

BURGESS, K., 2008. *The new mood among investors.*
 UKSIF summary, 2009.

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I. Key points

- Vicious circle: Trustees of pension funds pressurise portfolio managers to outperform benchmarks and stock market indices on a quarterly basis. It encourages fund managers to monitor short-term price movements, which encourages companies to report on short-term earnings.
- Some clients (beneficiaries) are demanding that their money is invested in a more responsible manner.
- The Marathon Club consists of a group of 20 trustees, executives and investment consultants who decided to join in 2004 to promote long-term investing and responsible ownership.
- The Enhanced Analytics Initiative was also set up in 2004 with the aim to promote ESG research. Members allocate 5% of brokerage commissions with brokers and analysts researching into ESG indicators.
- Al Gore and David Blood, former Goldman Sachs banker, created Generation Investment Management.

II. Key quotes

- “Critics point out that the average stock market investment is now held for less than 12 months compared with seven years in the 1970s” (Burgess 2008).
- “The job of pension fund managers and trustees is how and where to invest today in ways that can guarantee the retirement income of future employees when they retire in, say, 40 years” (Burgess 2008).
- “...few of whom last more than three year in a job (investment managers)...” (Burgess 2008)
- “It was a landmark moment when the forces of capitalism moved against their own short-term interests” (on the episode when some fund managers wrote to

the government when it decided to stop the corruption investigation at BAE) (Burgess 2008).

- “Watson Wyatt, the UK consultancy, has put together about 40 so-called long-term equity mandates that have a 10-year horizon and the freedom to pick out stocks whose true value may take time to become clear to the market. So far, about £2.5bn to £3 billion is in these mandates, representing between 5-15% of a scheme’s total assets” (Burgess 2008).
- “Mr Anson said it was partly the fault of the clients of asset managers - that is, the trustees of pension funds - who pressurise portfolio managers to outperform benchmarks and stock market indices on a quarterly basis. This in turn encourages managers to turn over their portfolios regularly in pursuit of short-term price movements. And this puts pressure on companies to report strong short-term earnings, rather than pursue long-term growth. “It is a vicious circle,” said Mr Anson.” (Burgess 2008)