Charlotte Yonge

Tom Yeowart: Charlotte, welcome to the podcast. Thanks for coming on.

Charlotte Yonge: Thanks very much for having me.

Tom Yeowart: So I believe your mum was a fund manager. Was it always inevitable that you would follow in her footsteps?

Charlotte Yonge: She was, and she was a fund manager at a time where there were even fewer female fund managers. So she was a bit of a pioneer and it definitely helped having exposure to that precedent and having information about investing around the house. The FT was always there at the weekend. I would say that on account of her having been a fund manager, I was initially determined to do something different. I'm slightly contrary in nature and set out doing French and Latin thinking this is quite a natural progression to potentially becoming a lawyer. Then decided for whatever reason during one summer that I wanted to work for a company in Edinburgh that was exposed to the wider corporate world. I applied actually to a few law firms and a few asset managers, and I was really fortunate that one of the asset managers gave me some work experience.

I worked for Angus Tulloch at what was then First State. That got me very, very interested in investing and so I did pursue it and I think it really, really did help having that role model in the form of my mother. Also, my grandmother was an investor of her own pension, and I would give her updates when she was in her nineties. I would go over to Northern Ireland and she would ask you about the oil price. And she would say, how's my Glaxo doing? So we had a line of female investors.

Tom Yeowart: You did modern languages at Cambridge and then you interned at Troy, went to Ruffer, came back to Troy. Is there something innate in your nature that you like fairly risk averse places?

Charlotte Yonge: I think that first experience in the summer of '08, that first exposure to investing, was quite formative, and I think that just coloured the way I saw the job. I think doing the job well, you need to be aware that things go wrong and markets go down 30%. And actually that experience at Ruffer, which was private client, very much engaged with the end investor. I became very aware of the experience, not just the total returns over five years, but actually how it feels to be an investor through really difficult times. And I just appreciated the fact that firms like Troy and Ruffer both made money in 2008.

I do remember buying my first very small amount of a gold ETC, on my year abroad, having worked at First State, where actually they got me doing a project on commodities and gold. So that multi-asset influence was there even working for an equity house and I think anyone at any stage of their life is sensitive to volatility. You don't know when you're going to need your money, people buying houses or before then, potentially buying your first car. You don't know when you need to take out that money from the portfolio. Your experience over different time horizons, even shorter ones does matter. I think that's what feeds into my willingness and desire to hold more than just a straight equity ETF, for example.

George Viney: There's been an interest in companies for quite a while as well in that when I think the motivating things for you to come to Troy, and I remember at your interview, is you were really into individual companies and their stories and being a long-term investor in those assets. So tell us a bit about that formative experience and what got you interested.

Charlotte Yonge: Yeah, that was definitely First State. I was just 20 when I worked there for the summer and they took me along to every company meeting and they're invested in emerging markets. We met some pretty cool businesses from Latin America, from Asia, that had come over to Edinburgh to see what was a very highly regarded team of investors.

So I very quickly got interested in just what makes a good business. They have a very stringent set of criteria that they look for in any company, but they were also quite early, and this is going back 14 years, on the ESG element of that. But all of that got me really interested in businesses. And so that was a big motivation as well for joining Troy, where clearly the bottom up and the stock analysis stuff is front and centre.

George Viney: Charlotte, let's talk about inflation, since the multi-asset mandates at Troy are really there to, first and foremost, protect the real value of investor's capital. So it would be fascinating to understand, with inflation at generational highs, the yield curve recently inverted, that's often a sign of impending recession, how you see the various forces at work in terms of trying to overcome that inflationary hurdle that you've set yourselves.

