

# BOSS

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**Sally Patten**, BOSS editor [spatten@afr.com](mailto:spatten@afr.com)



## Lauren Sams

Lauren Sams is *The Australian Financial Review's* fashion editor, based in Sydney. She writes about lifestyle including the arts, entertainment, fashion and travel.

# FAST MOVER WHO BETS ON HIMSELF

**Fundies** The Pental chief tells Richard Henderson why he switched to active management – and why he's cautious about M&A.

**A** year before the financial crisis, Nick Good, then a management consultant in San Francisco, was lured to work for one of his top clients, the world's largest asset manager. The switch was the first in a series of moves through the giddy world of index investing that saw Good rise, just over a decade later, to become chief executive of Pental Group, a \$139 billion Australian boutique fund manager which he runs from Boston.

In 2007, the Kenya-born Brit joined Barclays Global Investors (BGI) and was placed within its crown jewel, the iShares division, where the company created popular, cheap funds based on a long-proven but highly contentious law in finance – that portfolios run by clever stock pickers fail to consistently outperform the market.

Good's ascent through the ranks survived the company's takeover two years later by BlackRock in a deal that reshaped the investment industry but sapped morale of BGI staff. The deal taught Good first-hand the potential perils of M&A – a lesson he has carried into his own dealmaking at Pental.

He was soon in charge of iShares' Asia business, helping to broaden the uptake of index funds in Australia and across the region, before switching to close rival State Street.

But two years ago, he turned his back on the booming passive investing industry to lead the very type of fund house he had worked for years to weaken as he fuelled the thunderous rise of index-based investing.

"I ultimately came to the conclusion that I was looking for a faster-paced environment," he says in a Zoom call from his Boston office. "I wanted to do something where I could have more of an impact and take more of a bet on myself."

His move to JO Hambro Capital Management in December 2019 was followed less than 18 months later by securing the chief executive role of its parent company, Pental, which traces its roots to 1969.

Now, Good is fighting under the flag of actively managed funds and hoping a mix of specialised portfolios from a small group of boutique asset managers that make up Pental's offerings will be the key to the group's success.

"The kind of boutique, highly concentrated, high-conviction active management that we do at Pental is very much alive and well," he says.

"It's benchmark-hugging active management that is dying," he adds, referring to funds that charge a premium to employ teams of stock pickers who simply mimic the benchmark they are hired to beat.

Good lives in Boston with his Irish wife, whom he met while living in New York, and three teenage sons. Moving seems to come

naturally to the family. Good's father worked in insurance in Kenya, where he met Good's mother, the daughter of a UK MP who had a farm in Kenya, before moving to the south of England (Good still supports the local soccer club, Crystal Palace). Good's sons were born in San Francisco and grew up in Hong Kong. The family dog, a labradoodle, was born in Tasmania.

On the day Good was revealed as Pental's new chief, the company's share price edged 3 per cent higher and would then climb a further 40 per cent to a pandemic high in September.

But since its COVID-19 peak two months ago, Pental's stock has shed nearly a

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quarter of its value, including a 12 per cent decline last month when the business disclosed rising costs and customer outflows.

"I think the stock has been oversold and if you look at where the analysts have us, they are pretty strongly positive," he says.

UBS is bullish on the company after the share price drop and this month said, "investment performance remains robust, fees reasonable and distribution is improving", in a note that described the company as its "preferred pick among fund managers".

Macquarie analysts downplayed the recent spike in outflows.

Despite the positive soundings from investment analysts, Good is aware of the negative aura of a declining share price. "We need to demonstrate to the market we are worthy of the investment in both flows and profit," he says.

One way Good has already proven an ability to grow is through acquisition. In May, Pental spent \$400 million to buy Virginia-based value fund manager Thompson, Siegel & Walmsley, and it has since hinted M&A deals may help power Pental in the future.

However, he remains cautious on deals. "I've been acquired twice, I've acquired, and I've been a post-merger consultant in the middle of an acquisition. I'm well aware of how hard it is to make acquisitions work," he says.

"I think there's a potential to be more thoughtful about how we go about product development and look at other routes and one of them is M&A."



Nick Good learnt first-hand the potential perils of M&A – a lesson he has carried into his own dealmaking at Pental.

As a mid-ranking BGI executive during the BlackRock takeover he saw precisely the type of friction companies work hard to avoid in big M&A deals.

The relaxed, academic environment on the West Coast clashed with the hard edges of BlackRock's culture, hewn from the competitive drive of Wall Street bond traders. Many BGI executives struggled to adapt in the painful marriage.

"I've seen both when it works and when it doesn't. BlackRock has a certain style and a certain culture. They're very effective at making acquisitions work, and they're somewhat ruthless," he says.

"They pulled something off that is quite exceptional in the middle of the financial crisis and, ultimately, it worked, so you have to give credit to them. But it's not the way we want to do it."

Good believes Pental's global distribution network can attract entrepreneurial fund managers around the world, especially in its focus on regions of the US, Europe and Australia.

"We're never going to be massive, and I think our goal is to make sure we are a successful global boutique that appeals to the clients we have," he says.

Environmental, social and governance (ESG) investing is a hot area in which Pental hopes to build its footprint. Pental currently has \$5.2 billion in dedicated ESG portfolios, about 4 per cent of its assets, but it is keen to expand.

Regnan, a responsible investing fund manager that sits within Pental, specialises in so-called impact investing, a small but

growing corner of the responsible investing ecosystem.

Earlier this month, Morgan Stanley analysts pointed to Regnan's record in impact investing in helping to improve Pental's overall appeal to investors keen on ESG strategies.

The pandemic has inflicted mixed blessings on Pental and its chief executive – who, with his family, typically spends weekends in the White Mountains of New Hampshire a few hours north of Boston, hiking in the warmer months and skiing in winter.

The sharp rise in equity markets around the world has boosted the group's funds, adding lift to revenues that are charged as a share of the portfolio's value.

However, the restrictions on travel have caused a management headache. Good's working day stretches across the time zones of the UK and the east coasts of the US and Australia in an endless run of video conference calls with staff and shareholders.

The inability to visit top executives around the world is acute for global boutique fund managers spread across international outposts and has added a layer of difficulty for the new chief.

"Part of what I'm trying to do is to put in place the structures that will make it easier for us to make decisions about how we operate as a group," he adds.

He has already ventured to London and in the coming months is hoping to take his first trip to Australia since taking on the top job.

"The ability to build relationships and trust is hard. That takes being in the same room as someone," he says. **AFR**