

Epoch Investment Partners Inc

Epoch founder predicts a technology dividend age

Stockpicker Bill Priest on the digital era's 'second industrial revolution'

CHRIS FLOOD

Bill Priest has an infectious enthusiasm for the investment world even after a career in finance spanning more than half a century.

"Investment is the most fascinating game in the world. There's always something to learn," says the chief executive of Epoch Investment Partners.

New York-based Epoch has grown to about \$60bn in assets under management and advisory from \$640m in 2004 when it was launched by Mr Priest and his three founding partners.

It is the second investment company Mr Priest has created. He also co-founded BEA Associates in 1972, a business that was acquired by Credit Suisse in 1990. BEA became the cornerstone of Credit Suisse Asset Management Americas business with Mr Priest as CEO and then expanded further through the acquisitions of the asset management arms of Warburg Pincus and brokerage Donaldson, Lufkin & Jenrette.

But Credit Suisse's strict age policy of "60 and out" for senior executives compelled Mr Priest to "retire" against his wishes in 2001.

"I was aware that such a policy existed. I just didn't



think it would apply to me," says the 76-year-old to whom the idea of retirement still remains anathema.

The industry veteran has developed strong views on how a successful asset management business should be run.

"If the client doesn't win, we don't deserve to win. There's an old saying that Wall Street wants to combine its experience with the clients'

money and turn that into Wall Street's money and the clients' experience. And I think that's wrong," he says.

He insists that asset managers can balance the pursuit of profits while being aligned with the interests of clients.

"The gap between the interests of asset managers and assets owners has to be as small as possible. If the asset

Epoch Investment partners

Founded 2004

Assets \$60bn including \$10bn under advisory

Employees 113

Headquarters New York City

Ownership TD Bank subsidiary

management company is not built around the client, then you have a real problem," he says.

Epoch was acquired in 2013 by Toronto-Dominion Bank of Canada, a deal that Mr Priest was initially reluctant to sign after seeing the CSAM business dismembered following his departure. All hiring and firing decisions, pay and bonus agreements remain under Epoch's control while TD has provided additional capital to seed new investment strategies and a far broader distribution platform.

"The history of these deals is terrible. I was afraid that Epoch's culture might be destroyed. But working with TD has enhanced our credibility," he says.

Around a third of Epoch's assets are managed in its Global Equity Shareholder Yield strategy, a portfolio of 90 to 120 companies that generate substantial free cash flows and return capital efficiently to shareholders through dividends, debt reductions or share buybacks.

Mr Priest catchily describes Epoch's flagship strategy as "the single most efficient dividend collection machine in the world".

It has been designed to

 <p>CV</p>
<p>Born September 24, 1941</p>
<p>Total pay Not disclosed</p>
<p>Education 1959-63, Duke University 1963-65, University of Pennsylvania, Wharton Graduate School of Business</p>
<p>Career 1966-72, Fundamental Investors (Elizabeth NJ); 1972-2002, Co-founder and CEO of BEA Associates, CEO of Credit Suisse Asset Management Americas following its acquisition of BEA 2004-present, Co-founder, CEO and co-CIO of Epoch Investment Partners</p>
<p>Family Married with two children</p>
<p>Interests Hiking, cycling, golf</p>

answer the need for income replacement, which he views as “the single biggest opportunity” for the asset management industry globally.

Mr Priest predicts that dividend payouts will continue to rise as technology replaces the use of labour and physical assets across modern economies, a disruptive process that he believes is now growing exponentially across many industries.

“Any company that is not pursuing an ‘asset light’ model faces obsolescence as rivals will compete its business away. We have entered a second industrial revolution in the digital age. The world has never seen disruption at this pace before.”

But he also cautions that technology could lead to “big social problems further down the road” as machines replace larger numbers of workers.

His early career was spent as a railroad analyst, which required laborious hours of data inputting and painstaking manual calculations in the days before computers were widely adopted. “I could do those same calculations in

minutes today,” he says.

Disruptive technology is also moving deeper into the investment industry as asset managers turn to big data and machine learning to gain an edge.

“The purpose of Epoch is to marry the judgment of man with the efficiency of computers. If we don’t do that, we will die. The only reason is to have judgment. But that judgment needs to be applied more efficiently.”

Epoch has published more than 100 research papers on its website, part of Mr Priest’s determination for the company to be seen as a thought leader for the investment industry.

“We want clients to understand why we do what we do and to value that approach.”

He has also co-authored three investment books. The latest, *Winning at Active Management*, points to his loyalties in the debate over the merits of stockpickers and index-tracking funds.

“The opportunities for active management will improve as central banks move from quantitative easing

to monetary tightening,” he says, adding that most investors also need help when combining the two different skills of stockpicking and asset allocation.

“Some clients oversimplify and that gets them into a lot of trouble. You need a pilot with the plane.”

But he also warns that many smaller stockpickers are likely to go out of business because of the increasing burden of regulation and competition from low cost trackers.

“Index funds are going to get bigger. Passive is not going away. Active management will be smaller but we need the price discovery delivered by active managers.”

Outside work, Mr Priest, a father of two, enjoys hiking and biking to keep fit as well as playing golf where “my handicap is my swing”.

But more time to work on his golf swing will have to wait.

“I need to remain relevant to my clients, my colleagues and to the owner of the business. The minute that I’m not relevant, then I gotta go.”