Charlotte Yonge: So that preservation of capital, it has to be in real terms and therefore the risks to that, we have to manage for. And that is what the nonequity part of the portfolio in particular is there for. So in terms of the risk of inflation, first of all, this is now a risk in a way that it hasn't been for the past decade. So the decade following the financial crisis, there was asset price inflation, but there were not the wheels in motion for real economy inflation. And that was largely because of a huge amount of disinflationary forces, which still exist today, but also the response to the financial crisis was a monetary one, not a fiscal one. So you had a quick return to austerity. You had no transmission mechanism from the huge supply of money that was created, actually finding its way into people's pockets. So people actually spending that money on goods and services.

This recent COVID crisis, hugely different for a number of reasons, but the fiscal response is a really important one. The change to the labour market is another. So there has been a huge exodus, particularly in the US, but in Europe and the UK as well, from particularly the baby boomer segment. So there's a tightness there, which has, at the same time that you've got political support for higher wages, provided that bargaining power for workers. There is now an agenda which Biden is putting forward, which other politicians are putting forward, which sees that owners of capital have done really well over the last 30 years. Your average worker hasn't. Real wages haven't grown in the same way. And now that has the potential to change at the same time that we've got a huge amount of other issues going on in supply chains and energy markets, which are upping the cost of living. So the longer that those last, the more that this bargaining power, this desire, but also this propensity of businesses to actually change their mind-sets and say, I'm going to pay you more, the more likely that is to gain hold. And actually you see something that looks like the 1970s in terms of negotiating power, not necessarily the rate of inflation, but something that actually looks like wage inflation beyond a few quarters. And at the moment we're right in the middle, there's so much going on. We don't know how this is ultimately going to pan out, but wages are key and it really remains to be seen as to how long the supply chain bottlenecks particularly last. The longer they last, the longer that this is likely to become more engrained because psychology/behaviours change.

Tom Yeowart: How do you weigh all those issues you highlighted against some of the countervailing forces? So yes, clearly there's a focus on labour gaining at the expense of capital. But there's also a very powerful corporate incentive to keep profit margins high and perhaps to automate more. So how do you weigh the high levels of debt, ageing demographics, technological progress against the issues that are clearly at the fore at the moment?

Charlotte Yonge: You can't quantify this stuff. I think that's why we need to remain really open-minded because it's the balance of the two. And it's ultimately, a huge amount about politics, that fiscal support continuing, and wages just gaining traction in a way that they haven't done. The balance is already moving, but is it going to do so on a permanent basis? That's what we have to be very honest about the fact we don't know. I think your point is a very good one when people talk about the rate of inflation. So it's very easy to say, oh, this is a rerun of the oil embargoes of the early seventies, but the reality is we've got a very different labour market in particular.

All of the things you've mentioned are hugely changed versus that time. But COVID has accelerated a lot of the disinflationary structures that were already in place. So for example, the gig economy, this atomization of work, ultimately you can just pay for someone to do a job for a few hours because you can find them on the internet. That's disinflationary. People can work from anywhere, that's presumably disinflationary, you've got a much greater talent pool from which to hire from. So I don't think that we're going to get back to double-digit inflation. We haven't even got there in the US, the UK today, and we're at a real crunch point in terms of oil prices.

So I do see us in a scenario where inflation's above where it was in the last 10 years, how much above is exactly what you mentioned, it's the balance between disinflationary forces and now that changing narrative when it comes to the inflation.

George Viney: I think there's been some assumption that the war in Ukraine, the resulting energy and food crisis, could take us to a different level of inflation, but the bond markets may be saying something else, that actually ultimately some of the building up of inflationary forces when it comes to pent-up demand and supply chain bottlenecks, it crushes people's propensity to spend and spending power to such an extent that it tips the economy over into potentially recessionary conditions. So I'm fascinated by the time dependency of this thing, maybe structurally higher inflation gets cut off at the knees by ironically inflation, spiking up because of the war in Ukraine.

Charlotte Yonge: I think that's a huge probability. High prices is the cure for high prices. It all depends on demand. So is demand robust enough to endure those high prices. And that's why wages matter because that can ultimately hold up demand in the face of a much higher cost of living. And the US specifically, you look at how generous the transfer payments were during COVID, balance sheets are at an aggregate level, pretty strong.

