Millennial Voices: stories from the heart of the investment industry
Authentic Investor

Authentic Investor is a not-for-profit initiative that seeks to cultivate the alignment of values, purpose and sustainability with day-to-day work in investment organisations. Its premise is that we need an investment system that both provides the means for material comfort and broader wellbeing for societies and individuals, and facilitates the urgent action required to tackle climate change, address inequality and promote high ethical standards in finance and business.

Authentic Investor rests on the belief that:

• the root cause of our most pressing problems lies in the separation of 'value' from 'values', in thought, words and actions; lasting solutions to these problems require us to re-connect these two realms within ourselves and by extension in the external world;

• behaviour change is driven by values and emotions, not just technical arguments or financial incentives;

• openly acknowledging values will spur innovation and creativity, unlocking new opportunities to combine required financial returns with sustainability; and that

• personal authenticity for people at all levels in investment institutions will foster individual fulfilment and healthy organisations.

Authentic Investor was founded by Rob Lake, working closely with numerous people in the institutional investment community. Rob has worked in sustainability since 1987 and in responsible investment since 2001. Since 2013 he has worked independently, advising pension funds and asset managers worldwide. He previously worked for Henderson Global Investors (London), APG Asset Management (Amsterdam) and the UN-supported Principles for Responsible Investment.

Further information on Authentic Investor is available at https://www.authenticinvestor.org/rob.lake@authenticinvestor.org

What is Millennial Voices?

We hear a lot about the challenges that millennials pose for the investment industry – as the inheritors of their affluent parents’ wealth; as savers in defined contribution pensions; as retail clients; as employees. Most of what we hear comes from industry leaders and commentators. We don’t often hear from millennials themselves; and even less often from millennials inside the investment industry.

Millennial Voices is a collection of six short articles written by people aged between their late twenties and late thirties working in the investment industry in Canada, the Netherlands, the UK and the US. The authors write with passion and sometimes pain about their struggles to align their sense of purpose with the culture and values of their organisations; the compromises they feel they have to make; and their views on the changes the industry needs to make.

These articles are not offered as a statistically valid representation of opinion among millennials in the investment industry. The authors all work in sustainability (‘ESG’) roles – as portfolio managers or analysts. Yet given the rise of ESG in the investment market and the scale of the environmental and social challenges facing us all, these writers are uniquely well placed to reflect on some of the most profound challenges facing the investment industry today.

There is no doubt that the investment industry is changing rapidly in response to sustainability challenges such as climate change, pressure from clients and pension beneficiaries on a range of social and environmental issues, and the ever-growing expectations of society at large – which continues to be mistrustful of finance as a whole in the long shadow of the financial crisis.

Yet these writers’ contributions suggest that to thrive in the future, investment organisations will have to pay as much attention to their culture and the human dimensions of how they work, as to products, processes and financial performance.

These voices speak for themselves.

Four leaders of the investment industry also provide their reflections here on the themes explored by the millennial writers.

I hope you enjoy Millennial Voices and that it provides food for thought.

Rob Lake
Founder, Authentic Investor
‘Maybe especially for millennials working in sustainability within the investment industry, it’s challenging to, mmm ... I guess to just be. You’re already seen as a naïve tree hugger by the very fact that you are a millennial, and even more since you work in sustainability – double softy! Do NOT use the words “better world” in your organization, because people will stop taking you seriously. When discussing my personal year plan with my manager, he asked me why I wrote down the words “contribute to a better world” and told me to go do that before 9.00 am and after 5.00 pm.’

Asset owner, The Netherlands

‘A role in (responsible investment) is essentially one of changing the capital markets from within. It requires a bit of grit. And perhaps most of all, it needs empathy: most of our colleagues won’t thank us, many may actually oppose, and the only reasonable way to respond is to understand that we are in a gradual process of winning hearts as well as minds. […] My earlier career and life choices gifted me with resilience born from facing hardships, the capacity to reflect on intentional choices, the courage to follow my heart, and the ability to draw on an outsider perspective to shed light on universal truths with others. These seem to be more important qualifications for lasting and making a difference in this role, and probably for living a meaningful life.’

