Peter Harrison, CEO of Schroders: Our First Guest Returns

Simon Brewer

So three years ago, just on the cusp of the COVID lockdown, I sat with our guest today to launch this whole podcast adventure. I didn't know what I was doing. Some might say that that hasn't changed very much. Fortunately, he did. And after that first interview, we were set and launched on our way. So it's really great to have Peter Harrison back here, in front of me, for this conversation today. So, Peter, welcome back.

Peter Harrison

And, Simon, congratulations on all that you and Will have achieved. It's been phenomenal. And how we were back then, we had no idea.

Simon Brewer

Gosh, literally, within two weeks, we were in lockdown. And it is... Well, so much has happened, and probably as I listened to the interview at the weekend of our first conversation, it struck me that it's as much about the update of a lot of the stuff. And we know what COVID accelerated about work practices, but I thought we'd just kick off with the asset management industry more broadly. Did it force change that was unexpected? Did it accelerate things? Or we just had it and we've moved through it?

Peter Harrison

I saw the most remarkable chart a couple of days ago, and it just shows the change in the growth of ETFs and passive, grinding ever upwards. And, very recently, they went through 50% of a 24 trillion market under the slow, steady decline of mutual funds. And the change was absolutely monotonic. There was no change in that. So, arguably, lots of things changed, but in many ways, nothing changed.

Simon Brewer

Yes. It was funny because we had Robin Wigglesworth from the FT on the show, gosh, it was a year or so ago, who'd written this book, ‘Trillions’. And it was about passive and we all know that. And yet, funnily enough, I've got this as my second question, how do you think about the map of alpha and beta? Because the accepted wisdom is that the US is dominated by passive, and it's very difficult to have the replicable alpha. And yet, you have managers in the Schroders universe, pursuing alpha strategies, in some parts of the world where alpha seems more readily available. So describe the map.

Peter Harrison

So, look, we've been very fortunate that, what? 75%, 76% of our strategies outperform. So it does exist. And the interesting thing is you don't get that from the average, you get it from... different groups, have been able to do it. But you're absolutely right that the alpha available in emerging, in China, in less well researched markets, is fundamentally different from the alpha available in the US. And perhaps the one thing that really has changed... And last time we talked about a lot of free money, this has got to end. There will be inflation. What a surprise, right? We've now got a traditional cycle. And we've got central banks trying to land trillions of balance sheet expansion on a small handkerchief. So maybe, in fact, everything has changed. And that's going to change the alpha environment, and certainly the environment for allocators, massively.

Simon Brewer

What hasn't changed is the extraordinary ability of investors, some of them very sophisticated, to extrapolate the current into the future. And when they suddenly get a rude awakening, as we did, we get a repricing of risk, as happened in the riskiest categories last year. But let's just maybe start with the Asian universe, because Schroders has always had a big footprint there. We heard the other night, you and I were at a dinner, and we heard one American investor say that China's uninvestable. And that may be a lens through which many in the States are thinking. I'd love your perspective, because you've been operating there for a long time.

Peter Harrison

So I have a view that you've got two choices when you see something that's as complex as China. You either cross the street, walk past on the other side, and say, "All too difficult." Or you go and engage. And I'm definitely in the camp of engagement. And what's really interesting about China's strategies is they exhibit persistent high levels of alpha versus a benchmark. So the inefficiencies in that market are large because you've got very high levels of retail participation still. So for an institutional investor, it's a great place to go and play. Now, there are many views, many, many views, about what people want from China, et cetera. In the same way as we've debated in the past Russia. We've debated about Brazil, India. China is at the more controversial end today. My personal view is that if you're thinking about climate change, China's actually right at the front. They're doing a huge amount. And I think it's incumbent on us, probably, to engage with it and see to what extent there's progress to be made.

Simon Brewer

How do you organize yourselves? Because, again, I think that, here, we all tend to have our own biases. And I grew up investing in the mid '80s, where Asia was equity. China didn't feature in the indices. There was no debt markets. And that was it. And now, we have multi-asset markets emerging, but we have huge countries in their own rights sitting within Asia. So I'd like to understand how you think about the fact that India is marching to a different beat, but so is Vietnam, and so are the Philippines.