Now, when you drill down and no one that I have asked and I've asked a lot of people has the data on how that balance sheet strength looks by income profile. So by decile of the lowest earners, we would assume that their balance sheets had been run down. But the most important thing is that actually it's those lowest earners that are also seeing the most wage inflation. Sectors like leisure and hospitality are seeing those incomes coming through. So can that offset the pinch? And it's more than just a pinch for that demographic, of high energy bills, and we will see, but it's important to remember that we don't have energy comprising more than 10% of the CPI basket today. Now for those consumers, it's about the same as a proportion of their disposable income. I think the lowest quintile of earners in the US spend a high single digit percentage on energy. So that is very different from four decades ago. It's also very different from emerging markets. So when we talk about inflation, you do have to be quite geography specific. And I think the US is in a pretty good place to withstand this.

George Viney: And your sense at the moment still is that the Fed and other central banks are very much reactive agents in this whole drama. You don't subscribe to the view that they have changed their tone, and they're becoming more prepared to see inflation getting to levels that are uncomfortable for them and going after it proactively.

Charlotte Yonge: I don't think it's proactive. I think it's reactive. There's a huge amount of political backlash to inflation and they realise they missed a step by not doing anything last year. They're very clearly behind the curve. They will act as far as they can, but we've seen the Fed pivot just within the last three years in two pretty major ways. One is obviously this recent turn to we're going to tighten a lot in 2022. If you looked at what they said they were going to do in September, they were going to do barely any rate rises was the consensus. Same happened at the end of 2018, they said they were going to tighten, and then financial conditions got too tight and they did a U-turn. So I'm not ruling out a U-turn.

Tom Yeowart: I think the key message is that you need to be open-minded. You need to respect the fact that there's quite a range of inflationary outcomes and I'd love to learn how you're balancing those broad potential outcomes in the portfolio?

Charlotte Yonge: Yeah, it's a good question. So ultimately we don't think bond yields can rise much because levels of indebtedness and the Fed's huge awareness of that will mean they cannot raise the servicing cost of that debt. We'll see where the crunch point is, but I think we'll be witnessing that in real time this year. In terms of therefore how we gain protection against what is a future environment of negative real yields, a financially repressive environment. It's terrible for savers. This is where our mandate has to come in. We own US index-linked bonds, which aren't pricing in a great deal of inflation at the moment. And we also own gold, which is the currency that central bankers can't print.

In terms of the equities. We get asked a lot, do you buy commodity-related equities or do you buy energy exposures? Ultimately, as you say, we don't know how this is going to pan out. Inflation could be 3% for a three year period, or it could be 6%. And if you get your macro call wrong and try and gain exposure or protection against that via specific equities that do well in just that environment and that outcome doesn't materialize, then you're left holding this equity, which you don't really like as an inferior business, and that is just the wrong way to invest. We want to own businesses that have resilience against inflation, but aren't necessarily just geared towards that single outcome.

So the companies we own, we own them because they are fantastic franchises. They have IP, they have pricing power, they have brands, which mean that if we do get, and we're already seeing it in input cost, particularly in the consumer staples companies, they can pass that onto the end consumer or the end customer. I've just obviously spoken about fundamentals, but if we get sustained inflation feeding through to higher interest rates and higher discount rates, that will impact equities that are on really high P/E multiples. You can already see that in the periods of inflationary fear that have escalated in the past three months or indeed last year, you get these periods of rotation where long duration equities do badly.

The way that we have to counter that is just make sure that we're not overpaying for the companies that we do hold. So we're valuation sensitive, but we're not going to start buying low P/E stocks, which ultimately don't have great business models to back them up. We want them to be exceptional businesses and just not pay too much. If there aren't huge amounts of opportunities available, which there aren't today, we can reflect that in a cautious equity allocation.

