to calm yourself down and gain some perspective.'

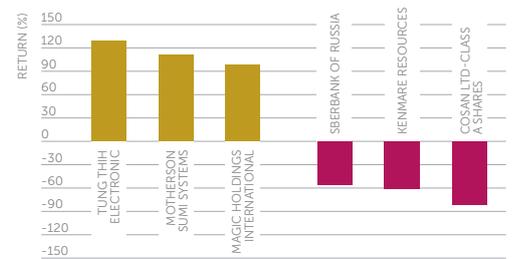
So, after 27 years investing through the ups and downs associated with emerging market equities, what has he learnt?

'I have learnt to take a long-term view and a contrarian bias, although not a contrarian rule,' he said. 'I have learnt that ultimately the markets aren't everything.' ■

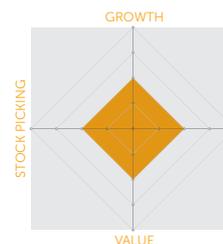
THE FUND HAS OUTPERFORMED THE INDEX BY SOME DISTANCE OVER THE PAST FIVE YEARS SOURCE: LIPPER



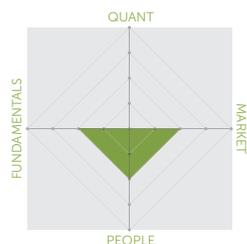
WINNERS AND LOSERS OVER THREE YEARS*



STYLE



PROCESS



* Total return over three years to 29 February 2016

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