Peter Harrison

And, look, it was ever thus. But the difference now is these are really, really big parts of global GDP. And we've got this strange situation that we're all hugely overinvested in the US market. And the dollar is probably somewhere at or near a peak of its valuation. And how do we think about what a diversified portfolio really looks like in this environment? And there are many, many really quite uncorrelated strands going on across Asia, be it India versus China, or be it Vietnam. So I think breaking it down into local markets is becoming ever more important as we get global fragmentation. And to some extent, that tsunami pushing everything in the same direction has broken. And as we get a polarization, so investment arguably becomes a little bit easier. It becomes more complicated, but the opportunities to have a diversified portfolio have just got a lot greater.

Simon Brewer

And diversification I get between countries. Let's talk about between asset classes. Because there is private debt, and there are hedge funds now that have got some tenure and track record. So how do you think about the institution viewing Asia now from a multi-asset perspective? How wide can they go?

Peter Harrison

You're right, but an awful lot of the private asset pieces are still held in family hands. So they can go wider, and the private debt markets are definitely opened up. The real estate markets are definitely in the process of opening up. And they're really good at building new real estate in Asia so that's not capacity constrained. But the reality is that it is still less mature than the US, and probably less well researched as well. So being fully diversified is hard. And we've just done an extraordinary thing. There's one asset class that no one has really talked about at over our careers, which is natural capital. And we've just tied up with Conservation International to form a new joint venture in Asia, investing in natural capital assets, effectively farming carbon credits, in effect, at a very simplistic level. And Asia is a fantastic place to do that because the opportunity to restore the environment is massive. So Asia offers different things and there are different stages. But, perversely, natural capital investing, I suspect, will, because of Singapore's proactive approach to it, may well be at the forefront.

Simon Brewer

That is interesting. So I get that the supply, or the array of opportunities are growing. Let's just flip it to the institutional investor that's been Asia shy. What's their mood?

Peter Harrison

To my mind, the mood of the whole world is the US can do nothing wrong. Central banks have been given the benefit of the doubt. And we spend our time arguing whether it's going to be half a point here or there. And yet, you and I are old enough to know that these things are never simple. And inflation may well re-accelerate, and growth disappoint, and we're back to a normal cycle. The idea that we're going to go back to what we had five years ago is, to my mind, absolutely bonkers. So we will be back to something very different.

Simon Brewer

Yeah. Now, the other big thing, as I said when listening to your comments three years ago, was when we talked about ESG. And you said, "Nobody's going to talk about it within five years because it's going to become embedded in the process. And sustainability is going to be the big thing." Well, I think we all know that ESG has been jumped on by many people, shall we say, with varying degrees of depth and professionalism. How are you thinking about that equation now?

Peter Harrison

So there's several lenses you can look through. You could argue that no one in our industry lost their job in the global financial crisis. But at least two have gone already over ESG. So the stakes have got a lot higher at one level. But I think we're three years into those five years and we're pretty close to it being normalized. So the wall of regulation is still coming. But it's becoming a standard part of every single client conversation, including in the US. It's defined differently. So if you are a US union Taft-Hartley client, you care deeply about the S, and what the working practices are of those companies, rather than about the E. But, fundamentally, it's becoming what we all have to know about, do, measure, report on. Two years time, I think, we're bang on target for it to be adopted. And the really interesting bit to my mind, the really interesting bit, is our industry is becoming three-dimensional. It used to be about performance, risk, and now it's about impact. And you had Ronnie Cohen on your series and was talking about impact. I think that is becoming a far more mainstream way of thinking about, what is the externalities of the results of delivering the returns that I've got in my portfolio? How do I capture them? And what do they mean to me and my end consumers?

Simon Brewer

What have you had to do to the investment management business that you run to be able to adapt and deal with that?