Tom Yeowart: How do you think about cash in a more inflationary world? Historically, we've owned it both to help protect on the downside, but also for its option value and arguably that option value is eroded with higher inflation. So how do you think about the cash weighting?

Charlotte Yonge: It's only eroded if something else does better. So if everything's going down and your cash in nominal value terms has remained the same, then it's still got great option value. If all asset classes are moving together, which quite often they do, that's very helpful. You've got dry powder still. You're right though. Over long time periods, particularly if we are getting sustained inflation, you don't want a lot of cash. The way we think about it is having short duration in the portfolio. So we have short-ish duration in the index-linked bonds. Majority of our TIPS exposure is one to three years. The average duration is below five years. Also the cash, we invest in predominantly UK T-bills of six months duration, and a lot of those are shorter because we roll them. So having that and lots of stuff coming up for re-investment soon, you have the ability to reinvest at higher rates.

So a lot of our lower duration TIPS weighting, we actually see as cash with inflation protection added in, but that pure cash, we see that as constantly there to be reinvested. So where are the opportunities, what's better than cash today on our time horizon, on our five-year view. And at the moment, there are a couple of things which look more interesting, but we are very, very aware of the fact that valuations have run up a long way. And there is still that risk that the discount rate climbs and you see those equities de-rate. And for us, it's got to be that safety first approach. We cannot be sure what's going to happen with what the Fed does this year, with how the war pans out, with a) another risk that's yet to materialize. And we often talk about this. It's not really about trying to predict any catalysts or any single event. It's just knowing that valuations are high and bad stuff happens. And we need to just be prepared for the optimism that is reflected in valuations to be dislodged by any number of risks that we can see, and also the risks that we can't.

George Viney: Back to your mandate and the protection of the real value of capital, is it correct to see the index-linked bonds in particular as protecting the portfolio, if we see that scenario of higher and more sustained inflation, and maybe if you could just explain how you think that element of the portfolio could offer that protection.

Charlotte Yonge: So with index-linked bonds, the prices are determined by two things. The first is nominal yields and the second is the breakeven. So the breakeven is the market's implied rate of inflation. What the market thinks inflation is going to be. So whatever you pay in terms of your breakeven at the start of investing in an index-linked bond, if inflation turns out to be a lot higher than that, on that component, you make money. Looking at breakevens generally, even going out to sort of 10, 20, 30 years, the market's saying, and particularly when you X out the next five years where the market thinks there is going to be some mid-single-digit inflation. Once you take that out, there's no expectation of inflation running away. So we think that if we get this scenario, which isn't going to be great for other asset classes either, we are getting paid to hold that protection now. The protection is not coming at a premium.

The other part of the real yield is clearly what the conventionals do. And again, it's back to that question of, well what's factored in to interest rate rises. What does the market expect, and they're actually expecting quite a lot now. We were talking about maybe three, four rate rises this year, and now it's up to eight or nine. And so I don't think necessarily that we'll be disappointed on that nominal component either because I think the market's already run quite a long way. So I think real yields go lower from here. And particularly at the long duration, we added a little bit to our 20 year. The 20 year TIPS is pricing in 0% real yield. So basically if you were to buy that today and hold it for 20 years till maturity, your return, at a 0% real yield, is going to be whatever inflation turns out to be. So say you have 5% inflation per annum. That's what you'll get if you hold to maturity.

Tom Yeowart: So Charlotte, you've talked a lot about being open-minded and agile. I'd love to hear more about the team dynamic and how you, Sebastian and Marc de Vos interact as a team, but also how you complement each other.

