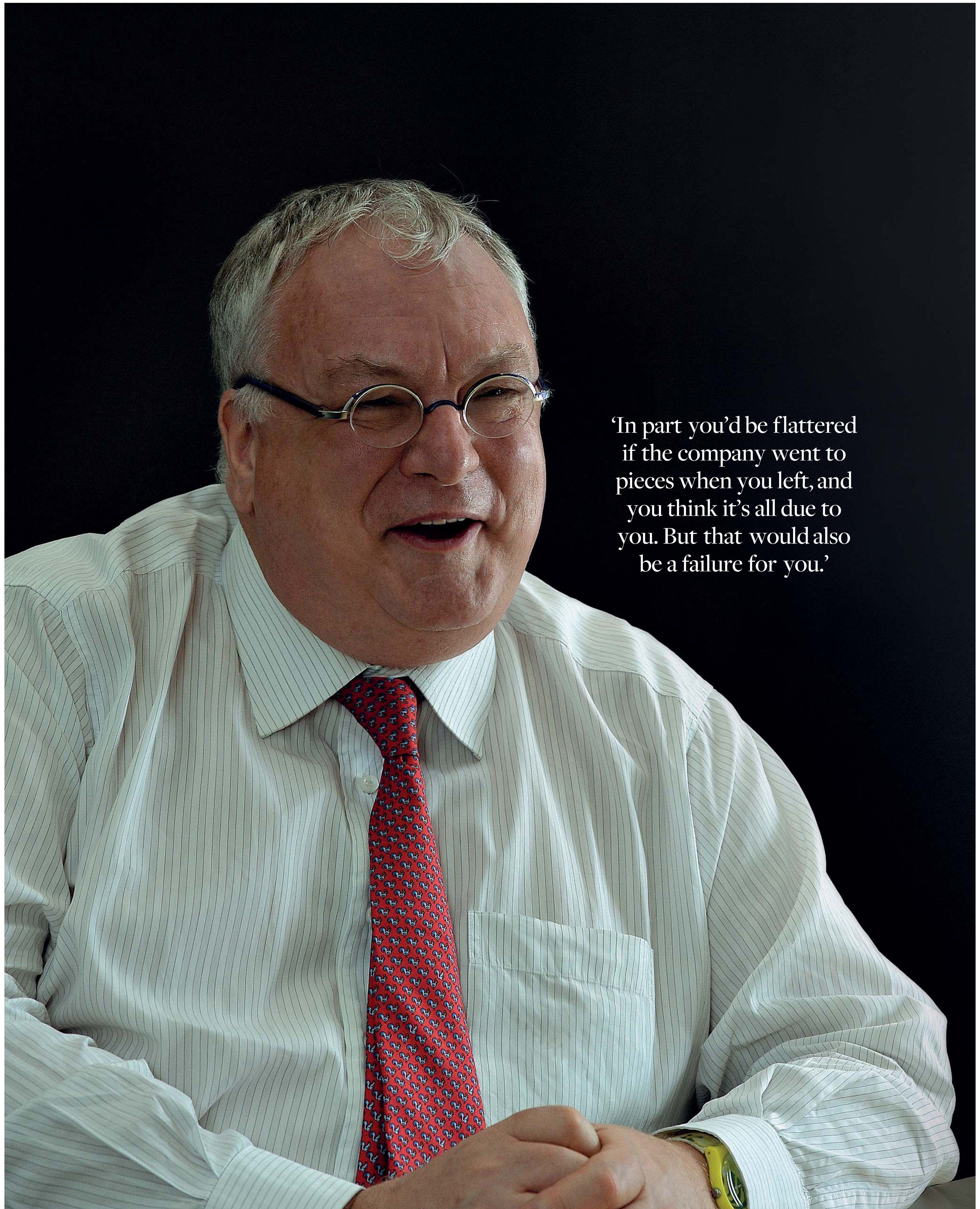


PHOTO: ARTHUR LEE

The brains behind the business

Doing what he enjoys, Aberdeen Asset Management Asia's Hugh Young has risen steadily and surely to be a top fund manager

By Genevieve Cua

MENTION Aberdeen Asset Management in Asia, and Hugh Young, portly investment veteran of more than 35 years, easily comes to mind. Mr Young co-founded Aberdeen's "cheap and cheerful" Singapore office in 1992 at Boat Quay – "for a while the only office on Boat Quay that was occupied", he laughs. At the outset, the firm ran some S$300 million in funds here, mostly on behalf of UK clients.

