MINERVA

A WOMEN OF BURGUNDY PUBLICATION

ISSUE TWO

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MINERVA
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The Women of Burgundy was founded in April 2014. Our mission is to build a community that inspires women to make investing a priority. We will move forward together, fostering curiosity, confidence and continual growth as investors.

Named after the Roman goddess of wisdom and the sponsor of arts, trade and strategy, ***Minerva*** is a Women of Burgundy publication. An inspirational call to action, the goddess Minerva embodies the highest values of wisdom, knowledge and mastery.

Welcome to MINERVA

Anne Maggisano, Vice President and Founder, Women of Burgundy, and **Lisa Ritchie**, Vice President

ON July 25th at Burgundy's 2019 annual year-end dinner, we asked our fellow Burgundians who have contributed to Women of Burgundy to stand up and be recognized. We were humbled as we watched dozens upon dozens rise. It was a celebration of the good that can happen when like-minded people rally around a cause that matters. We are filled with gratitude for all the support from our peers.

Five years after our launch in April 2014, Women of Burgundy continues to inspire women to make investing a priority. We are building a thriving community, uniting women with a passion for learning.

In this issue, we share our May 23rd address given at Burgundy's Annual Forum. We position Women of Burgundy in the context of historical, current and future trends for women and investing.

Katie Taylor's conversation with Lisa Ritchie addresses capital allocation. She draws on her experience as former CEO of the Four Seasons Hotels & Resorts, and a member and Chair of multiple boards, including that of the Royal Bank of Canada.

In "Invert, Always Invert," Kate Mostowyk and Rachel Davies explain three potential investment mistakes and strategies to avoid them.

Our interview with Halina von dem Hagen, Global Treasurer and Head of Capital Management at Manulife Financial Corporation, is a deep dive into the key issue of risk management in the insurance industry. Her sage advice provides valuable lessons for all investors.

In "NextGen," Robyn Ross interviews Kevi Begolli, a member of Burgundy's fixed-income team. Kevi shares her unconventional journey into investing and her mindset for success.

Finally, our Milestones page remembers Isabel Benham, famously known as "Madame Railroad," a nickname that celebrates Benham's history-making role as Wall Street's first female railroad analyst.

We invite you to explore, engage with and, above all, enjoy the second issue of *Minerva*. We believe it speaks to ideas that matter to you as informed and successful investors.

VOICES *behind* MINERVA

ROBYN ROSS

Manager of Recruitment and Development for Burgundy's Investment Team. Robyn leads Burgundy's internship program, and she spearheaded an outreach initiative to inspire young women to consider finance as a career option.

RACHEL DAVIES

Investment Counsellor for Burgundy's Private Client Team. Rachel recently moved from Toronto to British Columbia to open Burgundy's Vancouver office.

KATE MOSTOWYK

Investment Counsellor for Burgundy's Private Client Team. Kate is a champion of Women of Burgundy's mission.

KEVI BEGOLLI

Analyst for Burgundy's Fixed Income Team. Kevi is actively involved in Burgundy's outreach initiative to inspire young women to consider a career in finance.

Special thanks to Esther Hong, Burgundy's Compliance Officer, and Elizabeth Andrews, Content Writer for Burgundy's Investment Team.

IN CONVERSATION *with* KATIE TAYLOR

By: Lisa Ritchie & Anne Maggisano

A key theme of our Women of Burgundy studies has been capital allocation, the process by which management allocates the financial resources within a company. Some examples are paying down debt, investing in research and development, returning capital to shareholders in the form of dividends, and making acquisitions. Capital allocation is an important topic because an investor should be confident that the management of investee companies are allocating capital in ways that are in the best interest of its stakeholders.

In May of 2018, we were honoured to host an evening with Katie Taylor. As former CEO of Four Seasons Hotels & Resorts, Katie was directly responsible for making capital allocation decisions. Today, she evaluates management's decision-making in her roles as Chair of the Royal Bank of Canada, Altas Partners and Sick Kids Foundation. She is also Vice-Chair of the Adecco Group, and a director of Air Canada and the Canada Pension Plan Investment Board. We recently sat down with Katie to catch up on her current thinking. The highlights of our discussions follow.

Lisa Ritchie: In your experience at Four Seasons, what were the key drivers of capital allocation decisions?

Katie Taylor: A little background: In 1989, I was a securities

Katie Taylor speaks with Lisa Ritchie and Micha Choi.

lawyer at Goodmans and a former colleague called seeking a number two at Four Seasons. I joined and became the number two in the two-person law group, so, very glamourous beginnings. At that time, we were not what you now know Four Seasons to be. We operated 23 hotels in Canada and the U.S., and one hotel in London. In those days, we were about half-management and half-ownership of hotels.

The great real estate collapse of the early 1990s taught us some formidable lessons about scarcity of capital. As you can imagine, the ownership of hotels is incredibly capital intense, whether that relates to servicing them, refurbishing them, or building them in the first place. The cost of a brand-new Four Seasons Hotel is significant, and then there is the additional cost of funding the ongoing upkeep and improvements.

During the 1992 real estate crisis, two things really came to the fore. First, there was a general downturn in arrivals at hotels. So, loss of some revenue and, in some cases, serious financial pressure. At the same time, the market experienced a collapse in real estate values, which had a significant impact on a lender's ability to sit tight waiting for interest payments. All of this caused us to sit back and rethink our business model.

We were a relatively small company, maybe by then about 35 hotels; so, a small enterprise trying to do many things with scarce capital. It was at that point that we made the decision to concentrate all of our energy on the sweet spot of the business, which was hotel management. The skill of the Four Seasons leadership team was not in the owning of the bricks and mortar, but in the creation of the experience inside the walls. The process involved transforming from a real estate company to a brand-management, customer-experience and talent-creation business. This required a deliberate shift in how capital was invested within the business. Third-party owners were actively sought and secured for the hotels we owned, thereby freeing up capital to invest in elevating the hotel management part of the business.

LR: So, this strategic business shift led to a reallocation of capital, thus increasing the probability of success.

KT: Absolutely. When we entered the U.S. in the 1970s, for example, Four Seasons was not the brand it is today. We had the Four Seasons name on some hotels, but many of the hotels had another primary brand, like The Clift in San Francisco and the Ritz Carlton in Chicago.

We came to realize that our strategy around investing in people, systems, talent development, customer experience and innovation would set us apart from all of the big brands—the Hiltons, the Marriotts and the Sheratons, who were leading the field in the global hospitality market at that time.

So, in the late 1990s, the decision was made to double down on the Four Seasons name. This resulted in a significant capital spend to rebrand a number of hotels across the globe. We invested significantly to acquire the rights to the Four Seasons name in New York City, which enabled us to brand the flagship Four Seasons Hotel in midtown Manhattan. It was an investment that helped change the way people thought about Four Seasons and a step toward building critical mass under one brand name.

LR: What factors did you consider in deciding where to invest time and money to develop new properties?

KT: In the hotel development business, you can run around the world looking for a needle in a haystack or you can be well positioned when a key opportunity comes up. An ideal hotel development partner needs access to significant capital and they need to control the land in a desirable location in a city or a destination that can support the long-term operation of a Four Seasons hotel.

Sometimes we competed with Ritz Carlton and with Park Hyatt and other big brands, and in those cases, it was about selling our proposition over theirs. Did we win every time? No. Did we win most of the time? Yes. That was a testament to the investments we had made in people, in distribution systems, and in client and travel agent care, all over many years.

LR: We can't talk about capital allocation decisions in an economically sensitive business such as hospitality without asking about the 2007–2009 financial crisis. How did you lead Four Seasons through that time?