Charlotte Yonge: I think we're all very different. I think that's essential to having a good team, but we share common values, which sounds trite, but actually it's just essential. This mandate, it's really important that we all have that attitude of this is money that someone can't afford to lose. Every decision we make, stock selection, asset allocation, you got to have that at the front of your mind. And I think that's why for Sebastian, clearly he started this as a family office. So he had a very clear end client in his mind when he was making his decisions. I've worked in private client fund management, and I think that really has helped. Just that link to the end individual. And you can just see the pain or the gain if you do it wrong, or if you do it right. So that's very clear in our team. And in terms of how we get there, that's the bit where you've got to be a bit more adaptive. You've got to be a bit more open-minded to new ideas, realize what worked last decade or last year, potentially isn't necessarily going to work for the next 10 years. And as long as you don't have an ego, which I think again our team is great because frankly we want to just focus on that end outcome and pride just goes out the window, you will be flexible and adaptive because you know that the world changes.

We're looking to do the homework before we invest in anything. So, in terms of due diligence, feeling comfortable, feeling like, oh, I could own this for the next five years at least, hopefully 10 years plus, the hurdle is just incredibly high and Sebastian's always talked about avoiding unforced errors. And I think I have a bit of that mind-set as well. I remember my French teacher at A level had to give me a reference for university, and I was a little bit disappointed because it was a backhanded compliment, but he said to the professor at Cambridge, Charlotte can translate a whole three paragraph piece without making a mistake. And I thought maybe he'd referred to my analytical flair or something, something more creative, but it was actually just that aversion to making mistakes. Clearly in investment, everybody makes mistakes and you can't be a perfectionist and you can't know everything either, but you can certainly know what you don't know and just be humble enough to say we're not going there. And then that really raises the bar in terms of what goes in the portfolio.

And then when things change, there's no pride in having low turnover for the sake of it. If you really can't be clear as to where the value creation is going to come from for the next few years, you just say, look, this has changed. You shouldn't have a sort of, I want to prove myself right mind-set, just by being dogmatic and holding it until we get to the point where it ekes out a better return. I don't want to use a Jeff Bezos quote, but it's a bit like every day, its day one, right? You've got to think today without any of my previous decisions, what would I do? What's the best thing to do?

Tom Yeowart: How would you say the portfolio has evolved over the last few years?

Charlotte Yonge: It's been an ongoing evolution that was already there before I became the assistant on the Trojan fund in 2018. Sebastian is highly adaptive and we were already acutely aware that the types of companies that might've served you really well, let's say in the 2000s and in the early 2010s, a lot of them were becoming just less competitively advantaged. So for example, the Colgate's of this world, they just don't have that same growth opportunity that they used to, and they have more competition. And partly because they've gained really high rates of penetration in emerging markets with their brands, and we also see better emerging market competitors and better developed market competitors, and online has facilitated a huge amount of that in the US and Europe and the UK in particular.

So we are quite clear that we still need to just invest in great businesses that can produce recurring revenues and fairly predictable growth. And actually a lot of those types of returns are elsewhere now. So they might be in the payments networks or they might be in Microsoft, which was already in the Trojan Fund, has been since 2010. That's a pre-eminent staples company. That's a business with generally low ticket, repeat purchase software items. If you took out the word software and you explained how the moat around that business is largely rooted in the trust of the brand, and the fact that what they sell works and it does what it says on the tin, and there's just a huge ecosystem around what they sell, you could see the parallels between what we owned before that we perhaps don't own any more today. So we're still looking for the same types of things. It's just, you've got to look in different areas of the markets.

George Viney: The imperative of not losing money in equities is still there over the long term. That capital preservation mind-set and making sure that we do enough research to really understand the risks that any individual business faces, but clearly in an information age and businesses with very little physical capital, you need to look for those risks in different ways. And I'm always reminded in particular, Charlotte, of your trip to Des Moines in Iowa in the care of Dr. Pepper, first of all, tell us about that experience.