Peter Harrison

I think I said last time, you've got to green everything. If I didn't say it, you've got to change it from front to back. You've got to have the data, the mindset, these specialisms. Because, frankly, these are scientific subjects, and they're huge data management subjects, in terms of taking in large amounts of unstructured data. The days of being able to use MSCI, no matter how ambitious they are, they're not going to cut it with end clients. So, for us, it's been a very significant investment in data science.

Simon Brewer

Right. So the question that we talked about, again, intrigues me, is the listed asset management industry has had a tougher time than many other industries. Particularly, if you're a smaller asset management company, where you might ask the question why are you listed at all. What do you think investors, and you obviously meet with a lot of investors in your company, are worried about at the high level? Is it simply where are margins going and the indexation sort of train? Or is it something else?

Peter Harrison

No, look, there's a very fundamental disruption going on, a really fundamental disruption. And an industry that's made 35% margins for 20 years has not been good at adapting. Mutual funds is a technology which is 80 years old. The clue is in the 1940 Act. So people don't buy mutual funds anymore in the States. [For] baby boomers [it’s] a really, really unattractive product versus direct indexing, et cetera. So not only are we dealing with a passive versus active, but we're saying, how do we make these products relevant to people's day-to-day lives? How do we get more private markets thinking into people's portfolios, who haven't naturally had access to it? Because that's where so much of the growth has been. And I think public markets, as a concept, is really struggling. But the thing that keeps me awake at night is actually a step beyond that, which is the advent of blockchain. Because if I could draw a parallel, the internet organized information. Blockchain will enable us to organize assets in a completely different way, and the ownership structure of assets. So you could say that the Google equivalent is something like Uniswap in the blockchain world. Now, if you take that thinking, you're going to miss out ETFs. You're going to miss out direct indexing. And you're going to go straight to some form of tokenization of all assets, be they public, private, debt equity, natural capital, with details sitting on a piece of blockchain. Now, you can argue whether that's 10 years away or 15 years away. The adoption cycle of blockchain technology is running slightly ahead of the adoption cycle of the internet. So if you go back to 1990, you had about 400 million people using the internet in the year 2000. You got about 600 million people using some form of blockchain, often through crypto, at the moment. So volumes bigger than MasterCard, et cetera. So regulation will overreach. But at some point, people will coalesce on a standard operating model. And at that point, regulation, national boundaries disappear. Private public disappears. We've got a completely different playing field. So one of the things for me that's been really important is to have a business which can do all the asset classes across, and be able to package those in any way a client wants them, rather than just in a 80 year old technology format.

Simon Brewer

And you talked about delivering total solutions to complicated institutions, or complex institutions. And, historically, maybe institutional investors went to different people for different things. Is that accelerated? Has it become more the case that there are a handful of institutions on the asset management side that can deliver total solutions?

Peter Harrison

It's absolutely the case. So if you compete in a mutual fund world, you've got probably 800 or 900 competitors. So if you're top quartile, you're still on page four. If you are competing in the top end of the solution world, you've probably got three or four competitors. So it's a much, much smaller world. But the rate of growth of that market is much higher than any other market that we're dealing in. So it's up there with private markets. Because the governance issues that are put on agents today are so high that finding a way of solving their governance problems, and there is alpha in governance of course, is a really important part of people thinking about how I best manage my assets.

Simon Brewer

And when we think about these private markets, I know that you and I were both concerned back three years ago that super cheap debt causes often erroneous investment behavior. And then people find themselves having to scramble out of stuff at the wrong time. We're in this rising rate cycle, it may have paused, but if it is a cycle more like others, then there'll be further inflation. And, arguably, more bond pain over a multi-year period. How are you thinking about the risks? And I say that because I've heard that capital calls have got tougher for people who are in the PE business. And it's been pulled back on commitments to new funds. Just tell me a little bit about how you're seeing it?