Investment manager, United States

‘I wasn’t meant to end up in responsible investment, but I fell into the industry soon after my masters and have remained. In the early years it was hard to face the dismissiveness, even bullying, for believing that investment should factor in what happens to society and the planet over the long term, as well as deliver returns. I’ve learnt that as a female millennial one should not use the words “doing good” or “positive impact”. They seem to turn investment colleagues off and certify you as a tree-hugging/Mother Theresa type.’

Investment manager, UK

‘In adjusting to the corporate culture, [my] values have been refined by realism and suppressed by cynicism. […] The unconventional and ‘can-do’ attitude of Silicon Valley has probably inspired my version of the kind of asset management firm I’d like to work at. Internally, the freedom to be yourself would be encouraged, facilitated by ease of remote working and removal of formal dress-codes. Yoga and meditation would be offered at work or subsidized. Pay based on the performance of the individual, team and firm, (including feedback to capture qualitative factors like culture) with ranges disclosed at each level up the career ladder. Externally, radical transparency would help build trust with consumers – honest disclosure of the limitations of our impact as capital market participants would be made clear (with respect to issues such as climate change), as would our firm’s position on public policy and government lobbying.’

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As a millennial – but mostly as a human being – I believe we must reflect on our own impact and footprint, and rethink our relationship to consumerism. In this spirit:

• How can the investment industry evolve in a world in which less is more?
• Is “sustainable growth” a “sustainable ideology”?
• With the rising popularity of Impact investing: will scaling up have a dilutive effect?’

Asset owner, Canada

‘Research on millennial attitudes towards career and workplace shows that young people value a sense of purpose and impact on society when considering job opportunities. I believe this is equally true for young people in finance. […] To meet the needs of both millennials employees and clients, however, the industry has some ways to go. Internally, firms can begin by creating more venues for employees to voice their views on social values of investment decisions. Allocating appropriate time and space for discussion places social and environmental issues on the agenda and gives permission to professionals to express their views without judgment.’

Formerly asset owner, now impact investor, Canada
Reflections by investment industry leaders

‘It is comforting to read these articles and to realize that the next generation is wise and brave enough to identify the important fact that you can’t separate the work that you do from who you are and the world that you live in. It’s not until you find the right things to do, in line with who you are, that you can change the world. And there are obviously a lot of inspiring and talented voices out there that are ready to take on that responsibility. I am very grateful and impressed by them.”

Eva Halvarsson – Chief Executive, AP2, Sweden

‘My primary reaction to reading these accounts is anger. I want to take the words they have learned not to use, “better world”, “doing good”, “positive impact” – and to shout them at our industry. What else are we here for? Will our clients thank us for that return, quoted to two decimal places, if we have cooked the planet? To say that is not part of our role is to shirk the responsibility that goes with our privileged existence.

My second reaction was apprehension. Will we have crushed these spirits before they inherit the leadership of our industry? Have we left things too late? My hope is that my generation will rise up and provide genuine leadership so that these millennials, when it is their turn to lead, will have some momentum to work with – and will thank rather than curse us.’

Tim Hodgson – Founder, Thinking Ahead Institute, WillisTowersWatson, UK

‘The leaders of the investment industry need to hear the voices of those who will live on the earth long after they are gone. They should understand the fears, the hopes, the aspirations of the millennial generation.

The tragedy of the horizons for the investment industry is the risk that a sequence of rolling three to five year incentivised financial returns which have no regard to the health of the planet will result in a world which the millennials will not want to live in. Meaningful measurement of the planetary impacts of our investment activities is needed to avoid this tragedy. The voice of the millennials should help share this measurement process.’

Russell Picot – Chair, HSBC UK Pension Scheme

‘There are three themes that come out clearly from these essays. The first is that the writers have grasped the fundamental truth that the accumulation of wealth is simply a means to better life later on and not an end in itself. Secondly, that the separation between the self and one’s job in the workplace is both harmful and inefficient. Finally, that there is no point in investing capital if in the process we are laying the foundations for the future disintegration of the ecosystem of the planet and of societal stability. I am deeply impressed by what I read and incredibly hopeful as a result.’