KT: I never want to live that again. In fact, I never want anyone to live that again. At the time, all the focus was on the crisis in financial services, but the impact on the hospitality industry was very significant. Many millions of people working in hospitality in America and elsewhere lost their jobs. In our business, it was the confluence of two things: a huge economic crisis combined with the political stigma of being seen doing something that was enjoyable and relatively expensive.

You've heard about women who hid their luxury purchases in brown unmarked bags. The same thing was true with companies. Some of our hotels saw over 25% drops in revenue in a matter of weeks. So, you can see how unbelievably devastating that would have been. Within the first year or two of that crisis, a number of hotels had gone into the hands of special servicers* because the loans for those hotels were part of big, commercial, mortgage-backed securities portfolios. All of a sudden, the industry went from relationships with long-term capital partners, people we'd all known for decades, to talking to representatives of the lead lenders on properties that were in distress.

Then it became a question of righting the ship. Back to capital allocation and being smart. Really scarce resources, depressed top lines, very high fixed costs. The industry had never seen a crisis this deep, this broad. We all had experience with recessions, but we didn't have a roadmap for this one. Which brings us right back to investing in leadership and making sure you have the best people in the world doing smart things.

What our people and our leaders did next was extraordinary. The local management teams rose to the occasion, designing new ways of thinking about running their properties. Revenue was under pressure, so there was only one way to get through it and that was to manage costs effectively. No idea was a bad idea, but there was a simple test: is the customer experience the same or better after the recommended change? Our standard was that it couldn't be worse.

I remember visiting one of our hotels in California where the General Manager made a point of introducing me to a young woman who had seven uniforms. Why seven? Because they wanted to keep as many people employed as possible, so this young woman worked one day a week in the spa, one day in landscaping and another day in the Kids for All Seasons. It was a local solution to a very big problem.

LR: Speaking of that time, you were also on the Board of the Royal Bank of Canada. Take us through what was happening around the boardroom table.

KT: As we all know now, early signs of the liquidity crisis first emerged in the summer of 2007, but it was not until the fall of 2008 that the U.S. had the first

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*Special servicers: specialists in managing troubled commercial real estate loans failure in Lehman Brothers. That triggered a series of questions in board rooms around the world: Can this happen here? What if this happened here? Boards and management were running through all the stress analysis, assessing the level of interconnectedness and determining counterparty risks.

Canada didn't have as much exposure as the rest of the world to the subprime marketplace and that wasn't by happenstance. When you look at the way the Canadian financial system is set up to operate and the way management at all institutions responded to the crisis, you see that all the Canadian banks came through it extremely well. Everybody had pockets of distress, a little bit of tail risk here and there that wasn't expected. In the end, we all learned so much as a result of that process. There isn't a boardroom in the industry that wasn't fundamentally changed by the experience.

LR: Let's switch gears a little. How would you advise an individual to look at their capital allocation?

KT: For most people, capital is a scarce resource and not something we have in endless supply. Like anything else in life, it's about setting priorities and continuing to re-evaluate those priorities, not only against the things you're interested in investing in or supporting philanthropically, but also against ongoing performance. How well have those investments done? How well has that charity been performing?

Performance in the world of investing is usually pretty easy to assess because there are absolute numbers and benchmarks. It's a bit harder to assess the impact of your philanthropic investments, particularly if they are directed to things like research. We have scientists at Sick Kids Hospital that are doing all kinds of research that will only be commercialized beyond my lifetime, but someday a life-changing cure will come from that basic research. Think of the people who first started to work on the Genome Project. The scientific discoveries that are built on the back of that decoding are transformative, resulting in both an economic as well as a social return.

Setting priorities and evaluating performance should be something that families talk about. My husband and I are transparent with our children about the fact that they lead a privileged life. It was important to us to ground our children in the basics. So, while we had the opportunity to stay in really nice hotels as part of my role at the Four Seasons, we talked about how that wasn't the norm.

> **"My experience has been that once one woman does something, others can see it and then do it too. A lot of women say to me, "They are only calling me because they need a woman." Of course, I say! Virtually all of the boards I serve on sought me out, for my global business experience, yes, but also because I am a woman."**

That led us to relatively early conversations about how to think about the world. Our children are very involved in philanthropy in their own way. They've made a couple of large gifts from the family foundation, which involved making decisions on capital allocation and execution. So, they actually had to understand how the money was going to be used. They are also involved in the monitoring of performance. And then it's back to priority setting and scarce resource allocation because there is never an infinite amount of cash.

LR: You're a strong advocate for women in business and women on boards. How are we doing?

KT: There is no way to sugar-coat this: we've been talking about parity for women in the workforce since before I started working, which is really a long time ago. If you look at just the top of companies, whether it's the boards, whether it's the senior management teams, has there been progress? Yes. Has it been at a glacial pace? Yes.

This is a big deal everywhere, but it's a bigger deal for places like Canada, where we have such a small population and such an underrepresentation of women in the economy.

LR: And so many highly educated women…

KT: Yes. We spend all this money on the health, welfare and education of 50% of the population, and somehow, they're not liking the options that are available to them in the world of work. I think we need to do some serious soul searching around what the fixes are. There are very good policies in most well-managed companies. And very good oversight of HR in diversity and inclusion. And most have done the right things when it comes to family leave. But are we doing enough? Probably not.

I always ask people, "What's going on at your office that women don't want to stay and become the CEO? What's happening in your business that 55% of your hires are

Four Seasons Hotel, Toronto.

female—that's about the graduation rate out of university—but they represent just 2% of your executives? You have the policies, you're talking the talk, probably walking the walk, but something's still not working."

Maybe the problem is not process, maybe it's structural. Sometimes one little thing can make a very big difference. Early morning meetings are really hard for women with children. I didn't generally schedule a meeting before 8:30 a.m. when I was running Four Seasons, because I had to drive one of our kids to school. It was the same thing at night. I would arrange to leave a business dinner before dessert so I could get home and tuck the kids in. Easy to do when you are a senior-level woman, so let's think about things like that.

Here's another small but bold idea: ask every 30-year-old woman in your office what two things you could change to ensure that they stay forever. Sure, you'll get hundreds of ideas, but what's wrong with that? You also might find out that some of the things they suggest are pretty straightforward and not difficult to do. And then you will find that the women will double down and triple down on the business, and then do what I did and stay!

In March of this year, I co-authored an op-ed for the *Globe and Mail* in which I talked about how candidates typically must have experience managing profit and loss in a line of business before they will even be considered for the CEO role. This is a challenge because we see that many women are disproportionately concentrated in human resources, marketing, communications, finance and legal— even at the executive level—and from this position it is often a monumental task to be considered for CEO. Women need to be proactive in seeking out operational roles all throughout their career so that the path to the C-suite remains open.

LR: Can you share final thoughts on getting more women on corporate boards?

KT: Change is finally in the air. Recently, proxy advisors have put out guidelines around promoting diversity. The big investment managers, whether it's CPPIB (Canada Pension Plan Investment Board) or others, now have guidelines around diversity on boards. I think the intervention of the institutional investors into this dialogue around best practices and board diversity will be a turning point.

I also think we understand perfectly the social good of diverse teams, women in the mix and non-gender diversity as a driver of innovation and more. But we also need to focus on the fact that there is a soft "economic" issue here, where, historically, boardroom representation has been like a trading card. Think of it like an invisible currency traded on an invisible block chain. Fostering change with people that have been part of that network for over a generation is sometimes difficult to achieve. Term limits are something people advocate for and lots of people have age limits. But, it's always going to be more than that.