Today, Aberdeen's Asian headquarters on Church Street runs a total of about S$82 billion, and Mr Young's team manages two of the group's "killer" products – global emerging markets and Asia equity funds. Mr Young himself has garnered numerous accolades. One UK publication last year cited him as one of top four managers with a 25-year track record. His returns: 909 per cent, cumulative.

Yet, investments were not a natural fit for Mr Young when he finished school. He studied politics at University of Exeter . "I did an economics course as part of my politics degree – all those curves and graphs with no relation to real life. I had no idea of the concept of a share, no idea what investing was. I never dabbled and had no interest in particular.

"The family didn't invest. We had enough money to send the children to school and not a lot left after that... After school I looked around for things I'd like to do, the foreign office, international banking. An international bank wouldn't have me. The foreign office wouldn't have me. I did try."

Other institutions' loss is Aberdeen Asia's gain. Despite some initial unhappiness in his first job at a brokerage in the City of London, his ascent has been steady and sure. Today he is managing director of Aberdeen Asset Management Asia; he was appointed to the parent group's board in 2012.

With nearly three decades under his belt at the company, his total remuneration is second highest in the group, after Aberdeen Asset Management plc chief executive and co-founder Martin Gilbert, testament to his key-man status. Based on annual reports, he was paid a total of £3.7 million (S$7.3 million) in the 2015 fiscal year and £4.5 million in 2014, mostly in deferred bonuses. In 2013, his total pay of £5.09 million was just £5,000 shy of Mr Gilbert's package.

But his start was inauspicious. He landed a job in the City of London as an analyst, thanks to an introduction by his girlfriend whose grandmother had an account.

"The guy who interviewed me went to the same school – all the wrong reasons to be hired. And of course I was very cheap... When I joined in 1980 I was paid less than a trainee accountant at KPMG and they weren't paid much either. It was a fortunate case of right place, right time – luck."

Still, his affinity for investments began to show early on. At the brokerage, he started writing short one-pagers of daily stock ideas for clients, which he found "very enjoyable". At his next company, he was made international investment manager "at the grand old age of 25". "It all happened remarkably quickly; you couldn't do that today."

He became part of Aberdeen in 1988 when the firm acquired the company he was in at that time – Aitken Hume Fund Managers. By then he had become a dedicated Asian equity manager – and hasn't looked back since.

The decision to base Aberdeen's Asian headquarters in Singapore was an easy one, an almost clichéd toss-up between Singapore and Hong Kong. "At the very simplest level Singapore is run a bit like the way we invest, and maybe some issues come with that. It's very long term and counter cyclical. When things turn down, Singapore will build another MRT line, not panicking out of something.

"For us, Singapore in mental approach was totally different from Hong Kong. Hong Kong was boom and bust, trading oriented. It was tortoise and hare, if you like. We invest like a tortoise, slowly and steadily; we make mistakes, plodding our way through, detached from trading activities."

Aberdeen's fundamental approach, ferreting out value and oftentimes buying and holding – the latter style is largely scoffed at today – has its price. The firm's flagship equity funds have underperformed in the last couple of years, although recent performance this year has perked up. The underperformance comes on the heels of deepening gloom about Asia and the emerging markets which has spurred substantial redemptions from large fund houses such as Aberdeen and BlackRock.

Sovereign wealth funds hit by record low oil prices have reportedly yanked billions out of emerging markets. Last year Aberdeen suffered net outflows of nearly £34 billion, reducing its total AUM (assets under management) to £283.7 billion from £324.4 billion in 2014.