Saker Nusseibeh – Chief Executive, Hermes Investment Managers, UK
I was asked to set out my thoughts on the investment industry, as a millennial. My first reaction to that question was no, I don’t want to do that. Because my experience of being looked at as a millennial in this industry is mixed. Some value the ‘fresh eye and different ways of thinking’ of a millennial, but others see ‘us’ as the generation that doesn’t want to work too hard, is only looking for happiness, thinks they already know everything. Millennials don’t have a long track record, and that’s exactly what investment people are so keen about: track records. Sometimes I feel that in the investment world a millennial is seen as a teenager or a student. At least, not as a professional. Hence, I was not too enthusiastic about writing this article at first. However, having these thoughts made me realize that precisely this is the issue. So then I decided to speak up – anonymously though.

So apparently millennials are ‘only looking for happiness’. You might have noticed that I put those words under the negative thoughts about millennials. This makes me wonder: so looking for happiness is not a good thing? I recently started working 4 days instead of 5. Just because I feel there is more to life than only work. This doesn’t mean that I’m not ambitious. But it turned out that that was indeed the thought of many of my (older) colleagues. Some admitted they thought that I had given up on ambitions, or that I didn’t want to take my responsibilities anymore. The funny thing is: in this organization and industry, I feel a bit embarrassed when I tell I went from 5 to 4 working days. Outside, I feel proud.

The other day we had a debate about the role of the responsible investment team within the organization. Two options were given. When I said that I think both options are relevant, I was immediately called a millennial who is not able to choose or make decisions, ‘because anything goes’. Maybe especially for millennials working in sustainability within the investment industry, it’s challenging to, mmm ... I guess to just be. You’re already seen as a naïve tree hugger by the very fact that you are a millennial, and even more since you work in sustainability – double softy! Do NOT use the words “better world” in your organization, because people will stop taking you seriously.

When discussing my personal year plan with my manager, he asked me why I wrote down the words “contribute to a better world” and told me to go do that before 9.00 am and after 5.00 pm.

Here is what I am most struggling with, working in the financial sector: I think the world – that’s all of us – needs a paradigm shift for being able to sustain. Striving for maximum growth is not maintainable. Likewise, I think we should stop striving for maximum, or even market-rate, financial returns. We need to think about new sorts of non-financial returns, for the beneficiaries of the money we invest. What real things do they need? When I retire, I want to have a comfortable place to live in, an environment with enough nature to spend my days in, enough food to eat, enough health care, enough love and connection. I’d love to talk with colleagues about this, and about the role of the financial sector in changing the paradigm, but sometimes I don’t dare. Because there she is again, that millennial tree hugger.
My first couple of years of working a corporate job I experienced as a kind of out of body experience. Coming from the NGO sector, where colleagues were energised and passionate about world affairs, the corporate environment fostered concealment and caution in expressing one’s true feelings, questions, and faith.

In ways both subtle and direct, the graduates in my year – all women – were taught to fit into the firm’s social (masculine) norms. These included competing with one another for ‘quality’ work from senior partners, working whatever hours it took to get the job done without complaining or admitting the extent of the personal toll, and striving towards the amorphous goal of ‘being likeable’ – good humored but not flippant, personable but not too empathetic, serious about work without being too ambitious.

We were vulnerable and impressionable. And with no work experience or credibility behind us, the stakes for success were personally high and deeply tied to our sense of self-worth. I wish I could say that the graduates banded together in shared support, but an environment permeated with competition and fear overwhelmed our group’s culture.

After a few years of this I found myself pursuing an MBA, rather than that Masters in public policy or human rights, convincing myself that the private sector would be a more scalable way to effect long-lasting positive impact. Again I was playing the role of outsider. Coming from a ‘non-traditional’ background, and never having even heard of the GMAT until a couple of months before applications were due, I struggled through the finance courses to keep up with my consulting and banking classmates, seeking and hoping for a way to bring it all together into a purposeful line of work.