Charlotte Yonge: I think it was 2014. It was an investor trip, although I think the only other investor there was short the stock and there was a sell side analyst and me and we just joined a team of Dr. Pepper warehouse workers. So from the manager, to the person loading the trucks at 4:00 AM, for two days, observing what they were doing. So they found it a) hilarious that we woke up at 4:00 AM because they thought those investors in their suits, they're not going to join us for the heavy lifting. And actually I got really into it as you can probably imagine. And the whole aim was from Dr. Pepper's side to show how they were applying effectively six sigma efficiency frameworks, and ultimately they had quite a few sort of tools of their own, which they hadn't just lifted out of a textbook, which were reducing the number of steps that people were taking on the floor in order to get the 7 Up from over here into the truck. Spaghetti mapping was one of the things we did, where we literally would just follow somebody in charge of that pack of 7 Up. We would follow them around the warehouse floor to see how their routes could be optimized a little bit better. And I apparently got really good at spaghetti mapping.

George Viney: So good that you got a certificate which is still on your desk.

Charlotte Yonge: Yes. It's still proudly on my desk. I really liked the culture of that business. And that was something that you couldn't really have gleaned from just reading all the transcripts and the annual reports.

George Viney: The risks to a business like that are around consumer habits, preferences, and how brand loyalty gets built and the risks around that brand loyalty being eroded over time, and there are sort of social and demographic elements to that. But that's very different to the risks that might surround a Visa, where the business is incredibly entrenched within its network and perhaps the risks are more technological or surround government intervention or regulation. So how has your thinking changed to think about risk and the different sorts of risks as the equity component of the multi-asset funds has shifted?

Charlotte Yonge: The reason that Visa works is because consumers accept and trust and know they are able to use at tens of millions of merchants around the world, their Visa branded cards. So there's still a brand element to this, and there's a virtuous circle, which is pretty unique to payments. It's an industry, which it makes a lot of sense to be in my mind, invested in the networks because they're effectively the umpire in this game. They are the trusted players, not just by the consumers, but also by the banks who rely on the networks.

So it is totally different from a consumer goods company. The competition, as you mentioned, is very different. So I like the fact that there is a pretty stable, competitive structure. The reason that we hear more about regulation is because that is, at various points, deemed to potentially be suboptimal, but actually historically when the regulators looked into it and it's usually because the merchants are saying I'm paying too much, it hasn't necessarily, for the reason that these card networks don't extract the most value, it hasn't at all eaten into their economics. It's eaten into the banks. And it's that consumer preference, which as you mention, is different from the Dr. Pepper's of this world, but there's still a brand loyalty, but in Visa's case actually rooted in something that is practical.

George Viney: What would you say are the big risks that Visa face?

Charlotte Yonge: Well, I think regulation is a big one. I think there's a lot of disruption going on and the attempt to convert to national networks. So countries that are becoming more nationalistic or potentially are being excluded from payment systems on account of sanctions they are incentivized now to come up with our own alternative domestic network and really that's happening only at the margin.

And so, as the technology is changing, so for example, real-time payments, ACH, the ability to transfer from one bank account to another in real time, Visa is saying, and MasterCard as well, we won't necessarily own all of these networks, but what we will be able to provide is the services that run on top. We will be able to provide the fraud protection. We ultimately are a trusted party when it comes to aggregating data, for example. And we can talk about disruption in terms of fintechs as well. I think that's very, very clearly something which has gathered pace, particularly during COVID, but are they circumventing the networks? In the end, no, has been the reality. They want to partner with a Visa, with a MasterCard, because they can get access to all of those acceptance locations, which have taken decades to build. So in my mind their competitive advantages remain as strong as they have been.

George Viney: You're responsible for the ethical version of the Trojan fund and that's recently passed its three year anniversary. So congratulations on that. And I'd love to hear more about how you think ESG is done within a multi-asset context at Troy.

