GQG PARTNERS | on the BRIDGEHOUSE INDEPENDENT PLATFORM

Know Your Manager

Rajiv Jain, Chairman and CIO of GQG Partners, explains his approach to investing.

GQG Partners
Rajiv Jain

Rajiv is the Chairman and CIO of GQG Partners, and also serves as the lead Portfolio Manager for all GQG Partners strategies. Previously, Mr. Jain served as co-CEO and CIO, as well as Head of Equities at Vontobel Asset Management. At Vontobel, he was also sole Portfolio Manager of the International Equities product and the Emerging Markets Equities product, and lead Portfolio Manager for the Global Equities product, growing the business from less than US$400mn under management to just under US$50bn in 2016. Mr. Jain earned an MBA in Finance and International Business from the University of Miami, in addition to master's and undergraduate degrees from University of Ajmer.

What are the most critical elements to consider when building a successful asset management firm?

I believe it is critical for the firm to be aligned with client interests. At GQG Partners, we do not have a formalized soft dollar program for purchasing research, we restrict personal trading and the majority of my net worth is invested in the firm and alongside clients in our investment products. One must always remember that managing other people's money is a privilege and that privilege comes with great responsibility.

Getting the culture right is also critical, especially in a boutique investment shop where every individual and business unit must collectively buy into the vision. Attracting and retaining talent is obviously crucial, but we especially look for people who have a certain "hunger" and passion.

Being well-capitalized is also important. GQG Partners was formed with private funds and has invested substantially into operations in order to have a scalable infrastructure. With no short-term pressure on raising assets, everyone is able to focus more on investments.

How would you describe your investment philosophy and process?

Our philosophy can be described as forward-looking quality, which focuses on the compounding potential of a company versus a value-growth style box framework. We believe earnings drive stock prices, the market offers very limited opportunities to create an information advantage, and investors are disproportionately focused on the short term. We strive to gain an "insight" advantage by using investigative techniques and exploit the mispricing of long-tailed assets in a market with an intense focus on the next quarter or year, as opposed to a company's prospects for profitable growth over the next five years and beyond. Thus, our core valuation philosophy creates an investment style that we describe as buying high-quality, sustainable businesses at reasonable prices.

"Quality" companies will likely have generated relatively stable earnings growth, yet have solid growth opportunities still available to exploit. To be clear though, quality is not synonymous with stability;

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lumpy and volatile companies can be high-quality businesses as well.

The investment process revolves around eliminating weaker companies in every industry, sector and country. We then apply fundamental bottom-up methods (both traditional and non-traditional) to identify where companies may be in five years.

In what ways is your approach to quality investing unique?

We are less reliant on backwards-looking statistical measures and place a heavy emphasis on qualitative assessments looking out five years at the barriers to entry, competitive advantages, durability, sustainability and overall industry dynamics.

Our approach allows us to strip away labels like "value" and "growth" in favour of long-term compounding. As a result, our portfolios will exhibit factor and sector flexibility versus more rigid peers, which allows us to adapt to varying market conditions.

Finally, we are absolute-minded investors, meaning we're focused on tail risk protection during systemic market events, which has helped compound client assets off a higher base.

How do you approach risk management?

At GQG Partners, we believe our risk management process is forward-looking. We approach risk management company by company, with the quality of a company being the biggest tool. We're absolute-minded investors and comfortable taking on higher relative risk. With a focus on compounding assets over time, we seek to create portfolios that are less affected by down markets. To me, diversifying by end-consumer risk is critically important to surviving various markets.

How have you structured your investment team in order to foster debate and independent thought?

We have hired people who are very passionate about investing, curious by nature and come from different organizations to offer alternative viewpoints. The team has backgrounds in private equity, hedge funds, journalism and specialized accounting, to name a few.

> "I'd rather have internal debate and discussion than the markets criticizing you – when the markets criticize you, that's expensive."

Despite some distinct specialties, everyone is a generalist by design. There is also a built-in check and balance system, whereby every name we cover has two people doing the research. The second analyst on the name has a default "short" position and is only held accountable for it if they also like the name. We also have non-traditional analysts with investigative backgrounds on staff whose full-time jobs are to find faults with the names we're looking at. Lastly, we have a specialized accountant on the team who provides an additional layer of review on the accounting side.

Overall, I'd rather have internal debate and discussion than the markets criticizing you – when the markets criticize you, that's expensive.

Do you consider macroeconomic factors when making an investment decision?

We believe macro factors cannot be ignored in analyzing businesses and estimating earnings – as no company operates in a vacuum. We do not focus our analysts on macro factors such as interest rate directions or GDP growth; rather, we focus on the quality of our companies and invest in companies that we believe can perform in adverse macro environments.

At times, macro conditions may act as a "switch off" should it impact the future headroom for earnings growth of a company. I consider macro factors a risk and a reason to sell a stock rather than a reason to buy a stock. For example, a bank that might have looked very attractive in 2019 suddenly wasn't as attractive in early February 2020 with the onset of COVID-19 and likelihood of declining interest rates and non-performing loans increasing sharply.

How can GQG Partners fit within a client portfolio?

I believe GQG Partners can pair well with most other equity managers regardless of their style orientation. Our high conviction, bottom-up focus on forward-looking quality at reasonable prices tends to result in idiosyncratic alpha generation with lower correlation to peers. This allows clients to blend us with value, growth, core and index based ETFs.

Now available in Canada:

GQG PARTNERS	SERIES	Estimated MER	FUND NUMBER
GQG PARTNERS GLOBAL QUALITY EQUITY FUND	F	1.13	BIP 771
	A	2.26	BIP 770
GQG PARTNERS INTERNATIONAL QUALITY EQUITY FUND	F	1.13	BIP 791
	A	2.26	BIP 790

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