They advise you in business school not to make the ‘triple jump’ coming out: a change in role, geography and industry all at once. Ignoring that, I transplanted to Asia, without any real language skills to speak of and a much thinner network, armed only with a drive born of curiosity and a belief that it was just important to build bridges with a region so critical to the future of the world. With persistence and patience with a relatively foreign and sometimes hostile environment, I slowly built a base, a community, and ultimately a career.

Did any of this prepare me to work as a responsible investment professional in a large global investment firm? Well, not explicitly. However, a role in this industry is essentially one of changing the capital markets from within. It requires a bit of grit: we generally write our own job definitions where the measures of success are ambiguous. It calls for grunt work: much of what we do is patiently seek ways to connect a holistic vision of the long-term future with drivers of present value, with only the limited language and tools of short-term financial returns available to us. And perhaps most of all, it needs empathy: most of our colleagues won’t thank us, many may actually oppose, and the only reasonable way to respond is to understand that we are in a gradual process of winning hearts as well as minds.

Of course it gets frustrating. And I fairly regularly worry that our industry won’t be able to move corporate and investment norms quickly to align with the conditions for a sustainable planet and prosperous community, before some terrible turning point is passed. However, perhaps much more so than my qualifications on paper, I believe my earlier career and life choices gifted me with resilience born from facing hardships, the capacity to reflect on intentional choices, the courage to follow my heart, and the ability to draw on an outsider perspective to shed light on universal truths with others. These seem to be more important qualifications for lasting and making a difference in this role, and probably for living a meaningful life. And for that I am grateful.
Millennial Voices

3. Investment manager, London

Who will we say we were really doing all this investment for?

I wasn’t meant to end up in responsible investment (RI), but I fell into the industry soon after my masters and have remained. In the early years it was hard to face the dismissiveness, even bullying, for believing that investment should factor in what happens to society and the planet over the long term, as well as deliver returns. I’ve learnt that as a female millennial, one should not use the words “doing good” or “positive impact”. They seem to turn investment colleagues off and certify you as a tree-hugging/Mother Theresa type. So, as I’ve washed feet over the years, I’ve pondered why this is.

My first hypothesis is that investors think that doing something values-driven is unprofessional, a sign of weakness, and you don’t want to show weakness in finance, especially if you’re a man! Instead, you must be an investment automaton, whose sole purpose is to outsmart the market and make money for clients. The second is that people don’t think that investment has a role in “doing good”, and what happens to society and planet is “somebody else’s” responsibility. This isn’t because they set out in life to screw others over. No, my colleagues have invariably been lovely people; they just don’t see doing that sort of thing as part of their job, or they’re not allowed to. Consequently, as I’m sure you can imagine, not being an automaton, believing that investment can profit responsibly and that all of us are responsible for society and planet, has been tough. But I’ve grown thick skin, stopped washing feet and now RI/ESG/ “doing good” is on everybody’s lips.

But why is this so hot right now? Is it because it throws a life-line to active houses who might otherwise be obliterated by low-cost passives? Is it us millennials? Or is it because people are realising they want a world to retire into?

All investment training says that the purpose of investment is to make money on our clients’ money, so their beneficiaries can retire safely. This training also says that a stable market is needed to ensure stable, long-term returns. But for a stable market, don’t you need stable people and planet? Let’s take a moment to review the world of today. In the past two weeks, I count record heat waves and wildfires in five different countries and a very small timeframe to halt climate change. There’s a plastic island three times the size of France in the Pacific Ocean and nationalist sentiment is at an all-time high.

Millennials are not saving for their pensions and struggle to buy a house. We’re staying (unhealthily) alive for longer, half of us are likely to get cancer and apparently most black and brown people are either drug dealers or terrorists. Does this look stable to you?

