

Singh Bachher, Jagdeep; Dixon, Adam & Monk, Ashby – The New Frontier Investors

Palgrave Macmillan, 2016, [Finance] Grade ★★ ★

This is a book on managing financial assets mostly suited to the niche audience of CEOs, CIOs, strategists, asset allocators and the likes at institutional asset owners, i.e. pension funds, endowments, sovereign wealth funds, insurance companies and such other institutions. The text discusses developments and choices with regards to which organizational forms and processes that best favor the management of institutional money, a topic presumably close to heart to Jagdeep Singh Bachher who apart from serving on World Economic Forums' Global Agenda Council on the future of investing, is the CIO of the endowment at University of California.

The thesis is that as the asset managers that the asset owners engage to manage the money often are situated in international finance centers like London or New York and by this influenced by the culture in these places the asset managers' process is more short-sighted and risk seeking than what is appropriate for the functioning of the financial markets and not very suited to the long time horizons of the asset owners. It would be better if the asset owners – who are often not situated in international finance centers – brought home the money and managed these in a more sustainable way internally.

The problem is that the financial infrastructure and the mass of financial talent are focused to these centers. This gives them a type of oligopoly that allows them to charge a price premium that comes out of the returns for the end-consumer. Hence, the faulty process of managing the capital of our societies is hard to escape. Still, the authors give their proposals to how it could be done. In my view the book almost takes the form of a collection of essays – selected and not totally aligned short texts on organizational aspects in institutional asset management to alleviate the above-mentioned problem.

There are some creative ideas presented but nothing to change the face of finance. Thoughts

Mats Larsson, June 04, 2017

that I found useful were a) that since the aim of the asset owner's processes is more long-term there might not be a need to compete for the expensive top financial talent from the financial centers but it is instead more reasonable to employ staff more closely related to the type of assets they are meant to manage – agri-professionals to handle the farmland assets and so on, b) that cooperations with other asset owners in various types of club structures and the likes might create the necessary resources to invest internally-ish in say, venture capital or private equity and c) I really liked the concepts of a governance budget (since it points to the finite amount of time and resources) and of having an in-house R&D-department as investing is a creative activity and it is those that are early into an asset or a trend that reap the largest benefits.

It is a fairly short book, the language is probably well suited to the audience of CIOs with a somewhat academic tone and at times I found the long lists a bit cumbersome. I wonder if the authors don't place a too heavy burden on the relatively small organizations of institutional asset owners, as they are to save capitalism from the shortsightedness of asset managers and markets. Further, it is almost mandatory of asset owners to claim a competitive edge through having a longer time horizon. The question is if they all can have it as they in aggregate constitute a huge part of financial markets and they might not all be equally equipped to exploit this time-arbitrage.

The best part of the book is the ending that in a way takes the form of an appendix where Sing Bachher to the text adds University of California's ten "pillars of success" that came out of a work on the organization's investment beliefs. To me they display a great balance between well-considered structure and creativity. Especially the last part is not usual, yet critical. Overall there are some good thoughts from a set of clearly intelligent and able authors but as a whole I found it a bit too thin.