Charlotte Yonge: So I think most importantly, ESG makes a lot of sense at Troy, whether it's in the equity funds or in the multi-asset, just because of the way that we invest. We're long-term. So these so-called non-financial risks, they are financial risks, if your time horizon is 10 years. Ultimately a company's carbon footprint, they're going to have to pay for that over time, even if there isn't a carbon tax in place today. The same goes for if you don't have good diversity at senior management level, you're going to miss things, you're gonna make poor decisions because you don't have that variety of inputs that leads to good decision-making. We look at a lot of what people would term non-financial risks. Competitive advantages, culture, these things increasingly sort of overlap and intermingle with ESG.

Given our downside aversion and our focus on capital preservation, you need to be really aware of companies that might get it badly wrong. And ESG is increasingly a risk zone for businesses that don't have good practices. There are financial penalties which will come from regulators, but actually first they're going to come from consumers no longer buying their products, no longer buying their services if they fall foul of an ESG risk that's really material to them. And they're going to come from investors, punishing the valuations of those companies.

You can't use a one size fits all approach to this because every company has different issues that it ultimately has to take responsibility for. So you have to do a bit of joining up the dots, reading between the lines, and if you're willing to do your homework, that can give you an edge as an investor.

You asked initially about in a multi-asset context, there are beyond equities even greater issues with integrating ESG in a way that is standardized, in a way that ultimately leads to something that you can quantify or report. So for example, gold has a variety of ESG issues, particularly if you're invested in mining companies, which we aren't, but if you're invested in physical gold, like we are, you still need to ascertain how that's been sourced. So has it come from refineries which are complying with the London Bullion Market Association's responsible gold guidelines, and are those guidelines as stringent as we would like them to be? The answer is no, they're not today, but the LBMA we're engaging with, and we have found really good traction with them in terms of moving towards gold that is less environmentally impactful, but also in terms of the social implications, the way that they treat local communities, having very clear standards that if a refinery does not adhere to, they are then excluded from the London market. We're already some way towards that, but there's more work to be done.

With government bonds. The way that we've approached this in the Ethical fund, and I'm here specifically drawing a distinction between ESG and ethical screening, but the way that we have implemented screens for ethical is that any bond which is subject to EU or UN sanctions, or which for reasons of good governance, strong institutions, falls outwith of the G7 is excluded from the portfolio. And that is a binary screen. After you've done that, you then need to do the homework in terms of, okay, well, we're invested in US government debt. What are the big risks here to this country not being able to issue debt at an affordable rate of interest? If there's a risk that hits that bottom line, then we can sell, but it's not as straightforward as a company that's behind on this particular measure because you just can't enact change in the same way.

Tom Yeowart: Charlotte, you mentioned earlier the advantages of being long-term, patient shareholders and engaging with management and building the mosaic over time. Are there examples of where our engagement has led to positive change?

Charlotte Yonge: Yes, quite a few. And I think increasingly, because what's great is that ESG has really opened companies' eyes to the role that investors can play. And the really good companies are becoming more receptive. They're asking us and they are listening to us. So for example, we are signed up to The Net Zero Asset Managers initiative. And as part of that, we want all of our companies to have net zero targets and not just net zero targets that use a number of clever devices to get there, but ones that are robust, that are science-based. If you get a management team that gets it, understands it's in their business interest, this isn't just to appease shareholders. They know that there will be a competitive advantage here, or at least a risk aversion to be achieved if they go down this route.

And certain companies potentially just haven't had the pressure to set those yet. So for example, Agilent, which is a medical technology company in the US. They aren't as large cap as some of the other businesses like Microsoft, which have set pretty ambitious targets and did so well ahead of time. Agilent didn't have anything in the summer of last year and they very readily looked to have a call with us to find out what we wanted to see. And ultimately that was something that was science-based. It was more ambitious than their at the time target for 2025 reduction, rather than elimination of net emissions. And they listened and they came out with a target in October of last year in line with the recommendations we had made, so science-based, reporting in line with the TCFD, and an interim target for 2030.

