



Evli Podcast Series 2

Transcript

Episode 1: The secret of success

Petter von Bonsdorff: Hello and welcome to the second series of The Evli Podcast. I'm your host, Petter von Bonsdorff. In the next three episodes, we will explore the role of legacy and continuation in our industry, why it is very important, how it is implemented and dive into Evli's interpretation of the concept of legacy.

Our starting point today is a discussion with Evli's very talented head of fixed income, Mr. Juhamatti Pukka, who is not only the youngest Triple A-rated portfolio manager, but also ranked as Europe's top fund manager in Citywire's Euro Star comparison.

Citywire's Euro Star comparison is a coveted that lists the top 250 managers across all asset classes drawn from Citywire's database covering 16,500 names. In this episode, we will get to know more about Juhamatti's achievement, what it means to him and Evli, check if the ranking impacts his work, find out how he perceives legacy and quiz him about what his legacy would be like. So, let's get started.

I'm happy to be in the studio with you, Juhamatti. Congratulations on a superb achievement.

Juhamatti Pukka: Thank you very much, happy to be here.

Petter: Good to have you here. Although we work a lot together, often see clients together and talk a lot about investments, we have actually never talked about the rankings. You're not the only one to have a very good ranking. Your colleague Jani Kurppa also has a very good ranking from Citywire.

Juhamatti: Yes

Petter: Then, my question is, actually, does it motivate you to perform and do you feel the heat from getting this kind of ranking?

Juhamatti: It is certainly nice to get a top ranking. If you think about it as a company and as a team, it is a superb thing to have two managers listed in this listing of 250 top managers. So, that is a very good thing to have, it is a big motivation for the team to be ranked like that.

On a personal level, it is very nice to get a high ranking, for sure. I mean, Finnish people are inherently a very humble people. We are not naturally in the limelight and don't really like being on the podium and getting praise for their personal attributes. However, having these ratings in the background, it feels undeniably good to be ranked highly, because it's about consistency and long-term performance. It is also about the long-term track record of your daily work, so it is very good to have this recognition for it.

Petter: When you say long-term and, going back in time a little to look at how it has worked out, if we mention legacy here and then think about when you started the current strategy that you have been very highly ranked for. That also came from one of the senior PMs that we have on board – the idea of the strategy. Did you feel that back then that legacy was something you do and do well? Can you think back a little bit?

Juhamatti: You mean back to the phase when we started to formulate the strategy?

Petter: Yes

Juhamatti: To start from the current time, I think it's nice to look back on history and think about the process we had for the fund and the strategy. Now, looking from this point it seems obvious that we are selecting this sort of path, but back in 2011 it wasn't obvious what to do next, because we had a great financial crisis that was still ongoing in the background. It was wiping out many of our competitors and the funds that had been performing well before the financial crisis.

Now, what we had was a long track record, even back then, related to the investment philosophy. Our approach to the credit market and how we assess into great quality... We knew at that point that using our experience, we were able to implement it into the new strategies and also the new markets.

Petter: So that was kind of a continuation that you had at that point and took some parts of it before working it in your way into this?

Juhamatti: Indeed, and it's about how confident you are in this strategy and the people who have been forming them, as well as these philosophies. It's therefore about the long-term track record of the people, the strategies. This is at the heart of legacy, I think, for the people who have been building this franchise. When you see the performance, you know it is not down to good luck or anything like that. It's about long-term hard work, a selection process that really works. That is something that you want to take forward and make it even better all the time. As a result, over the next ten years, maybe it is going to be even better to have. I mean, it is quite unique to have these 20-plus years of experience for this strategy and I see how long-term, over the cycle, the performance has been doing.

Petter: True. Then, thinking back again, when you formulated the strategy and were given quite a free hand to do the formulation, that was a little place to be an entrepreneur, wasn't it?

Juhamatti: Well, yes it was. I mean, thinking about it now I was thrown into the deep end of the pool – which is one of the unique things at Evli. People are able to show their superiors that 'ok, I am ready to take responsibility. I have the knowledge, the ideas, I have learnt a lot, I am keen to learn new things'. Then you get a lot of responsibilities. And that was my moment in late 2011/early 2012. I was told, 'ok, here is a fund for you, reshuffle the strategy, think about what is working going forward and then let's start a new fund based on the studies that you have been doing'. It was a great opportunity for me to be the one who designs what goes into the fund, because that is the moment when you are saving the fund for the next 10 years. You are making the limitations, the rules, the strategy. It is pretty much dictating what you are able to do and what you are not able to do.

Petter: That is correct. Now, fast forwarding to today. Would you like to talk about the must-have skills that you think are needed to go forward for another great 10 years, at least?

Juhamatti: Well, for the PM, if you think about what makes a good portfolio manager, you need to have a deep knowledge of the markets, an ability to analyse the companies. But, the most important, I think, is to have a genuine interest in the markets and a genuine interest in the companies, as well as understanding how the companies are working, what they are going to do, how they have been performing in the past, what the management is trying to do. Maybe also a little background – who the owner is and what they are seeking to do.

