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FACE TO FACE WILLIAM W. PRIEST

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William Priest has a talent for reinventing himself through new money management firms. And that's the way he likes it.

By JAY COOPER

William Priest is happy to start from scratch. His new firm, Epoch Investment Partners Inc., New York, was founded in 2004 with just 11 employees. It now has 46 employees and \$6 billion in assets under management. Stock for the publicly traded firm has also been on the rise, going to \$12.50 a share in mid-August from less than \$3 in January 2003.

Mr. Priest is no stranger to growing investment firms. After starting his career as an analyst for North American Securities Co. in 1965, he co-founded BEA Associates in 1972. He was named chief executive officer of Credit Suisse Asset Management Americas when Credit Suisse Group acquired an 80% interest in BEA Associates in 1990. (Credit Suisse acquired the last 20% in 1997.) Mr. Priest helped build CSAM into a widely recognized name with more than \$100 billion in assets.

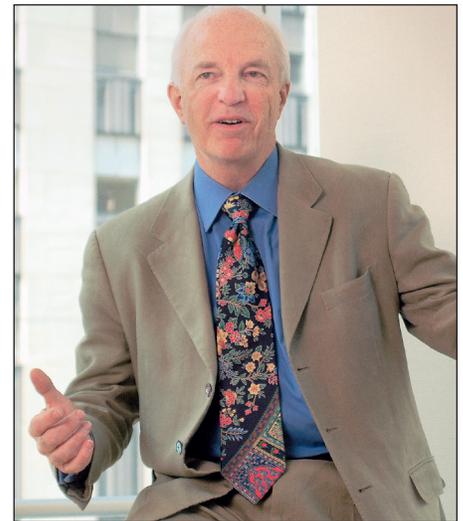
Credit Suisse had a policy back then requiring senior operating executives to retire at the age of 60, so Mr. Priest stepped down from the CEO position in 2001. He joined Michael Steinberg to form Steinberg

Priest and Sloane Capital Management LLC, before going on to launch Epoch.

Assembling an investment staff made largely of former co-workers, Mr. Priest says nearly all the pieces are in place to make Epoch a global investment manager.

You've been in the investment business since the '60s. How has it changed? It's gotten much more competitive. ... You have more people in it that are incredibly well-educated, it's very competitive and the clients are well-informed... If you were to actually go back and take a look where all the graduates went out of the Harvard Business School (back then), there weren't that many that went into Wall Street. It wasn't until the late '80s and '90s that it became the destination of choice.

Analyst pay was less than any of your other initial job offers. What was the attraction? I really, really enjoy it. It is a passion. Back in the '60s, there were no Wall Street firms that recruited... you had to go find your own job. The high-paying jobs in those days tended to be industry jobs like oil, paper, your traditional



William Neumann

American Midwestern manufacturing companies. A career in Wall Street as a security analyst was in its infancy. The people I know who are of my vintage that went into it all went into it for the same reason: We love security analysis. ... I remember being at BEA Associates where I spent most of my career and... at year-end one year I was taken aback when someone told me they took the job for the money. For the longest period of time I

thought people did this out of a love for the function, being an analyst. Wall Street changed. That became one of the reasons people went to Wall Street — because it paid well. Philosophically, I've never done anything because it paid well. In some cases I've been rewarded, but the initial reason for doing it was the curiosity and engagement. I think finance is the most complex game in the world, and that's always been a fascinating challenge to me.

Does hiring former employees help with retention? There are (a few) reasons people join an organization, leave an organization or stay at an organization. The first are your colleagues. Do you like your colleagues? If you don't like your colleagues, life is just miserable.

I think you (also) need to give people a sense of participation. As the head of the firm I have a right and an obligation to do what I think is right for the firm, but if I'm making a decision every single week, trumping what everybody thinks, I'm going to lose these people. At the same time, if I do absolutely nothing and never exercise that authority over the course of a year, then I'm not doing my job as a head of this firm.