Tom Yeowart: You mentioned at the beginning of the conversation that your mum was in a minority as a female fund manager, and sadly women remain in a minority today. And I know you're one of the founders of Girls Are INvestors or GAIN, and it was set up to address that imbalance. And I'd love to hear more about what you're trying to achieve and the progress you've made so far

Charlotte Yonge: I actually thought it was really normal for the women to be doing the investing, as I've mentioned, that was the case in our household. So I just found it shocking when I joined the industry that we were so poorly represented. So four of us co-founded the charity in 2019, really with an aim to address what we found to be the reasons why women weren't applying for that entry level decision making role.

And the reasons are twofold. We did a large survey at the start and we asked lots of 16 to 21 year olds, are you interested in a career in investing and if not, why not? And the answers were invariably no to the first, and to the second, I don't really know what this is, don't you have to do maths at university, I don't like investment banking. And also they said in response to the second, I don't really know anyone like me in the industry, there's no role model for me there. So there's really this problem of, if you can't see it, you can't be it. And also what is the job? And we set up GAIN with a view to address those two issues. So ultimately provide the info. What is this about? Are we sitting behind screens, looking at spreadsheets all day and then just making an investment decision on the back of a formula, which doesn't require any interesting analysis or is it actually quite a rewarding job and quite a creative job in many ways? And is it something where frankly, lots of different disciplines, whether it's a history degree or a modern languages degree, come into play, and if you're different, great, get into the industry because we need more diversity in terms of perspectives.

So we go into schools. We go into universities. We now have around 40 universities in the UK where we have ambassadors on the ground. So students who are already sort of signed up to investing, they already know they want to do it. And they spread the word to their peer group. And we have lots of schools around the UK as well, where we go in and we speak to the students.

And the second part is ultimately that exposure to a potential role model. And that doesn't have to be female, although it really does help that of our 800 volunteers, the majority are female. But we also have lots of men who are supporters of GAIN and increasingly involved in the panel discussions that we hold at universities and the talks. And they are saying to these young women, we want to hire more of you because there is a real business case. And this is the reason we set it up. If we don't have women at the table when decisions are being made about which start-ups to finance, which public companies to invest in, how to hold them to account, then we don't make optimal decisions and that's a social issue. More diversity of thought leads to better decisions. We know that, there's data on that. So long answer to your question is that, ultimately we hope to, by setting up GAIN, increase the participation rate, which has currently for entry making decision roles around 20%. We hope to increase that to 50% in the next decade. And it's really just about inspiring that next generation and getting them interested in applying.

George Viney: And any asset managers that might be listening to this podcast, they're invited to get in touch if they'd like to participate in GAIN.

Charlotte Yonge: Definitely, we are always looking for people to get involved in a variety of ways. So gainuk.org is the website and you can become a volunteer by speaking, by mentoring. You can take part in our internship program, which is coming up, it's closed for this summer but we do have over a hundred interns that will be joining the industry as part of this GAIN program. Hopefully next year it will be even more. So please get involved in that. And we just have huge opportunity to ultimately get out to those women and spread that message that this is a really interesting career.

Tom Yeowart: Turning to our closing question. What piece of advice would you give a young Charlotte Yonge at the beginning of her career?

Charlotte Yonge: I think it's really important to be aware that no one really knows the answers to anything or everything. There is so much overconfidence in this industry. And particularly when you're starting out and perhaps on average, when you're in a minority or if you're a female graduate, you might get the impression that you're the only one in the room who doesn't have a really clear conviction or doesn't have that single answer. There isn't one. You need to be very, very clear that there's a huge amount of very compelling narratives swirling around. Your perspective is no less valuable than everybody else's and ultimately we're all finding our way and trying to work out what the future holds. That's the nature of this job. So don't be deterred by the fact that perhaps your more senior or perhaps male colleagues sound more confident. Actually back yourself a little bit more.

Tom Yeowart: Great answer. Thank you, Charlotte.

Charlotte Yonge: Thanks.