

PROFILE | HUGO NELSON



## HUGO'S BOSS

Leadership is a quality that makes one person stand out in a crowd. Such a person is Coronation CEO Hugo Nelson, whose gentle but firm and confident approach stems from far more than being Mr Nice Guy

BY KERRY DIMMER

“T

here are various styles of leadership, but it's the environment that defines the man and his value as a leader," says Coronation Fund Managers CEO Hugo Nelson. His environment is that of investment management which, he says, is completely different to politics or the corporate, industrial or military fields.

"Investment management is a people business. Leadership in this business is about promoting a culture of integrity and valuing assets. In our case, those assets are people. This is not an industry with fixed capital boundaries, instead the boundaries we have at Coronation relate to our brand and our corporate culture. "I believe that people should be happy in their work environment, that they should experience the freedom to express an appropriate view and that teams provide the support to do so. However, it is true that the real measure of Coronation Fund Managers' success principally relates to how we're performing in terms of returns on investment, and in that regard we're well ahead of the benchmark in our business."

Since Nelson joined the company at the end of the 1999 financial year, its domestic asset value has increased to R165 billion – not that he's taking the kudos for that.

"Almost everywhere you look within Coronation there are great professionals with high levels of seniority who have enormous depth and focus. What flows from this is that our clients trust us and give us the mandate to manage their money, which of course, he is happy to say, 'leads through to revenue and value growth for our shareholders – 30% of which are Coronation staff'."

Coronation Fund Managers' client base reads like an industry 'who's who', from retirement funds, medical schemes and multi-manager companies, to insurance and banking groups, investment advisory businesses and independent financial advisers – inclusive of individual and direct unit trust accounts. As the only asset management company listed on the JSE, it sets a high standard by which all third-party asset management companies are judged.

Nelson's management style is unique. He is a qualified medical doctor, which explains his compassionate corporate bedside manner. Having graduated from UCT, he practiced surgery and trauma treatment under the National Health Service in the UK before completing an MBA at Green College in Oxford.

A love for finance, evoked during his MBA studies, drew Nelson to a job back in SA with Sanlam, but it was an unsuccessful attempt

Taking over at the height of reported record results was challenging given that the three reporting periods prior to November 2010 all showed some negative growth. But that's not necessarily a bad thing. The blessing of tough times is that you learn a lot. This is where his experience as a medical practitioner stands Nelson in good stead. The biggest impact of medicine on him, despite not practicing as a doctor since 1996, translates to my being able to remain fairly calm in distressing circumstances. What you need is a good process and to follow through calmly. And 'calmly' is precisely how Coronation Fund Managers is moving into the future. The focus is now on two growth areas: that of the unit trust business, and the development of asset management for foreign clients



challenging given that the three reporting periods prior to November 2010 all showed some negative growth. But that's not necessarily a bad thing. The blessing of tough times is that you learn a lot.

This is where his experience as a medical practitioner stands Nelson in good stead. The biggest impact of medicine on him, despite not practicing as a doctor since 1996, translates to my being able to remain fairly calm in distressing circumstances. What you need is a good process and to follow through calmly.

And 'calmly' is precisely how Coronation Fund Managers is moving into the future. The focus is now on two growth areas: that of the unit trust business, and the development of asset management for foreign clients

"Over the past two years we've been expanding into international markets and have been well supported so far. If Coronation were to double its business in 10 years, it would be achieved by building beyond the domestic market through its Global Emerging Markets and Africa offerings," says Nelson. He adds that early indications of performance in both areas have been encouraging.

"We are not as focused on year-on-year growth as we are on delivering on client expectations, so there are no holy cows. We are also rather fortunate in that we are independent and therefore not subject to the distribution constraints of a conglomerate. We can focus on direct engagement with our clients within a 24-hour notice period. This is what keeps us humble and pragmatic."

With the recent addition of a fourth child to his family, Nelson's personal decade goal is probably, he says, true of everyone: "To achieve a better, work/home balance."

JSE



to secure a position, in 1999, with Coronation Fund Managers in Ireland, that attracted the attention of the SA company's founders.

"It just morphed into my being employed by Coronation Fund Managers in Cape Town as an equity analyst, having only been in the industry for 18 months." By 2000 Nelson had completed his CFA qualification and had progressed in the group as a resource analyst and portfolio manager.

His appointment as CEO two years ago, after an eight-month stint as deputy CEO, was an emerging process rather than a hierarchical one, says Nelson. "Taking over at the height of reported record results was

# IN THE MARKET

A round-up of the latest news by Kerry Dimmer

## SSFs GROW

SA investors can now trade Microsoft and Google stocks through the JSE's single stock futures (SSFs). Local retailers, whose offshore exposure is capped by SA exchange controls, will gain increased international exposure without needing to use their R2-million foreign allowance.

