

## ICI VIEWPOINTS

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# Experience Talks: Insight from Three Top Investment Leaders

In a panel discussion moderated by John Rogers, Chairman and CEO of Ariel Investments, panelists Eddie Brown, President and CEO of Brown Capital Management, G. Stanley Cates, President of Longleaf Partners Funds, and Jack Laporte, Vice President of T. Rowe Price Associates, candidly discussed their own experiences and insight in money management and investing.

Rogers kicked off the discussion by asking the panelists what got them interested in money management in the first place, and responses varied. Laporte described an interest going way back, noting that most people who do well in the business have a passion for investing, knowing how to compete day in and day out, and dealing with mistakes. Cates had a passion for math in school and learned about investing from watching his father. Brown, on the other hand, said he didn't know a thing about the markets and finance; he started out in electrical engineering and worked at IBM for many years before discovering a whole new world of investing.

What also differed were ideas on how money managers should be selected. Laporte is a strong believer in getting managers early in their careers – even out of their undergraduate years. At T. Rowe Price, new employees are taken through an intensive program to inculcate confidence. He feels it's important to have successful people with the ability to deal with their own mistakes. "A successful portfolio manager will take his mistakes hard and move on from there."

Brown said of Brown Capital Management that, "We are longer term investors, so [portfolio managers] have to have that longer term perspective." Everyone his firm hires has extensive experience, he said, and managers must be able to assemble various pieces of the investment "mosaic" and make rational decisions. Brown added that "in terms of selecting securities and building portfolios, being a great stock selector requires a sixth sense that's hard to teach." Along similar lines, Cates felt that the ability to think long-term, to tune out "noise and short-term talk," and having a balance between confidence and humility are important qualities in selecting money managers.

Rogers added a personal touch to the panel by asking panelists to describe some of their biggest investment mistakes, and to describe their nonprofit civic activity. Laporte said that some of his biggest mistakes have involved poor assessments of CEOs. In one particular example, he missed recognizing fraud in a major company, because of his confidence that the CEO had the ability to build his business. Brown, Cates, and Laporte are very much involved in activities that improve educational opportunities for underprivileged youths in

their respective hometowns.

Finally, the discussion turned to the topic of the fund industry evolving over the next five years. Laporte commented that each firm should make sure its executive succession plan is well-prepared and that the culture will remain. He noted that T. Rowe Price Associates prides itself on long-term management with a record of long-term experience, and has planted the seeds for the next management changes. Cates said that commitment to all partners and employers is important, and Brown noted that the industry must remain “knowledge intensive, not capital intensive.”

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