Peter Harrison

I'll get the quote wrong, but Buffett says something like, "When the tide goes out, you find out who's swimming without their trunks." And almost day by day, we're seeing these blow-ups. All of it's to do with liquidity being taken out of the system, and what does that mean? And I'm absolutely certain you'll see a lot more happening in the private debt space. You're seeing PE trading, what, 20% discount in the secondary markets? The marks are starting to come down. It takes 18 months, two years, for those marks to fully be reflected. But if your price of your debt has broadly doubled, and the availability of that debt has got a lot less in terms of the covenants that you put on it, there's going to be a reshaping of many of the transactions that happened in the last five years. I don't think we should necessarily think that's a systemic issue. But it's just a re-evaluation. It's like FinTech valuations, they're probably down 70% or 80%. But if your discount rate is now 12 or 15, rather than the two or three that people used to think it, that's probably the right reflection.

Simon Brewer
Yeah. And Amazon did go down 90% in the 2000 onwards bear market before it re-established itself. And just putting that geographic lens on private assets, whilst Asian families are the dominant private asset owners, how are the Asian institutions thinking about private assets? Because this is a different type of ownership structure and it's a different playing field.

Peter Harrison
Yeah, they feel much more comfortable, much more comfortable in private markets than they do in public. And they like the direct ownership of assets. So you've, effectively, got a two species and the big families want to participate in big real asset opportunities. And then they want to trade the public markets. And that advisory element in public will always be a big part of the Asian trading base. But the desire to own big things that they can see, be it ports or buildings, I think will always be a part of the Asian psyche.

Simon Brewer
So we talked about the institutional behaviours, you've got big individual businesses in the UK and outside of the UK. I want to just stay with Asia because, once again... And it may be the wrong slightly China centric or Hong Kong centric lens that people of my age have, that the Asians love to trade, rather than be long-term investment holders. Tell me a little bit about how the domestic investors across Asia are developing their thinking vis-a-vis in investment and asset allocation?

Peter Harrison
I think the first thing to say is, for the same reason we talked about earlier, it's really hard to say there's a sweeping generalization. Because what you see is, there is almost an instantaneous reaction to rate cycles, sentiment moves, et cetera. So it's quite hard to generalize. And if I did give you an answer, it will probably be out of date in three days time. But the reality is the cycles of fear and greed are just as alive in Asia as they are anywhere else. And they're probably more finely tuned. But, fundamentally, it's a growth mindset. What I'd missed, through lockdown, was when you were in Asia and you just realized the growth mindset is so much stronger than this really defensive, inward looking, narrow view that we have from the UK and Europe right now.

That's really important when one thinks about these problems. You should think about Asia from within Asia, rather than trying to think about it too much from here.

Simon Brewer

Understood. What does that mean for you wanting to build an individual franchise within Asia?

Peter Harrison

For me, it's the single biggest opportunity in the world is the growth of wealth, both in Asia, and flowing out of Asia to the rest of the world. So to my mind, you can't not walk towards China. But you've also got to be super engaged in what's happening in Thailand, in Malaysia. Too early in the Philippines and Vietnam, but you want to be really exploring it. And markets like Singapore are important conduit for that wealth to flow through. On the other hand, I think Australia, Japan, are really very mature. And they're far more like Europe, in many respects, in the way they behave.

Simon Brewer

And does that mean boots on the grounds, Schroders offices everywhere?

Peter Harrison

Yeah, lots of boots on the ground. And that fundamentally manufacturing there, distributing there, across 10, 11 countries, including China, where we've got three really important licenses to do business.

Simon Brewer

Turning back to your UK wealth management business, you made a really interesting observation that I don't think can have changed very much, is about the advice gap in the UK. And I think you said 29,000 financial advisors here in the UK, and I forget the proportion that were over 50 but it was very high.