Purchasing is conducted through any JSE equity derivatives member, as with international derivatives (IDX). Other IDX products currently trading on the JSE include: Berkshire Hathaway, Bank of America, Nokia, LVMH Moët Hennessy Louis Vuitton, BP, Vodafone and GlaxoSmithKline.

While retail investors and corporate entities do not have any exchange control restrictions on IDX products, institutional investors must, however, comply with foreign portfolio regulations. Contracts are priced and settled in rands.

## A TOUGH YEAR

Despite the global financial crisis, the JSE's spot equity market recorded 17.4 million trades in 2009 – a 20.4% increase on the previous year.

Foreign investors were net buyers of R75 billion worth of equities during 2009 – down from the R130 billion posted for 2008. The 2009 trade is, however, still higher than the year before the economic downturn (2007) when foreigners purchased a net R63.7 billion.

Although the JSE's equity and commodity derivatives market had a tough 2009, there were many opportunities to be gained from the financial crisis. As global market regulators and participants recognised the role that could be played by risk management of over the counter (OTC) derivatives during this time, the number of contracts traded in the JSE's non-standardised derivative instruments – Can Do derivatives – jumped by 25%.

Can Do contracts provide investors with the risk-management advantages of listed derivatives and the flexibility of OTC contracts.

## IT'S RAINING YEN

The JSE's Japanese yen/rand Currency Futures contract traded for the first time in January this year. Since the JSE launched trade in currency derivatives in 2007 in response to market demand, the exchange has consistently increased the number of currency instruments. The contracts are cash settled in rands.

## CORN IS GROWING

By end February 2010, 18 726 CBOT Corn Future and Options contracts had traded on the JSE since the introduction of the product a year earlier. This figure represents more than 15% of SA's annual corn production, indicating a positive market reception, and highlighting why the JSE was honoured (together with the CME Group) at the Futures and Options World Awards last year with the 'Best innovation by an exchange in the field of product design' award.

The Chicago Corn contracts, made possible by a partnership between the JSE and the Chicago-based CME Group, allows SA participants access to international corn markets in local currency without affecting foreign exchange allowances.

The cash-settled commodity contract, accessed through the JSE trading platform, is particularly significant as it complements the existing SA maize contracts and affords investors the ability to trade the difference between the international corn price and the local maize price on a single platform. To add to the ease of access, clients receive an initial margin offset, thereby reducing the capital required to participate.

The enthusiasm generated by corn trading motivated the recent introduction by the JSE Commodity Derivatives Division of futures and options trading in gold, platinum and crude oil, relying on the markets within the CME Group to reference for the final cash settlement price of these products.

## OPEN PORTAL

In collaboration with XBRL South Africa, the JSE will be launching an online XBRL (eXtensible Business Reporting Language) portal later this year.

XBRL allows users to aggregate, compare and present information, such as financial reports, in a number of different formats, thereby enhancing the usability of the information within and outside the organisation.

XBRL is being hailed as 'financial reporting for the digital age', and is already mandatory at some international exchanges. In order to facilitate greater acceptance of XBRL, the JSE will offer this service on a voluntary basis to complement existing reporting.

XBRL is certain to attract increased investor and analyst interest and will be a useful resource for listed companies, analysts, investors as well as regulators and financial journalists.

## EASTERN EDUCATION

The JSE has concluded its agreement with the SA Department of Education to help improve financial literacy in the Eastern Cape, one of the poorest provinces in the country.

The JSE Investment Education Project (Jiep) will make its debut in 50 Eastern Cape schools with the ultimate aim of growing the economy through financial knowledge.

Compared to Australia, where almost half of all trading is conducted by the country's 5.7 million individual investors (27% of the population), only 200 000 South Africans (0.4% of the population) invest directly in the stock market.

Maureen Dlamini, senior GM of Education at the JSE says, 'The JSE acknowledges its role in first promoting financial literacy and secondly debunking the myth that investing is only for the sophisticated or wealthy. It is only through talking about money and promoting a culture of questioning financial advice that these children will avoid the financial pitfalls that are so prevalent in our society.'

Jiep was first implemented in Gauteng in 2007 in 250 schools. KwaZulu-Natal also has 50 schools participating. 'We hope to extend the project to all nine provinces, ultimately handing over ownership to the various departments of education,' says Dlamini.

Grade 9 and 10 pupils will receive practical financial education on budgeting, saving and managing bank accounts in the first year, and investment principles in the second year. The course material and lesson plans will be provided by the JSE.