I was the first woman who did a lot of things—not just Chair of RBC—and my experience has been that once one woman does something, others can see it and then do it too. A lot of women say to me, "They are only calling me because they need a woman." Of course, I say! Virtually all of the boards I serve on sought me out, for my global business experience, yes, but also because I am a woman. And in all cases, the number of women on these boards has either been maintained or it continues to increase. Women can push this agenda forward. We just need to get to the table. **M**

WOMEN of BURGUNDY: A FIVE-YEAR UPDATE

Anne Maggisano and Lisa Ritchie delivered the following speech at the Burgundy Annual Forum on May 23, 2019.

By: Anne Maggisano & Lisa Ritchie

A married woman, a mother, a grandmother, the CEO of her family's foundation. Seeking the best thinking around investing so that she can prudently steward her family's wealth and make an impact on others less fortunate.

A young mother, 40 years of age. Educating herself and building her network of advisors so that she is prepared for the inevitable transfer of wealth to herself and to her siblings.

A colleague, a husband, a father. Sharing research reports with us on the status of women and investing, supporting our mission of inspiring women to make investing a priority.

A woman, recently widowed. Actively seeking knowledge and engaging her trusted legal and financial advisors so that she can confidently take care of herself.

A colleague, a father, a chairman. Introducing us to senior women in business and investing, the women who have blazed the trail for us, and, in doing so, charted a course for generations of women to follow.

A young woman in the investment industry. Seeking to understand the social, cultural and historical norms that made her falsely believe that investing was exclusively a man's role.

What do all these individuals, each with their own unique circumstances, have in common? They are all members of the Women of Burgundy community. It may be hard to believe from our modern-day vantage point that women's ability to independently grow wealth has been constrained by our past. But let's take a brief look at recent North American history.

It was not until 1977 that the Canadian Human Rights Act introduced equal opportunity, ruling discrimination based on gender, marital and family status illegal.[1] And until 1978, women in the U.S. could legally be dismissed from their jobs for becoming pregnant. This made having a family or building wealth an either/or proposition. And prior to 1974 in the U.S., single, widowed or divorced women did not have access to credit. No matter what their income was, they needed a co-signer, and the banks would discount the value of the applicants' wages by as much as 50% when deciding how much credit to grant.[2] Although women could legally own property, and they had access to the stock market by this time, the constraints around the ability to earn income and to access credit made it unlikely that women would be active investors. It normalized the idea that investing should exclusively be a man's role.

How far we have come since then! According to Credit Suisse's 2018 Global Wealth Report, women control C$95 trillion of financial assets, approximately 40% of the total.[3] You may have seen the CIBC report released in March of this year.[4] It outlined the fact that women in Canada control C$2.2 trillion of financial assets. That's quite a lot of money. In fact, it's estimated that in 10 years, this number will be closer to C$3.8 trillion.

We are on the cusp of an historical moment for women and investing. Advances in the labour market are playing a huge role. Women are entering higher-paying fields and starting their own businesses, and their success rate is growing. We are seeing the breakdown of the nuclear family, and women are choosing to take their own lead in building wealth. Demographics also play a huge part here. We know that, on average, women live five years longer than men. And when it comes to taking care of aging parents, it tends to be the daughter who takes the lead role. That means she's controlling the decisions around wealth for her parents. Current data from Strategic Insight projects that at some point in their lifetime, nine out of 10 women will be the sole financial decision-maker in their families.[5]

This is where Women of Burgundy comes in, as a bridge

Top to bottom: Lisa Ritchie, Robert Sankey, Richard Rooney and Anne Maggisano.

Clockwise from above: Tony Arrell, Mike Sandrasagra, Sylvie Methot and Ariel Lubecki; Rachel Davies and Anne-Mette de Place Filippini; Robyn Ross; guests gather in the atrium.

between a past that need not define us and a future that is imminently near. Women of Burgundy is preparing our women clients to meet their futures, and we are doing so by creating the conditions and the culture that will enable women to thrive and to reach their full potential as investors.

What we are doing and what we are building is not the norm. We have canvassed the Canadian landscape, and we are the first investment firm to chart this path with this level of commitment. We are choosing to nurture the women in our community because the women we educate today will educate the women in their own lives—their mothers, daughters, sisters, friends and communities—and this will have ripple effects for generations. The women in our community will also influence the men in their lives, their fathers, sons, husbands and brothers, and, in doing so, reframe the narrative around women's roles and men's roles as it relates to investing. Having women and men equally empowered around money is good for society and good for all of us. That's hard to dispute.

How are we doing our work? We are building a culture in which women are active agents in their own learning about investing. Wherever she is on her journey, whether she be a novice investor or a sophisticated investor, the women in our community are engaging in our seminars, our book clubs, our keynote speaker events, because they want to learn and they want access to the best thinking around investing. This learning is coming from direct contact with professionals. It is also coming from reading the

ideas of the investing greats of our time. They are learning to exercise discernment, to think for themselves, and, as such, are becoming agents in their own financial independence.

Women are also telling us that they are participating in Women of Burgundy because they value the safety and strength that comes from community. One woman told me that her growth has been accelerated because she is able to tap into the knowledge, the skills and the life experiences of other members of the community. She also told me that she is building her network now so that she will be more resilient in the face of the inevitable challenges to come. She knows the Women of Burgundy network is a resource that she will be able to access when she can't find the answers herself.

Since our launch in April 2014, Women of Burgundy has reached over 730 members, both women and men. We have built a deep and strong community of over 250 members who come to our events regularly. Just last month, we launched the first issue of *Minerva*, our Women of Burgundy magazine. We did this so we could accelerate our potential impact to include 100% of our clients, both women and men. Upon receiving a copy of *Minerva*, a peer in our industry wrote to us and commended Burgundy for elevating the conversation around investing from woman to woman. We couldn't be more thrilled with this response. As Sally Ride, the first woman astronaut, teaches: we can't be what we can't see. By elevating all the women in our community, both Burgundians and our clients, we are acting as role models for each other of how an empowered woman thinks and behaves when it comes to money and to investing.

The transformation we are seeing with our women clients is being matched by an equal transformation within Burgundy. When Women of Burgundy was launched in 2014, there were five female investment professionals responsible for our private and institutional clients. That represented about 35% of our team. That number has grown to 10 and is now 42% of our 24-person client-relationship team. And when we look at the next generation, we are so excited to see that we have seven young women in training for more senior client-relationship roles. As the women professionals at Burgundy grow and succeed, they will inevitably support and reinforce the growth and development of our women clients. The men at Burgundy are co-champions of this growth and development. The result is that our team is better able to access a broad and diverse range of thinking, and that will benefit all of our clients.

The work that we are doing with Women of Burgundy is designed to support and complement the work that is happening one-on-one in our client meetings. These meetings give us a front-seat perspective on how our women clients invest. We want to take some time to specifically address some common myths around women and investing. These myths suggest that women are more risk-averse than men; that only men care about investment returns and women less so; that only women require being spoken to in a language that avoids jargon. We strongly believe that these ideas cause more harm than good for the simple reason that they are not a true reflection of our experiences as advisors. They also completely miss the point. In our experience, and from our observations, both women and men care equally about investing in a manner that aligns with their long-term goals for their money, with the associated risk and return considerations.