Now, I’ve heard the following comments in investment meetings and I wonder if they sound familiar to you? These issues are for the government. Our company does a lot of recycling. Our clients haven’t mandated us to solve these issues. These long-term issues won’t impact earnings today. We get measured quarterly. We can only do a 3-5 years time horizon. This is an ethical thing. We have a fiduciary duty to ensure optimal returns for our beneficiaries; ESG equals underperformance. Our focus is the underfunded DB scheme. Capitalism means winners and losers. Climate change isn’t happening. We can’t ask all our beneficiaries what they want. Yes, some of these are valid comments, but many are based on incorrect data. They also skirt around the fact that today’s decision impacts somebody else’s tomorrow.

As this is anonymous, I want to reflect who makes investment decisions. The average age of a pension fund trustee is 54 and the average age of a fund manager is 49. There is a 90% likelihood that they will both be white, male and from an upper middle class/highly educated background (by the way, this research finds that fund managers from lower income backgrounds outperform managers from top income backgrounds by over 1% pa). On average, the fund manager will be paid a base salary of £90,000 pa and their performance will be measured quarterly, against a benchmark made up of funds run by similar people. Therefore, saying this with the utmost respect, can these privileged, older men easily understand what their actions today mean for society in the future? Furthermore, and to be fair to them, is the industry allowing them to explore these more purposeful questions?

As I think about raising a family, I’m left wondering what sort of world a child will inherit. If that “somebody else” hasn’t sorted out the problems mentioned above, what will my child do? And if she turns around to me and asks why I didn’t do something to make this all better, who will I say we were really doing all this investment for?
When I started out as a 25-year-old sustainable investment analyst, my values were typically liberal and my motivation was to make a difference whilst making a living. In the hubris of youth, I wanted to work from within the system that was causing ecological stress on the planet in order to understand it and prevent a steam-powered collision with climate change. In adjusting to the corporate culture, these values have been refined by realism and suppressed by cynicism. Strong ideas of right and wrong have been subdued by a deeper understanding of complexity.

I like thinking of investors as metaphorical gardeners with a watering-can, capital as the water and securities as plants. Despite controlling the water-supply to our economic garden, asset managers have much less potential for impact than I had previously imagined. We keep capital markets efficient by watering those companies we deem to have the strongest prospects for growth and yield. The more we stray from this core purpose the more cognitive dissonance we experience. There are, of course, ways of investing more sustainably (by taking a longer-term view) but we cannot do the right thing unless it is also the most profitable, or else we too will get overlooked by the capital watering-can.

If I had understood these limitations, I may not have embarked on a financial career; but I am grateful for knowing them now. ‘Impact’ in the secondary markets is largely limited to improved governance structures on corporate boards and more informed discussions of climate change. Despite a deep understanding of the sources of emissions, why they are rising and the devastating impact they are having on our global ecology, yet we somewhat impotent to prevent these dynamics playing out.

Having looked to the economy and society for answers but finding few, I turned to spirituality - a silent retreat exposed the neurosis in my own mind that I could see was the common birthplace of all violence in society and the environment. I am concerned that government, both right and left, does much to exacerbate such neurosis and maintain a status quo of competitive nationalism.

After finding such peace in silence, I found re-adopting my corporate ego particularly difficult and was close to resigning until an opportunity came up to work in California, offering the perfect opportunity for a fresh start. The unconventional and ‘can-do’ attitude of Silicon Valley has probably inspired my version of the kind of asset management firm I’d like to work at. Internally, the freedom to be yourself would be encouraged, facilitated by ease of remote working and removal of formal dress-codes. Yoga and meditation would be offered at work or subsidized (we actually already have this). Pay based on the performance of the individual, team and firm, (including feedback to capture qualitative factors like culture) with ranges disclosed at each level up the career ladder. Externally, radical transparency would help build trust with consumers – honest disclosure of the limitations of our impact as capital market participants would be made clear (with respect to issues such as climate change), as would our firm’s position on public policy and government lobbying. We would also be better at leading by example in terms of being more efficient with our time and resources. Our intellectual understanding of the economy and how that impacts society and the environment would be better communicated with the wider public. This education, as well as our core role as economic gardeners, is how we can give back to our global community.
The tragic tragedy

It all first started as a Tragedy of the Commons. Most recently, it has evolved into a “Tragedy of the Horizon”. No matter how they are described or called, both tragedies share one fundamental aspect: they relate to unsustainable growth.