Mr Young is sticking to his guns, unapologetic about his optimism and his value infused investment style.

"Long term nothing fundamental in the story has changed. Over time if you find the right companies in growth areas, you should do well. In the long term the growth will come from India and China… I'm as optimistic as ever, but fully aware that in any given year you can have values fall 30 per cent. Certainly looking at equity markets, you shouldn't go in thinking anything other than that. If you think you'd make 10 to 15 per cent per annum, you're going to end up awfully disappointed. Over time, is 10 per cent realistic? Yes, that's what our original fund yielded.

"Fundamentally the economies of Asia and emerging markets are growing strongly. It's important to see where is the real money going. The Nestles and Unilevers – where do they see their future; is it in Europe or Asia and LatAm? They know it's going to be a bumpy ride. Those guys have been around for 100 years, but it can be painful in any given year. But yes, we're as optimistic as ever."

He believes central bank intervention in markets have actually prolonged the current cycle post-2008 of anaemic growth and volatile markets.

"The Asian crisis (of 1997) was very painful for Asia, and people went bankrupt. Asia took the medicine prescribed by the West as financial discipline, but when this happened to the West, they couldn't do it. The governments' response has been important. They bailed out the financial world, but not the real world which is still sticky. I don't want to say this time is different because cycles do repeat.

"As an investor it means massive distortions. You have appalling pricing going on. It makes the job harder… because money in the bank or in fixed income markets, which would have been the natural safe money, has very little value."

Portfolios, he says, have extended into higher risk assets such as high yield or junk debt, assets that conservative investors may not normally consider.

"I think traditional portfolios have become quite unbalanced. Normally you would have a chunk in government bonds. Now you may buy a Chinese property company with a debt yielding 10 per cent. That might be OK, but you have to be very careful."

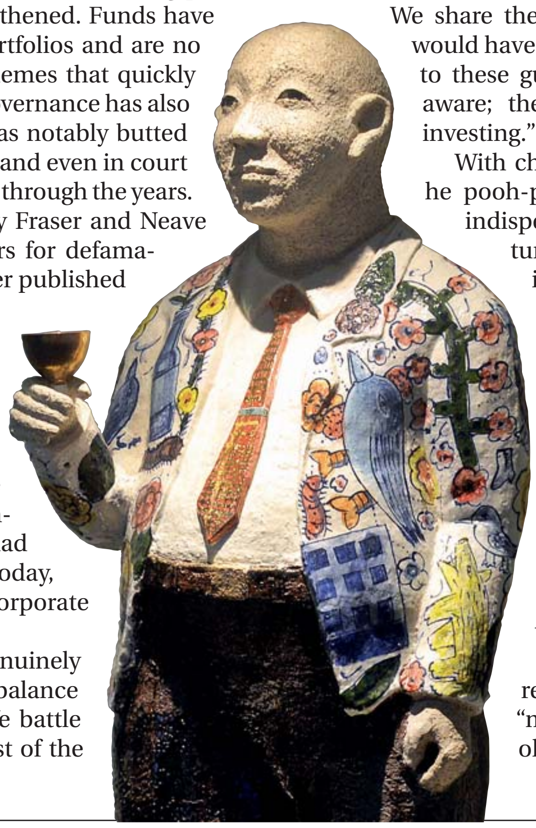
With Aberdeen's 24-year presence in Singapore, Mr Young has seen huge changes in the marketplace. The firm launched its first unit trust in 1996, a Singapore equity fund. "We raised S$2 million; you couldn't sell it."

In the 1990s, some stocks such as banks had dual listings of foreign versus local shares, with local shares trading at deep discounts to their foreign counterparts. "The portfolio was very local, but all the volume was in the foreign shares. But we're buying the same business for half the price, you get twice the dividend yield. No one would buy the fund." The fund subsequently evolved into the Aberdeen Singapore Equity Fund.