When we are devising an investment strategy with our clients, our goal is always to value the infinite uniqueness, the depth and the complexity of each individual person and to meet each individual on his or her terms. Contrary to the idea that men and women are different when it comes to investing, we propose that there are certain characteristics and qualities that are common to successful investors. Qualities like a contrarian mindset, long-term thinking and a philosophical framework for making decisions. These qualities can be found equally in men and women. And they can be nurtured equally in men and women. That is to say, we believe nurture more than nature will determine individual success as an investor. **M**

ENDNOTES

1 "*Rights of Women,*" 2017. September 5, 2019. https://www.canada.ca/en/canadian-heritage/services/rights-women.html

2 McGee, Suzanne and Moore, Heidi. "*Women's rights and their money: a timeline from Cleopatra to Lilly Ledbetter,*" 2014. September 5, 2019. https://www.theguardian.com/money/us-money-blog/2014/aug/11/women-rights-money-timeline-history

3 Credit Suisse Group AG, *Global Wealth Report* 2018 (Zurich, Switzerland: 2018)

4 Tal, Benjamin and Katherine Judge, *The Changing Landscape of Women's Wealth* (CIBC Economics March 4, 2019)

5 Strategic Insight, *Women and Wealth* (2017)

OPTIMIZING CAPITAL

An Evening with Halina von dem Hagen

By: Anne Maggisano & Lisa Ritchie

In June 2019, Women of Burgundy hosted an interactive conversation with Halina von dem Hagen, Global Treasurer and Head of Capital Management at Manulife Financial Corporation. Manulife is the largest insurance company in Canada by market capitalization and a global leader, with operations in the United States and Asia. Halina shared her fascinating journey from Poland to an international and monetary economics doctorate at the University of Toronto, followed by a career that includes senior leadership roles in Canada's financial industry. In conversation with Halina, an expert in managing global capital and liquidity for large and complex financial companies, we learned about risk management, the role of regulators and long-term growth opportunities.

Lisa Ritchie: You grew up in Poland, but chose to leave home and immigrate to Canada at a young age. Tell us about your journey.

Halina von dem Hagen: I left Poland in my early twenties to intern for six weeks at a bank in Bologna, Italy. It was a difficult time for Poland, still under communism and martial law at that time. My internship was extended to one year and the more I stayed in the West, the more I appreciated the taste of freedom. To put things into context, I had a colleague who was arrested in Poland for carrying "clandestine literature," which was George Orwell's *1984*.

Because of the political instability in my homeland, we had opportunities to immigrate. There were five countries to choose from: Australia and New Zealand were too far, South Africa was still under Apartheid, and that left the U.S. and Canada. I chose Canada.

This caused a big family debate between my mother and grandmother. My father was sick and I was his legal guardian. My grandmother was adamant that I should return. I was single and they could not help me if anything happened to me in the West. Her view was that, "We may be in misery, but together," to which my mother replied, "If in misery, why together?" I think of this lesson to this day because you can have two people who care deeply about a cause or a person and yet come to completely different conclusions. It has made me empathetic and open to a variety of views.

A second lesson came from my mother, who very much wanted me to return home. But citing love greater than motherly love, she told me to go: "You can always come back."

All of us have a multitude of roles that we play in each other's lives. We are parents. We are children. We are siblings. We are bosses. We are leaders. We are colleagues. And yet, in each of these roles there is also a person. The ability to see the needs of that person, as my mom did in such a heroic way, impressed me tremendously, and gave me courage, a sense of security and the drive to go and see what happens.

Lisa Ritchie: Once in Canada you earned your PhD in economics. How has that background helped you in capital management and treasury at Manulife?

Halina von dem Hagen: I am a big believer in the benefits of studying economics, whether or not you go into finance. It teaches you about how the economy works and how money moves. But there is more to it. It is all about modelling and stating your assumptions very clearly. Let's assume there is perfect competition. Let's assume there is monopoly. You need to be very rigorous about your starting point and what you are assuming because very often in politics, and in life, we debate conclusions. And yet, it's very important to be clear on what we are assuming as a starting point because the rest is logic.

The second lesson that I find very valuable about economics is that it teaches you flexibility to shed your assumptions in a non-emotional way. There is nothing emotional about whether it's a monopoly or perfect competition, or how you want to model things. There may be different worlds functioning differently in different markets. Philosophy teaches a similar way of thinking, but in philosophy we tend to be invested emotionally about certain fundamental assumptions, whereas nobody is emotionally invested in economics.

This way of thinking reflects how I think about capital management, about which I am very passionate. To me, capital management is a window through which I see the whole company, and, in fact, the industry. You have to understand the business on and off the balance sheet. You have to understand accounting and taxation, the laws and the regulatory framework. It's a multi-faceted optimization against many constraints. Economics taught me that capital is a scarce resource that you never have enough of. It's the same with your own money: you never have enough. Not in the sense of greed, but in the sense of optimizing what you have toward multiple uses.

People often ask me if one needs a doctorate to do my job. It depends. In a technical sense, no, because I could have studied finance or many other subjects to end up where I am. But research gives you the confidence to ask questions, even when you don't fully understand the question. It's this famous search for the elephant—if somebody touches the trunk, they think it's

"Economics taught me that capital is a scarce resource that you never have enough of. It's the same with your own money: you never have enough. Not in the sense of greed, but in the sense of optimizing what you have toward multiple uses."

a snake. If they touch the body, they think it's a warthog. Nobody sees the elephant until they are ready to ask, "What is this?" You reconcile all those apprehensions or misgivings to crystalize the question. It may be a very different question from where you started. I think independent research gives you this trust and confidence in the process. If you are open-minded and you start your journey, you will land somewhere useful, despite not necessarily knowing where you are heading right away.

Lisa Ritchie: In your capacity as head of global capital management, regulators play a very large role. They are critical for the business, for society and for a stable financial system. How do you approach this relationship?

Halina von dem Hagen: I have a constructive relationship with regulators. They are very well-intentioned people who try to keep our system stable, who seek to ensure that we deliver on all the promises we've made. But at the same time, they may not know our business as well as we do—particularly the risks, but also the consequences of certain decisions.

I see it as my responsibility to engage in dialogue with Canadian and international regulators. I worked for 12 years at the Royal Bank of Canada, where I was the head of capital, globally, for my last three years there. Then I came to Manulife to build the capital management function. I appreciate the critical differences between the banking and the insurance industries.

This critical difference is in the time horizon. Banking is much shorter-term. To appreciate this, imagine a situation in which there's a run on the bank when everybody withdraws their money. Short-term liquidity is critical for a bank. In contrast, the insurance business is truly long-term. We make promises that we will support you 30, 40 years from now, should you become ill. We make promises to your descendants that, should anything happen, we will pay under the insurance policies you purchased. These are two different businesses with different time horizons, so they will invest differently.

You can imagine this in your own lives. If I told you to assume that you will pass away tomorrow, or a week from now, or a year from now, or 10 years from now, or 30 years from now, you would behave differently tomorrow, a week from now, a year from now. You would certainly make very different investment decisions, depending on the time horizon.

I find, as an economist, that the trend in mark-to-market accounting treats all businesses as if they could be traded tomorrow. This may be true for banking, but it does not align with the fundamental long-term economics of the insurance business. If there is a run on the insurance company, normally nothing would happen. Mark-to-market reporting requirements introduce a lot of volatility into the reported results of insurance companies.

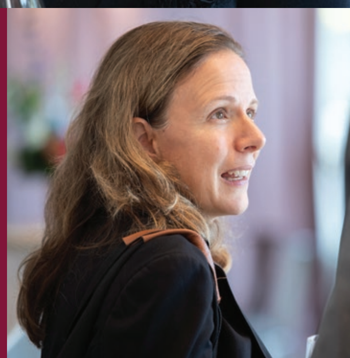
There are implications. Global insurers have been withdrawing from offering long-term products and scaling down long-term investments. I think from a public policy perspective and in terms of societal needs (especially for aging societies, globally), it is important to engage in critical dialogue with the regulators on this issue.