Peter Harrison

Yeah. And, look, the average age is, I think, still 59. But I think we're down to 22,000. But to my mind, growing financial advisors is a really important way of growing a wealth business. Training up 30-something year olds. The statistics on wealth loss through generation change... So if you've been advising a family, there's probably a 50% chance if one of the parents passes that you're going to lose the money. And if both go, it's probably a 90% chance. So how do you manage that intergenerational change? We're at the end of a lump, there's a lot of wealth going to be dying out the next 10 years. So for me, A, there's a massive advice gap. B, there's a massive technology gap. There's a large amount of risk averse regulation. Don't underestimate that. But this is some of the stickiest money that you can have. The longevity of a wealth relationship is at least 11 years, and probably greater so long as you are alive to the intergenerational issues. So it's a massive opportunity, massive opportunity. It's nothing like the size of China, but in terms of there are few firms that are getting it right, both performing and investing for the future. Sitting where we're sitting, we want to walk towards that.

Simon Brewer

And I do remember Morgan Stanley found it very difficult when I was... Not when I was there, they might have found it very difficult when I was there. But they found it particularly difficult to try and build a wealth franchise across Europe because of all of the local regulations, et cetera. Has that continued to be tough, to go beyond the UK into Europe?

Peter Harrison

Absolutely. There's no doubt that, even Vanguard, who are pretty expert on their technology, have drawn back from saying, "We want to be in each country individually." Because it's hard. And often, it's local champions that survive in those markets.

Simon Brewer

So you've hinted at it, but when your own map of the Schroders of tomorrow is being drawn... And I noted, although he wasn't alive when you mentioned it, but you did refer to Bruno Schroder, who used to be on the board of his... Get it right on the 20-year view. Tell me a little bit about how you're viewing the Schroders map. Is this being altered by you?

Peter Harrison

I think that we haven't talked about the UK, and we should talk about the demise of the UK. Because that's something that is front of everyone's mind at the moment. But the reality is, where's the centers of wealth creation? The centers of wealth creation are in the US and in Asia. And I should also add South America, because there's an awful lot of good stuff going down there. But we will continue to rebalance and invest marginal dollars in all of those areas. And we will continue to see Europe and the UK become a smaller and smaller part of our portfolio. Notwithstanding, we've got a great franchise here and those businesses will grow, but I think Asia will grow faster.

Simon Brewer

Was it you, at dinner, that talked about the allocation to the UK for a lot of global portfolios being less than 2%?

Peter Harrison

Yeah.

Simon Brewer

Well, it is remarkable. And in fact, Kate Bingham, who was speaking at this Money Maze Podcast dinner, which we're referring to, then told me that she'd been into Downing Street. And I think there's a certain amount of dismay that international investors are so uninterested in the UK as a proposition. And we know what's gone on in the last few years. But how much of that is because government regulation, and government is just not being either as dynamic, or as welcoming, or as receptive from a fiscal standpoint?

Peter Harrison

I sit on something called the Capital Markets Investment Taskforce, which is trying to say what are the blockages to changing London's participation? And I think there's a couple. There's a massive shortage of patient capital in this country because DB pension funds are invested in bonds, LDI. The insurance, Solvency II, means that there's very little risk taken in insurance funds. And defined contribution funds largely go into index tracking. So that ability to take risk here is absurdly low. That's the first thing. The second is that, because we've got some of the best health tech, some of the best education, some of the best FinTech, but if you do your Series A, Series B, almost certainly, you will be backed by a VC firm, who'll put directors on your board who are non-UK. So by the time you do your Series C, Series D, your listing, your center of gravity has already gone in that stage. So it's too late at that point. I think Jonathan Hill's done a great job in terms of listing rules, that's just working through. Mark Austin's done a great job in terms of how do we make secondary markets better. But, culturally, do we do a great job of shooting ourselves in the foot on a regular basis saying the UK is finished and dead? And I don't believe that. We've got a fantastic hand of cards to play, but we need more patient capital. And we need more good ecosystems in the UK. So most of our UK investing in private markets is done from overseas because that's where the ecosystem is.

Simon Brewer

And what the UK doesn't have, although I believe there is a discussion underway, is the equivalent of a sovereign wealth fund that might be the seed investor in this. But Solvency II is being reviewed, is it not? So my question is, could that unlock capital for more riskier investments? And what, if you were allowed to enact change at a high level, would you want to see?