It's not about looking at the numbers. What I have learnt during my years in the business is that every single business is a people business. Everybody is talking about IE taking over most of the work, but, at the end of the day, it is a people business. Companies are operated by the people. Also, funds are, if you think about the corporate bonds fund management, it is done by the people. And, it's about learning how the companies are behaving and the people in the companies are behaving. That's a very important factor, I think, for the portfolio manager to have. Curiosity – you have to be ready to go deeper in nuances, and, of course, the ability to understand the fundamental changes in the markets and in the different businesses.

So, it is really difficult to say one, two or three things that you have to have as a good portfolio manager, but it is about the overall interest towards the companies.

Petter: A holistic interest.

Juhamatti: Yes, indeed. I just want to lastly talk about people skills. If you are managing a fund, then you are the manager making the bets on behalf of your clients, but it is the clients you have to understand and I feel it is very thrilling to meet the clients from different countries, from different backgrounds, having discussions with them, and learn new things from them. And also learn about how they are looking at the current market environment, for example. So, I don't think it is just about managing the portfolio, but also interacting with your clients.

Petter: Yep, and that is also a very important thing. For our investors and the clients, the talent growth is, of course, of great interest in the fund management company. How do you think Evli is facilitating this talent growth to have continuously well-performing portfolio managers?

Juhamatti: I think it is very, very important for the company to have the talent pool that you have been building over the long-term within the business. And I think it is very good for Evli that we have had this uninterrupted training programme since 2008. So, we have a very, very long history of attracting talent from the universities working for Evli over the summer for three months. After three months you know which one of the trainees have performed well and which ones are the sort of talents you want to hire going forward. And that is something you have to keep ongoing all the time. So, you have the fresh talents joining the company and building the company with you. So, it is not that you have very highly talented people working in a company and you stop hiring new people. Because then, after 10 years, you have older persons working at the company. If some of them leave, then you end up in a situation where you don't have any fresh talents that you have been growing who understand your business, strategies and idea of the company.

Now, with the annual training programme, you have these people who learn about the company, they grow with the company, you have been able to teach them new things, and that is really something unique for the company as well.

Petter: It is and I agree that the trainee programme has been working out. I might add here that Juhamatti was one of the first ones from one of the very first trainee programmes, if I recall correctly.

Juhamatti: Yeah

Petter: Also, we will be talking in coming episodes of this podcast about what kind of values are needed to embrace these young talents that we get into Evli. But, this is only a sneak preview of what we will be talking about.

Now, we have been thinking internally about how we are going to use the word 'legacy' and then we thought that legacy is actually something that has ended, and that we like to add to that we would define what we think about legacy and how it is used in terms of 'continuation'.

You are the youngest Triple A-rated portfolio manager by Citywire, Juhamatti. Do you think about your own legacy and continuation? Have you thought about it in the midst of portfolio management, family life and everything?

Juhamatti: I have to admit that there is too little time to think about legacy at this point in life. But I really feel that the legacy is something that is really difficult to define when you ask people. Ok, you know what legacy is, so give me a definition of legacy. That's the difficult part. And I think it is something you build up over a long, long period of time. Over your whole career, you are building your legacy. It's about the everyday actions that really count when people are thinking about you in 10 years' time, for example. Legacy is something that comes to their mind firstly, when they think about you. It is formulated over time, not made by a single person. It's by a group of people working together and I feel that is really important to understand that there is no lone hero here, it's about the teamwork and the effort that we are putting in together. It's not just about the current team but also the teams you have been working with in the past and making your own talent even better.

Now, I think that what a person can do is to try to perform every single day to his or her best. Train to be a genuinely nice person to other people. Because, as I said before, this is a people business. You have to think about the personal interactions. Personally, I have always valued being fair to other people, whether they are your colleagues, competitors, clients, or just average Joe on the street. To be fair to other

people, to be nice, it is something that gets you the good things going forward. And that is going to be part of your legacy at some point in time. Hopefully we will be able to talk about the legacy in, let's say, 10, 20, 30 years' time.

Petter: Yep. Well, legacy will be formed based on what you are working with right now and what the investors are getting. And that is essentially the track record that we are talking about. I think it is important to think about continuation and legacy, because even though, for example, you, Juhamatti, you are managing a short-term corporate bond fund and that is not perhaps for long investments, but the way the strategy, in your case, is being formed and carried out, that needs a long-term commitment and a very good working strategy and background.

That's why I think it also important to think about continuation and legacy, even though it might sound, in your case, a little bit premature because you are such a young person. But it is, nonetheless, very important for our investors to be taken care of going forward. Partly the reason we think that Evli has been quite successful over the past 10-15 years, is because we have quite long careers and there is an atmosphere of certain values that are being embraced within the company.

In this episode, I have had the pleasure of talking with Juhamatti, my colleague and portfolio manager at Evli. We talked a bit about the legacy, we were talking about programme for how we retain and grow talent at Evli, and then a little bit about what Juhamatti thought himself about going forward.

Now, in the next conversation we will be talking with our CEO and Juhamatti again. We will go one level higher to talk more about the values and how our investors are actually benefitting from them.

So, with this, I would like to thank you, Juhamatti, and see you all next time in a few weeks' time.

Juhamatti: Thank you.

Petter: Thanks.