Lisa Ritchie: Mark-to-market, just to put it into context, means valuing capital assets every day, basically, and checking this against regulatory capital ratio requirements. If there is a rough quarter in the capital markets, even though the liability might be 30 years from now, it's recorded as a "loss." A really significant example of volatility was the 2007–2009 financial crisis. What happened and what were the lessons learned?

Halina von dem Hagen: I consider myself lucky because I joined Manulife in January 2007. I had 18 months to learn the ropes and then it all started. The first thing I would say is that in no way was there any shortage of cash liquidity. Manulife, as is true of all insurance companies, generates strong cash inflows. We have $20 billion and more of investible money that comes in every year.

What the company realized very clearly during the financial crisis is the impact of volatility. We offered long-term segregated fund guarantees that were tied to equity markets. With the drop of equity markets, our reported liabilities for those guarantees increased on paper significantly, thus reducing our reported earnings and regulatory capital. But those reported liabilities were for obligations to be paid in 30 to 40 years. We learned that, although we are in a long-term business, we are subject to quarterly disclosures of our earnings and of our reported regulatory capital. And the prevailing markets introduce tangible signals to which analysts, regulators and investors react. Hence, we cannot ignore the environment in which we operate.

Eventually, economics wins. But in the



Left: Halina von dem Hagen and Lisa Ritchie. Top to bottom: Angela Bhutani; Robyn Ross; Charles Walker.

insurance industry, it may take quite a few decades to materialize, so that sensitivity to the regulations, disclosures and the commercial side of reporting must be considered. We learned this lesson very harshly; today, the company has a hedging program that provides significantly more stability than was the case a decade ago.

Lisa Ritchie: You are in a business that has fixed liabilities—some due very soon, some that are five-, 10-year liabilities. How are you protecting the policy holders, the business and the shareholders in your investment strategy?

Halina von dem Hagen: This should give comfort to everyone in this room. We don't take material risks with equity markets or non-fixed-income assets with what we consider short-term horizons. For context, in the insurance business, five years is actually short-term.

We are fully matched in terms of fixed-income instruments for the first 10 to 20 years of what we think we will owe you and creditors. And the company is very disciplined when it comes to the credit quality of fixed-income assets. Why 10 to 20 years? First, prudence, but also pragmatism. The markets, especially in North America, are quite deep—in 10-year fixed-income in particular. You have 10-year durations and then you have longer government offerings as well.

One might ask, "What assets would you hold against those longer-term cash flows, 20 years and longer?" Many decades ago, the company decided to specialize in a well-diversified portfolio of non-fixed-income assets.

Some of these are just pure public equities, around 6% of our total $360 billion or so invested assets, and 10% is alternative long-duration assets, such as real estate, infrastructure, utilities, agriculture and timberland. The assets are well-diversified by industry and by geography, and they carried us extremely well through the financial crisis. In addition to financially holding those assets, we own and operate the underlying businesses. This is based on the philosophy that we should buy what we know and know what we buy. We operate our buildings. We are the biggest institutional manager of timberland in the world. The competency is so high and the returns are so attractive that we started constructing third-party fund offerings based on those assets. They perform very well, but there is volatility in our reported results, which, at this point, given the magnitudes, we are prepared to accept.

Lisa Ritchie: Let's expand on your responsibility for capital allocation. How do you make decisions when competing business lines come to you and say, "This is the best investment to grow the business for shareholders"?

Halina von dem Hagen: Shareholders are very important. We use a similar framework to what one would use for evaluating investments. Namely, return on equity (ROE) numbers—both for shorter-term and longer-term strategic opportunities. It is our business in Asia and in wealth and asset management that are among the highest ROE businesses for Manulife and the two main pillars of Manulife's strategy to accelerate growth. We still have a large business in North America and we will continue to operate in both Canada and the United States.

We are also very innovative when it comes to behavioural economics and we try to offer insurance that engages policy holders and promotes healthy lifestyles. As an insurance company, we are invested, philosophically and commercially, in the well-being of our policy holders, in making sure you stay healthy and live much longer.

Lisa Ritchie: You recently returned from a trip to various countries in Asia. What are you seeing on the ground there?

> "This is based on the philosophy that we should buy what we know and know what we buy."

Halina von dem Hagen: I don't think many people appreciate how global Manulife is. We are the third largest Pan-Asian insurance company in the world. A decade ago, when I first came to visit our Hong Kong operations, I was looking for the address to the Manulife office and the cab driver already knew where to go. When you see the skyline around Victoria Harbour, the Manulife building is right there.

We operate in 12 jurisdictions in Asia. Around one-third of our earnings come from Asia and three-quarters of our insurance sales are in Asia. We are quite big in a number of markets. It's really a very balanced and diversified Asia story. We are very keen on Asia because the ROE is high and it has been high for a number of years.

What is unique about Asia is the emergence of the middle class and the high demand for life insurance policies, products and services that is growing with it. While the competition is intense, the fields also keep expanding. In general, we have not experienced the need to compete on pricing in Asia. We compete on quality and how you get the customer.

Historically, the levels of income in many of those countries have been quite low. When you don't have money, you have to live with the risks. But the moment you have some money, you want to make sure that your children are okay, that your parents are okay, that you can withstand an economic disaster. That's why the emerging middle class is increasing the demand for insurance products even faster than you would expect. People want to make sure that they provide for their loved ones and for themselves. One of our very popular products in Vietnam was designed to provide for your parents because this was a generation of the war that didn't have opportunities and didn't save. As much as it's about looking forward, it's also about looking to the generation behind.

Asia is "on fire." I heard this statistic that the household wealth in Asia is going to double between 2015 and 2025, reaching $120 trillion. North American household wealth is predicted to reach $95 trillion over the same period. We are looking at a region of tremendous opportunities and continually delivering on the potential. I believe every young and adventurous person should spend at least five years in Asia because this is where the future is

Top to bottom: Halina von dem Hagen; Meghan Moore and Sarah MacNicol; Julie Cordeiro.

being built. I come back so energized by the opportunities in the region.

Lisa Ritchie: Let's pivot to talk about women in business. I'm wondering about your experience and what you're seeing in the landscape now. How are we doing?

Halina von dem Hagen: I have to say that I have been either lucky or oblivious because I have not encountered the glass ceiling directly. However, I do have a few observations, as a working mother.

The first is cultural. I have often witnessed what I call "benevolent bias." *"Let's not ask Suzy, she just had a child. She would never take this assignment." "No, Halina would never go on this trip. She just got married."* It may be about showing kindness and not applying pressure, but it is a bias nevertheless. Being sensitive to this and making sure that women are offered the same opportunities as men is important. They should have the right to decide for themselves.

The second is flexible work arrangements, which I view as critical. Think of the practical aspects: Who picks up the child from daycare when they call and say the boy has a fever? Who usually goes to see the teacher at school? Who does the driving to the basketball game? And of course, we all have our own interest and hobbies for which we need time. Thankfully, technology is very helpful. It allows us to juggle.

I personally don't like the term work-life balance, because it positions work and life as a dichotomy. I prefer to think of it as managing the wholeness. It makes it easier psychologically. We live full lives from different angles, so it's important to give flexibility to both men and women. We and our partners are in it together.

I also believe that the so-called emancipation or liberation of women is actually liberating for men as well. The stereotypes about men only wanting to work are not true. They are fathers, they are husbands, they have their own hobbies. Achieving balance is a win-win for everyone.