The market, he says, has evolved in mainly positive ways. Retail investors' holding periods, for instance, have lengthened. Funds have become a staple in portfolios and are no longer marketed on themes that quickly fizzle out. Corporate governance has also improved. Aberdeen has notably butted heads with companies and even in court over governance issues through the years. In 2001, it was sued by Fraser and Neave (F&N), and its directors for defamation arising from a letter published in *The Business Times* over F&N's handling of a proposed takeover of one of its units. Aberdeen lost the case.

He believes the outcome would be otherwise if the case had come up in the courts today, thanks to a stronger corporate governance culture.

"Governance is genuinely a lot better; company balance sheets a lot better... We battle behind the scenes most of the time and go public some of the time. Our reasons for buying a company are because it's a great company. It may be a little sleepy and conservative; that's not necessarily bad… But in certain instances when you do nothing, the business dies. That's when we become quite active."



Today, Mr Young oversees all investment desks across all asset classes. He says he sits alongside Flavia Cheong, Asian equities investment director. "She does the hard work. I'm there as part of the desk, a sounding board. I tend to get more involved in the problem areas of governance. We have 40 equity fund managers in the region, 15 of them with 10 years' experience or more. We share the same basic values. I never would have gotten a job today compared to these guys. They're far better, more aware; they grew up thinking about investing."

With characteristic self deprecation, he pooh-poohs the notion that he is indispensable. He recalls the departure of co-founder Peter Hames in 2010 who has retired. "People worried that when Peter left things would change. He was here the best part of 20 years. To have it crumble when he left, that wouldn't be much of a legacy.

"In part you'd be flattered if the company went to pieces when you left, and you think it's all due to you. But that would also be a failure for you."

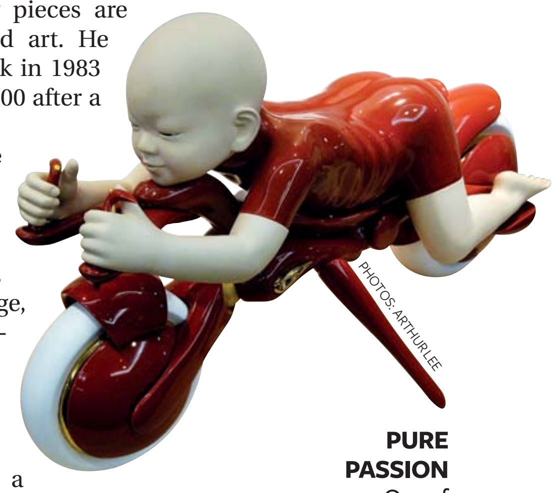
He says the thought of retirement crosses his mind "more and more as one gets older". "I've put in place a succession plan, something we have been pursuing behind the scenes."

Meanwhile, one of his passions is art and walls and spaces in the office are adorned with his collection which often leaves guests bemused. Quite a few pieces are whimsical Mao-inspired art. He bought his first art work in 1983 when he was given £1,000 after a brief spell at Fidelity.

"They told me, we don't really have a job for you – would you like a thousand pounds? I was very naive. I said, o, OK. In this day and age, it was effective redundancy. Half of it was spent on my first art work. I haven't looked back since."

He also maintains a gallery in France. He does not sell any of his collection and seems hard put to estimate the total cost or market value of the pieces. "If you think stocks and shares are dubious, the art world must be the most dubious. What you buy for $100, if you were to sell it 24 hours later you'd be lucky to get $25 for it. It's a very dubious place. It's done for pure passion."

He has four children, whose ages range from 10 to 24. "I'd encourage them to pursue their passions. I fell into things I knew nothing about and discovered I quite liked it. The thing that slightly saddens me is you have brilliant engineers, but they say – where do you make money? In finance. They say – I don't really like it, but when I've made money I can leave and do what I like. It's not a very nice way to lead your life. I've been lucky to do something I enjoy." W



PHOTOS: ARTHUR LEE

PURE PASSION
One of Mr Young's passion is art and walls and spaces in the office are adorned with his collection

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