There's probably two or three decisions a year which I own and I have to say 'trust me, I think this is the best thing for the organization.' And I better be right. But I don't want to do that more than two or three times. I have a lot of ideas, and my

colleagues talk me out of a lot of them.

Is there a particular characteristic you look for? We built Epoch around experienced people. You look at the median age here of our professional staff and they're in their mid-40s. Experience matters. The reason it matters is because it gives you context. You need context from which to make decisions. The argument I would make is you could find some really, really smart young people but quite honestly they haven't lived long enough to have a context ... The trick is to find those people that have entered the sweet spot of their careers. Those are the 40 year olds. That's the point where their experience and education have come together and you actually have judgment ... You want somebody who has the context from which to make judgment. To get that you've got to have some experience. I think you build your firms around that. There's nothing wrong with being 25, but I do not want to build a firm around 25 year olds.

How do you see Epoch developing? I'd say we could double in three years, but quite honestly, we could probably do better than that because if we've gone from zero to \$6 (billion), that's the hard part. Six to 12 is a lot easier than zero to 6.

Going forward, with the exception of a global all-cap, which we would like to create, we pretty much have all the products

that we need.

All of our products have excellent return-per-unit-of-risk characteristics. The first half of this year has been particularly good. We don't have a product considered to be behind its benchmark over the last 12 months. This is working. Whenever the market declines, we always win. When business metrics matter, we've got good companies. The environment that will cause our approach to fail will be a market that is momentum-driven with interest rates declining. We will struggle in that market because what that means is valuation metrics are trumping business metrics. I frankly don't think that's going to be a threat.

When do you think you'll retire from Epoch? Never. I'm 65, I'm in good health, and I've got a lot of energy. I'm lousy at everything else I ever tried, and I love this business. Now as time goes by my role might change... but I think as long as I can make a contribution, I'd like to be part of the organization... We've got a good firm. I'd like to make it a great firm. To make it a great firm, there will be other people that have to take this firm to that level. Hopefully I'll have a role in that, but right now there's nothing I'd rather do than what I'm doing.

Is there a succession plan in place? What I've tried to do is build a redundancy into everything we have here. You want redundancy of functions and you want redundancy of leadership. We started with 11 people; we now have 46 people. Three years out, maybe we'll have 60 people. You want this redundancy to be there because you need the firm to be protected from what I would call critical incidents. ... Now, is redundancy at every single level? Probably not. But I would say when you say a succession plan, when you think of business leadership and investment leadership, we absolutely have business leadership. I have no problem there.

As the day-to-day manager picking stocks, I have about 10% of the assets that I manage every day... given the firm where it is right now, and its growth path, I have every intention to be here, and I'm in good health.

I think business leadership, I'm not worried about. Investment leadership — we need to keep growing the firm. We need to put more mileage on and we'll be OK. ■

SNAPSHOT: William W. Priest

► **Position:** Chief executive officer and chief investment officer, Epoch Investment Partners Inc., New York

► **Age:** 65

► **Assets under management (as of June 30):** \$6.01 billion

► **Number of employees:** 46

► **Education:** BA from Duke University, MBA from the University of Pennsylvania Wharton School, CFA, CPA

► **Interests:** cycling, golf, writing

► **Performance** (compound annual rate for periods ended June 30):

Epoch U.S. Value (large cap)

YTD return..... **9.8%** Russell 1000 **7.2%**

12-month return.. **24.4%** Russell 1000 **20.4%**

Three-year return. **17.2%** Russell 1000 **12.3%**

Epoch All-Cap

YTD return..... **8.8%** Russell 3000.. **7.1%**

12-month return .. **21.5%** Russell 3000 **20.1%**

Three-year return. **15.9%** Russell 3000 **12.4%**

Global Shareholder Yield

YTD return..... **8.5%** S&P/Citigroup BMI World .. **9.9%**

12-month return .. **21.8%** S&P/Citigroup BMI World. **24.4%**

Three-year return **23.8%** S&P/Citigroup BMI World. **20.7%**