We have seen more progress in achieving equality than ever before, so it's necessary to be vigilant in maintaining those equal rights. I recently concluded that I am in favour of quotas. I was timid to say so at first because it sounded so rigid and bureaucratic, but then I heard Christine Lagarde, Chief of the International Monetary Fund, say that she also likes quotas. It's one way of making sure that equality and equal access are always on the table and continually measured. **M**

INVERT, *always* INVERT

By: Rachel Davies and Kate Mostowyk

The past 30 years have truly been a spectacular period to be invested in stocks. A US$10,000 investment in the S&P 500 Index at the end of 1988 would have grown to just under US$173,000 by the end of 2018—a 17-fold increase achieved simply by buying and holding (Figure 1).

Yet many studies have shown that we struggle to capture the full benefit of these types of opportunities to compound our capital. According to research by Morningstar, the portfolio of the average Canadian routinely lags the performance of the strategy they have invested in. This lag can range from 1% to 1.5% per year. This may not sound material, but over long periods of time, the difference can be significant. If we apply an annual performance lag of 1.5% to each of the 30 years mentioned above for the S&P 500 Index, the initial US$10,000 investment would be worth just US$111,000, a full 36% less on a cumulative basis. (Figure 2).

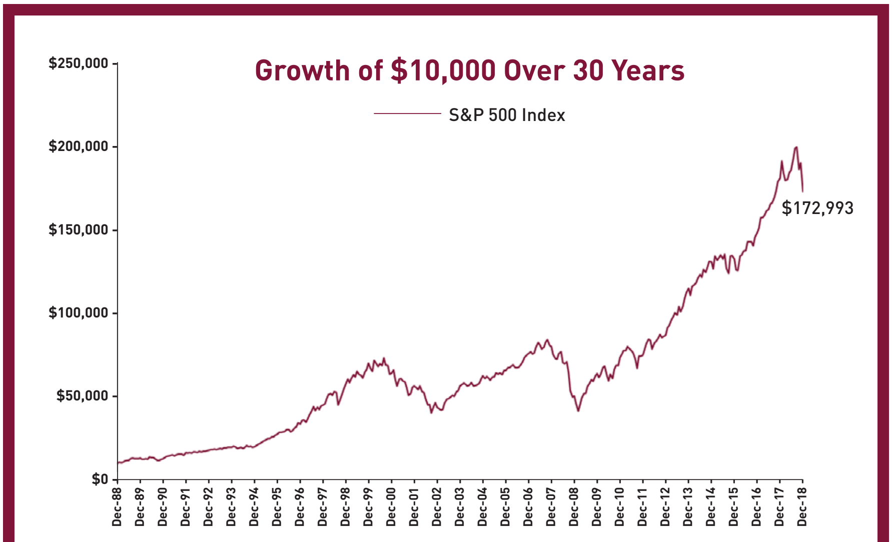


FIGURE 1 Data sourced from FactSet in U.S. Dollars from Dec. 31, 1988, to Dec. 31 2018

Mental Model: Inversion

The obvious question is, why does this gap exist?

To answer this question, we propose using a problem-solving framework called inversion. The theory behind this approach is that it is not enough to think about difficult problems one way. If we want to improve our understanding of a problem, we need to think about it forwards AND backwards.

As an example, if we want to increase the growth of our portfolio, thinking forward, we may seek out all the investment tools and approaches that promise high potential returns.

If we look at it through an inversion lens, we would think of all the factors that might hurt our performance. Ideally, we would avoid these.

Applying this framework to investing was made famous by Charlie Munger, Warren Buffett's long-time business partner at Berkshire Hathaway. At age 95, Charlie has a wealth of experience and says he spends less time trying to be brilliant and more time trying to avoid obvious mistakes. This seems to be a reasonable objective for all of us.

With this in mind, we present three common investment mistakes and our recommendations for avoiding them.

Mistake #1: Not Doing Your Homework

From time to time, a new product or business emerges that captures the imagination of investors. It may even become the latest hot investment tip in office discussions or at dinner parties. Enamoured by the potential of a new opportunity and driven by the fear of missing out, people may allocate their savings to it, regardless of value.

It is curious that human beings will often act on investment tips without doing much research. Conversely, if we buy a new car or appliance, we often spend hours researching its features, reading reviews and comparing prices. We usually decide based on quality and value. In contrast, in the investment world, we are often willing to act simply on the word of someone else, or because the price is trending upwards.

Consider the example of Bitcoin, which captured the imagination of investors in early 2017. The price of Bitcoin increased from roughly US$1,000 to US$16,000 by the end of 2017.

Bitcoin is a form of digital currency that was supposedly created by an unidentified person or group that goes by the name of Satoshi Nakamoto. Bitcoins are awarded to computers that are the first to solve a limited number of challenging math problems. The main excitement about Bitcoin is based on the idea that it offers the potential to revolutionize the way we transact.

How can an investor value Bitcoin? It is not a business with income, dividends or tangible assets. Could we assess Bitcoin like a currency? Bitcoins are not attached to a national economy. They are not stabilized by a central bank. And in late 2017, some governments were banning the use of them. If no one accepts Bitcoin as payment, would its intrinsic value be zero?

By early 2018, the price of Bitcoin had dropped significantly. We believe a lack of investor confidence in how to value Bitcoin meant that there were too few investors willing to stabilize the price when volatility arose.

This may seem like an extreme example, but we have seen this behaviour play out time and again. Many will recall the dot-com boom in the late 1990s, when Internet start-ups received sky-high prices despite many of them having no earnings or realistic business plans.

Conducting research helps us understand our investment on a fundamental level. Having a good understanding of the business in which we are considering investing helps us to remain level-headed in the face of irrational investor behaviour.

How do we avoid the mistake of irrational investing?

Our recommendation: First, do your homework. Know what you are buying. There are no shortcuts. Second, be selective. A framework suggested by Warren Buffett is to imagine you have a punch card with only 20 investing slots in it. Those 20 slots represent all the investments you can make in your lifetime. Under these rules, you would be limited to a finite set of opportunities and may be more compelled to think carefully about every investment you make.

Mistake #2: Buy High, Sell Low

Let's set the stage by considering the success of Black Friday shopping. With the Christmas shopping season approaching, retailers mark down thousands of products over one weekend at the end of November. As a consumer, if you can purchase gifts at a lower price, why wouldn't you do all your shopping when there are deep discounts? Economics 101 teaches us that when prices are low, demand grows, and as prices rise, demand declines. In short, people are generally motivated to purchase items when they are discounted, and sell or refrain from buying them when they believe they are fully or over-valued.

Unfortunately, this approach doesn't always hold true in the investment world. It can actually be quite the opposite. High prices often attract investors, leading to higher demand, while low prices seem to scare people away.

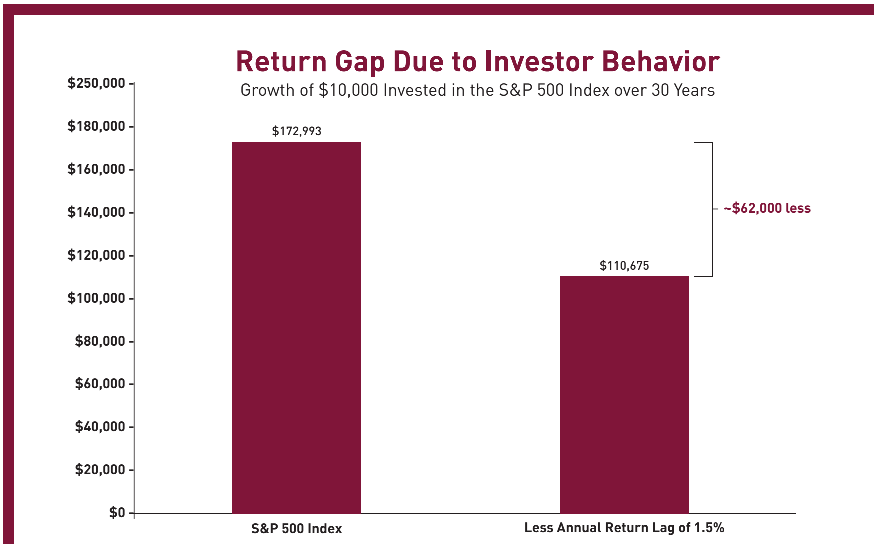


FIGURE 2 Data sourced from FactSet in U.S. Dollars as of Dec. 31, 2018

Rational thinking would have us apply what we do on Black Friday to how we purchase stocks. Ideally, we buy stocks when we perceive that they are undervalued. We believe doing so increases our potential to achieve an attractive long-term return on investment. This is because we expect market prices to move upward to reflect the fundamentals of the underlying business.

