

# Stewardship

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As a young graduate recently out of business school in 2009, I had a chance to meet Angus Tulloch of the then First State Investments (an Edinburgh based firm) at their offices in Liverpool Street, London. Of all the things I remember, one which was his humility to enquire about my opinion (I knew practically nothing) on Mahindra Group as I was a past employee there, he got to explaining this idea on '*Stewardship*' of capital. I did not think much about it back then as I wondered it must be just another way to explain fiduciary duty as a money manager.

Months passed and by which time I had earnestly begun my journey of self-educating myself and unlearning whatever formal education had drummed upon me. It did not take long to realise that my path to someday overseeing money the '*Buffett or Schloss or Munger or Tulloch*' way was to go through self-actualisation, self-discovery, learning by looking, reading, and observing rather than the standard CFA textbooks which later I realised was an utter waste of time. My business school education wasn't different either. They don't teach promoter behaviour of a company in textbooks, but it is one the most important factors on how a company performs through time. How about psychology? or incentives?

Most of my journeys to and from work, and evenings were spent on reading about history (which I would thoroughly recommend to anyone who wanted to understand humans, capitalism, or economics). Climbed the steep hill of learning from *The Wealth of Nations- Adam Smith* with an intent to consume economics but promptly figured out it was rather a history book. It did not fail to teach me fortunately, most importantly, the power of incentives, or twisted economics, or illogical policy making. Financial statements for hours each day burning the midnight oil formed my late-night activity for many years.

Over the course of time, I was heavily influenced, and still am influenced to this day, by Presbyterian, or the Protestant work ethic also known as the *Calvinist work ethic* which emphasized diligence, discipline, and frugality in a person's life. Historians like David Landes (Harvard) widely researched influence of Calvinist doctrines of asceticism and predestination on rise and spread of capitalism. Its effects would result eventually to the rise of the mighty USA.

The success of companies like Jardine Fleming (Jardine Matheson), which has Scottish ancestry and roots in the Keswick family, or giant investing groups like Aberdeen (Aberdeen), Standard Life (Standard Life UK), Baillie Gifford, or Scottish Widows (Scottish Widows), all of which have stood at the forefront of international investing for generations, is no accident. These enormous houses were able to endure challenging times like the *Great Depression* when others failed thanks to their prudent long-term attitude to investing. If we looked more closely at their approach, we would find influences where the Presbyterian values of diligence and discipline were strong. It primarily gave rise to the concept of *Stewardship*, which is the act of managing others' investments with the same diligence, care, and deliberation with which we manage our own. The rights and obligations of the businesses invested in were also covered by this notion.

In short, investment must be handled with *Stewardship* and should be allocated to those companies where shareholder investments are also treated with *Stewardship*. Mr. Tulloch was explaining a deep cultural and historical idea which I could simply not comprehend during the meeting.

Why do I speak of *Stewardship*? The last couple of years for anyone dealing with markets have been tough. Wild gyrations, coupled with stagflation fears and high interest rates raised serious questions on long term prospects of companies. We are still not out of the woods with inflation being persistent.

This vicissitude combined with the fortunate situation to be in a position to have complete responsibility of life savings (some in hundreds of thousands, some in millions) of most of those who have entrusted their faith upon me drew home the cognisance that I am not in the business of money management but rather hold a *Stewardship* position in their lives.

I have recognised that this position holds great responsibilities, first and foremost of that being truthful with brazen honesty about the mistakes that I have made, and what I could have done better. Even greater, the responsibility to perform at one's full potential to reciprocate on the trust placed is also huge. This means taking risks where it's due and doing what is best at any given point in time, without hesitation. No window dressing, no '*management*', something so prevalent in the rest of the industry.

Only some get this, many won't their entire lives. Money for them will remain just a number to be managed to set benchmarks. To me, it represents something much deeper.