The investment industry has a substantial role to play, in the way it understands value creation, allocates capital, and influences (or drives changes) in the corporate world. Today more than ever, it is not only a question of value, but of values.

I have studied finance up to a Master’s degree, with a great deal of dissatisfaction concerning its most intrinsic values: short-termism, limited responsibility of corporations (leading to colossal externalities), shareholder supremacy, etc. This led me to contemplate other fields of studies, and to complete a second Master’s Degree, in Environment.

I now paradoxically work for one of the largest institutional investor of Canada... How so?

I mainly chose my current employer for its mission statement, which consists in achieving an optimal return on capital, as opposed to a maximal return. I thought, and still think, that focusing on generating an optimal return paved the way to integrating myriad factors into the investment decision, including Environmental, Social and Governance factors.

I recently heard a panelist saying “responsible investors” needed to be extremely careful in the way they applied their own personal values on the beneficiaries’ returns. I however feel that we have been doing exactly that over the last decades: imposing financial values to the beneficiaries’ returns – with mitigated results.

As a millennial – but mostly as a human being – I believe we must reflect on our own impact and footprint, and rethink our relationship to consumerism. In this spirit:

• How can the investment industry evolve in a world in which less is more?
• Is “sustainable growth” a “sustainable ideology”?
• With the rising popularity of Impact investing: will scaling-up, have a dilutive effect?
There’s a memorable piece of advice I recall from campus recruiting as a business student. A Managing Director from a Canadian bank said at a networking reception that “the only way into the industry is to get in the elevator at the ground floor, the one that’s right next to the Starbucks.” I mention this because it’s somewhat emblematic of the challenges young people face upon entering the investment industry. Working in finance offers young people one of the best ways to learn quickly from some of the smartest people. In turn, we dedicate long hours to learn the ropes and hope to assimilate into the workplace culture, often one that’s hierarchical, driven by short-term outcomes with no avenue of discussion for the social value or impact of investments.

That wouldn’t be an issue if we were one-dimensional beings. However, it shouldn’t come as a shock that people, and especially young people, care about the world. Research on millennial attitudes towards career and workplace shows that young people value a sense of purpose and impact on society when considering job opportunities (see WEF, Global Shapers Survey). I believe this is equally true for young people in finance, some of whom will find direct opportunities for impact, beyond corporate social responsibility initiatives, lacking, and the singular remuneration-driven culture, limiting. A growing body of literature has also emerged to highlight the attitudes of millennial investors and their desire to create social impact. Coupled with these trends is the anticipated inter-generational wealth transfer to millennials where in North America alone, baby boomers are estimated to pass on $30 trillion in assets to their children in the next three to four decades (according to Accenture).

In many ways, the industry has recognized environmental, social, and governance (ESG) investing as a major market segment. To meet the needs of both millennial employees and clients, however, the industry has some way to go. Internally, firms can begin by creating more venues for employees to voice their views on social values of investments decisions. Allocating appropriate time and space for discussion places social and environmental issues on the agenda and gives permission to professionals to express their views without judgement. Firms will also benefit from creating professional development opportunities for junior employees interested in sustainability and social impact, even if they are not in ESG roles. From a client perspective, retail-facing firms can create more impact products and services for millennial investors, the majority of whom currently don’t have access to existing impact investing products which are mainly aimed at accredited investors.

It’s shocking to me that according to CFA Institute research, only 11% of industry leaders describe the impact of the investment industry as very positive for society. This is in stark contrast with the impact intentions of young people today. While reflecting on this dichotomy, I was reminded of another piece of advice, from Aristotle: “Where your talents and the needs of the world cross; there lies your vocation.” I hope that senior leaders and young employees alike in the investment industry can reflect on this and consider it their call to action to realign their work and values.

Millennial Voices

6. Formerly asset owner, now impact investor, Canada

A call to action: re-aligning work and values