While this might sound simple in theory, it is difficult in practice. Our brains are wired to be fearful of market declines and to be comfortable when markets advance. In difficult periods, be mindful of Warren Buffett's advice to "be greedy when others are fearful, and fearful when others are greedy."

FIGURE 3 Source: Morgan Housel; data sourced from FactSet in U.S. dollars from Mar. 09, 2009 to Feb. 28, 2019

How do we avoid the mistake of buying high, selling low?

Our recommendation: When you experience volatility in the markets, train your brain to consider whether anything has changed in the fundamentals of the companies in which you are invested or interested. Lower prices may mean good stocks are on sale.

Don't panic in silence. If you are uncomfortable, discuss the news and market developments with a trusted advisor. Having a discussion with persons who can provide an objective and perhaps an experienced view will decrease the chances of jumping into or out of investments based on emotion.

Mistake #3: Trying to Time the Market

The goal of market timing is to be fully invested when markets are rising and safely out of them just before they begin to decline. To do this successfully, one has to be able to predict which way the stock market is going to move in the very short term. To make this prediction, people often rely on assessments of the economy, political developments, price charts or simply gut feel. A key challenge, however, is that our 24-hour global news feed generally sparks pessimism, which means it is not hard to find reasons to sell your stocks.

As an example, let's look at a graph of the S&P 500 Index over the past market cycle, which began after the global financial crisis of 2007–2009. This cycle has been one of the longest recorded periods of stock market advances and a truly spectacular time to be invested. Paradoxically, financial experts were frequently quoted in the media as saying, "The easy money has been made"—suggesting that your investments had done very well and that it was likely a good time to sell (Figure 3). In 2010, we had the Eurozone crisis and concerns that a number of European countries could not pay their debt. In 2011, the U.S. breached its debt ceiling and, as a result, U.S. government bonds were downgraded. In 2016, we had the beginning of Brexit.

With the benefit of hindsight, we can see that staying invested for the long-term was the right approach during these volatile times.

Complex, Adaptive Systems

Why is it difficult to forecast short-term market outcomes? It is because markets are complex, adaptive systems that are fundamentally unpredictable.

Complex, adaptive systems are ones in which a perfect understanding of the individual parts does not automatically convey a perfect understanding of the whole system's behaviour.

To illustrate, let us use the example of a traffic jam. Picture driving along a main highway when, abruptly, traffic slows ahead of you. You immediately slow down and so do those behind you. Within minutes, there is a traffic jam, causing agitation to many. The next group of drivers, a bit further behind, are alerted by their GPS systems to the traffic jam ahead and some divert to an alternate route. Before long, this alternate road is also jammed. There is a third group of drivers, much further behind. Do individuals in this third group choose to continue on the main highway or take their nearest exit? What do they think the other drivers are going to do? The actions of that third group of drivers are very difficult to predict.

Stock markets are similar. The behaviour of the system as a whole is difficult to predict because participants in the market are constantly acting based on their own set of objectives and predictions. The resultant interactions are generally impossible to foresee.

The cost of market timing

To time the market accurately, you need to

Clockwise from left: Rachel Davies; Micha Choi; Lisa Ritchie, Kate Mostowyk, Rachel Davies, and Anne Maggisano.

know exactly when to sell but also exactly when to buy back in. The challenge is that significant market gains are often concentrated in just a few trading days each cycle. If you sell out of stocks in anticipation of a decline, you may miss some of the best performing days.

If you had invested in the S&P 500 Index for the last 30 years and done nothing else, your investment would have increased over 17-fold. Alternatively, if you had tried to time the market, selling your stock investments when you believed a decline was imminent, you might have missed some of the best performing days of that period. If you missed just the 30 best trading days—the equivalent of one day per year—it would have cost you 80% of your gains, cumulatively (Figure 4).

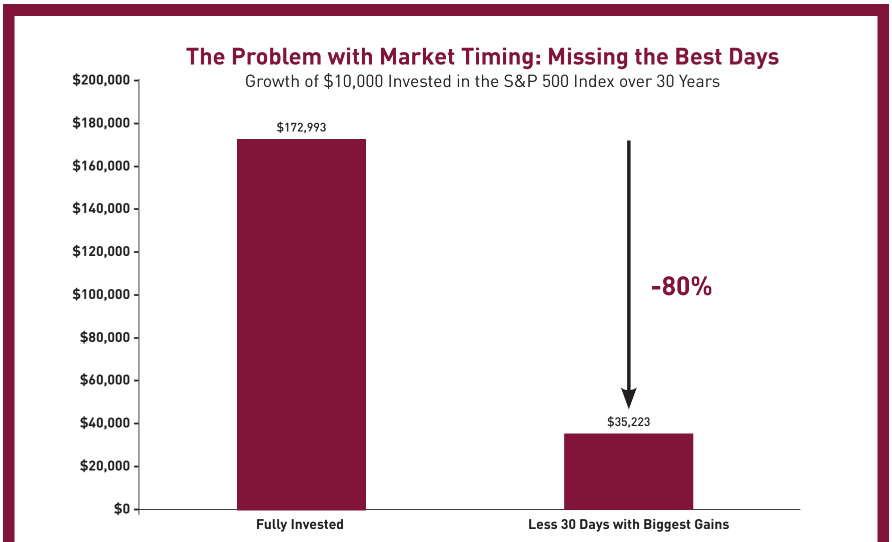


FIGURE 4 Data sourced from FactSet in U.S. Dollars as of Dec. 31, 2018

How do we avoid the mistake of trying to time the market?

Our recommendation: Recognize that predictions about the market are, at best, educated guesses; investors should ignore them.

Accept that volatility will happen. Have an investment strategy that you can stick to in all market conditions.

In the words of Nobel Laureate Eugene Fama, "Your money is like a bar of soap. The more you handle it, the less you'll have."

Sometimes, doing nothing is the best thing. It may seem counter-intuitive to do nothing, but applying an inversion lens will often determine this to be the best strategy for an investor, particularly one who applies value principals. Investing is a long-term endeavor and, like many things in life, requires patience.

Invert, always invert. **M**

SEIZING OPPORTUNITIES

A conversation with Kevi Begolli

By: Robyn Ross & Kevi Begolli

Kevi Begolli joined Burgundy Asset Management in 2017 as an Investment Analyst with a focus on high-yield fixed income. She came to Burgundy after gaining valuable credit analysis experience at two other industry firms.

Kevi earned a Bachelor of Commerce degree (Finance and Economics) at the University of Toronto's Rotman School of Management. She is a Chartered Financial Analyst Level 3 candidate. She is actively involved in Burgundy's outreach initiative to inspire young women to consider finance as a career option.

Robyn Ross: You made the bold decision to leave your home country of Albania and immigrate to Canada by yourself. What motivated your decision?

Kevi Begolli: I was 16 and interested in pursuing a business degree. I was evaluating universities in Europe and closer to home when family friends recommended that I look into the business program at the University of Toronto. I was impressed with its reputation for high-quality education and believed studying there would pave the way for great future opportunities. Setting my fears aside, I moved to Canada one year early to get acquainted with the curriculum and the university application process.

RR: What are some of the main challenges you encountered and observations you made in your early days in Canada?

KB: The first day of high school in Canada was very exciting, but I was also anxious about failing or not fitting in. I felt I was behind in every subject. I asked myself, "What's the worst that can happen?" In the worst-case scenario, I could return home and evaluate new study and career options. I knew that defeat was always a possibility, that there were no guarantees and that all I could do was try my best. I'm grateful for this experience as I've learned that, despite challenges, if you have the right attitude, you will emerge stronger and smarter. Coming from outside of North America, I also had an open mind about business opportunities. When I talk to young women here, I find them often opting out of Finance because they grew up with a perception that the industry may not be female-friendly. I had none of these stereotypes blocking my career view when I started my Bachelor of Commerce degree.

RR: Many business school students choose strategy consulting or investment banking, but you chose a different path. Why did you decide to focus on finance, and on fixed income in particular?

KB: I was at the Rotman School of Management during the period immediately following the Great Financial Crisis, so naturally there was a lot of emphasis on the role and consequences of debt in the economy. It wasn't until my final year at Rotman that I took my first Fixed Income Securities course. I found it fascinating. The professor had spent most of her career in corporate bond origination and had worked with many businesses to help them borrow money in the Canadian market. She brought debt documents issued by various companies for us to analyze in class and taught us how to understand a company's motives for raising debt. This sparked my interest in learning more about credit analysis.

Though I didn't know where this would lead in terms of long-term career prospects, I thought it would provide me with a unique skillset that I could leverage throughout my career.

RR: What does a Credit Analyst do?

KB: Businesses constantly borrow money from investors to fund their operations. From the point of view of those investors, credit analysis is crucial to understanding and assessing the risk/return proposition.

An important part of my job is to understand the robustness of a business and evaluate the downside risks. I need to understand what can go wrong and analyze the worst-case scenarios. I try to avoid complacency in my thinking by seeking out opposite arguments and views. I look for companies that possess a safety margin to survive future adverse events as well as a strong ability to pay their current and future debt obligations. To do this, I am constantly challenged to understand businesses and industry shifts.

RR: What is your advice for young women interested in Finance?

KB: I advise young women to open their minds to many opportunities, and to explore and discover for themselves what career path might be right for them. The opportunities in capital markets are broad, and gaining experience through co-ops and internships will help them better understand the choices available. Variety of experience is valuable. Even a few months spent on a different side of the street will give you insights that will help make you a better investor.

I always learn the most when I step outside of my comfort zone. In general, my journey has been unconventional relative to family and social norms, but I was able to find my way. You don't need to know exactly what the end game is; it's important to have a positive attitude, enjoy the learning process, research your choices and be open to opportunities. You are more in control than you think.

RR: How do you define success?

KB: Success for me means working to

"You don't need to know exactly what the end game is; it's important to have a positive attitude, enjoy the learning process, research your choices and be open to opportunities. You are more in control than you think."

reach my full potential. I believe that you need to be internally motivated to improve and to achieve success. I am fortunate to be in a job that is intellectually stimulating and ever-changing, and where I am always learning. I work with people who inspire me every day and push me forward. I need to be creative and resourceful in collecting and interpreting information and forming conclusions in my role as a credit analyst. This draws on both left-brain and right-brain thinking and allows for continuous self-improvement.

RR: What have been the constant influences in your life that have shaped you into the person you are today?

KB: My family has been the most important force in my life. They instilled in me discipline and passion for continuous learning and improvement. They worked hard for me to be able to receive a good education and taught me to have a positive attitude towards life. Their own journeys, their teachings and their trust in me are my biggest motivators.

I was independent from an early age and as I matured I discovered that overcoming the fear of uncertainty has helped me grow. I remind myself constantly to stop thinking about how to prevent failure and to remain open to opportunities. I try to surround myself with role models and mentors that hold me accountable, believe in me and push me outside of my comfort zone. Long-term thinking, patience and perseverance are approaches I use to help me overcome the fear of failing.

RR: What has been your biggest life lesson?

KB: My biggest life lesson has been to follow my own path. Everyone has a unique way of engaging with the world. Trying to simply follow someone else's path or comparing myself to others' success has been counterproductive. Setting my own priorities and my own direction has helped me learn and improve. It helped me stay focused and discover a career that is fulfilling for me.

RR: What does the future of women working in Finance look like to you?

KB: I am very optimistic about the future of women in Finance, particularly in investing. Women are very under-represented in wealth management, but I believe that the industry understands that there is a problem and is taking steps in the right direction. Education and role models are crucial to attracting and retaining women in the industry. It's up to the asset management industry as a whole to act with this long-term mindset, to break down unconscious bias, and to educate and develop women. As the industry's environment and attitude changes, I am confident that more young women will be drawn to careers in investing. **M**

Remembering MADAME RAILROAD

How Isabel Benham paved the way for women

Photograph courtesy of the Museum of American Finance

IN 1964, at the annual general meeting of Great Northern Railway, President John M. Budd singled out Isabel Benham as a "careful and thorough student of railroads."[1] It was a testament to her reputation and credibility as a top railway analyst, a position she earned after years of studying Moody's rail manuals, reading annual reports, meeting with institutional investors, and riding the rails to perform on-the-ground railroad inspections. The depth of her knowledge of the U.S. railway industry ultimately earned her the nickname "Madame Railroad."

Benham was born on August 4, 1909, in New York State[2]. She attended Bryn Mawr College, a women's liberal arts college, where she indicated her interest in working on Wall Street. The Dean suggested she pursue a secretarial path but Benham persisted. She lobbied the school successfully to provide her with an economics education and became one of five women to graduate with an economics degree in 1931. With the help of her father, a Presbyterian minister, she enrolled in a six-month course on selling bonds run by Guaranty Trust Company.

Her arrival on Wall Street in 1932 coincided with the Great Depression[3]. Jobs were scarce, especially for women, and in order to make ends meet, Benham took a part-time job selling subscriptions for the *New Yorker* magazine. At the end of every unsuccessful interview with Wall Street executives, she would ask them to buy a magazine subscription—and feeling guilty for rejecting her, they often did.

Benham accepted her first Wall Street job with the Reconstruction Finance Corporation, a federal agency created by President Herbert Hoover to lend money to distressed banks and railroads during the Depression. In 1933, she accepted a position as a statistician and analyst at R.W. Pressprich & Co.[4], focusing on the railroad industry. By 1940, she was leading the transportation research department. In 1948, Benham was elected President of the Women's Bond Club of New York, a significant achievement that merited reporting in the *New York Times*.

Benham's career was marked by numerous firsts. In 1964, after almost three decades with R.W. Pressprich & Co., Benham became the first female partner in the firm's 55-year history and the first woman to achieve such a position at any Wall Street bond house. She went on to become the first woman to be on the Board of Directors of a railroad and one of the first women to hold a seat on the New York Stock Exchange.

Benham's career continued until 1992, when she retired at the age of 83. Recognized by the Museum of American Finance in New York as a Wall Street pioneer, she also recognized her own place in history. "A lot of firms hired women because I was a success," she said. Benham passed away in June 2013[5] at the age of 103, leaving behind a legacy that continues to inspire the generations of women investors that follow. **M**

ENDNOTES

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5 Obituary, New York Times. 2013. August 6, 2019. https://www.legacy.com/obituaries/nytimes/obituary.aspx?n=isabel-benham&pid=165268999

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