Peter Harrison

If I was king for a day, I think Solvency II change would be really important. It's really hard for the PRA because, effectively, you're asking them to take on more risk and that's not in our psyche. So Solvency II change. A patient capital fund to co-invest alongside the bottom up. And out of that, you will grow an ecosystem of early stage investment. There was a patient capital review, which Damon Buffini wrote 10 years ago. It's absolutely, to the letter, still relevant today. It's the most extraordinary prescient paper. 15 billion quid would get this thing up and running tomorrow, and we would start to create that environment where people would locate here to do their investing.

Simon Brewer

Difficult question to ask, because you may not not know the answer, but is it just a lack of vision? Is it a lack of competence? What's lacking in those who are making, or not making, those decisions?

Peter Harrison

Well, talent follows the money. So if there's no money, the talent goes. So our best investors in healthcare, who invest significantly into the UK, I'm ashamed to say they're based in Zurich. They're based in New York. They're based in Singapore. They're not based in London. And that lack of an... So if I want to get the best talent, I can't find it in London in private markets, in that area. So if we can have more capital, the talent will follow the capital.

Simon Brewer

Well, that's opened up a question which I was thinking about because, again, you made some really important observations in that interview. One was about the importance of neural diversity at a board level. But at an institutional level to be able to get the right outcomes. I had noted that amongst a number of financial institutions, non-Oxbridge hires are now being encouraged. 2:1s are being dropped. All with an ambition to broaden the net and to have more diversity. But there are trade-offs. There was a reason why Oxbridge folks were hired. And there was a reason why 2:1s were required. How do you think about that tension? Because it must be a tension.

Peter Harrison

Look, there is a tension. I said the other day in public, I said, "I don't want any more history graduates." And that's not that history graduates don't make a great contribution. It's just that in a world where data science is becoming a bigger and bigger part of what it is we do, we need more data scientists. We need more people who are highly numerate, from STEM subjects. Now, what you actually tend to find is they tend to be at universities which haven't been the traditional hunting ground of firms like us. So you have to start saying you're going to break those traditional mindsets. And if you want a bit of neural diversity as well, you're probably starting to break some of those traditional hiring patterns. I felt slightly obnoxious the other day. I was sitting in an external meeting, and someone says, "The City's a very unattractive place to work these days. I don't see the sons and daughters of my friends working in the City anymore." And I slightly shouldn't have said it, but said, "That's because we're trying really hard not to hire the sons and daughters of our friends." But it belies the problem that, if we really want diversity, we're going to have to push ourselves to go a little bit further.

Simon Brewer

How have you changed recruitment processes that you think is meaningfully helping you?

Peter Harrison

So go to different places, that's a key one. Be really clear about the way you test people, that mindset. So finding places where people can work quietly, finding places where introverts feel comfortable. Those things, to my mind, are really as important as someone's academic qualifications. Because if you can get that talent into the firm, that is probably the exception. There was a great book I read during lockdown, and I can't even remember what it was called. But it basically said, 'the best coding people are worth 1,000 times the 10th decile. Because they see and do things which is so much more productive than people who are just a little bit worse.' And we don't think about that in our pay scales. We don't allow that exponential thing. And the way we do for top investment talent, somebody who's really excellent can get paid a great deal. But we need to think about that in terms of our technologists and other areas of the business.

Simon Brewer

When we publish the interview, we'll have that book from you, as in we'll have the link to the book, so that people can go and be enlightened. And I'll be on top of the list to be enlightened. Just some more general closing questions. There's a fire hose of daily information that we all have to process in this business. You probably more than many. How do you manage simply the volume of stuff coming at you? And then how do you advise your colleagues to deal with it as well? Because it must be the enemy of productivity.

Peter Harrison

It is. But you're a great example of how the access to information has been democratized in a much more mature... Before we did this first thing three years ago, I'd never really listened to a podcast. And I now find it the most fantastic way of getting access, in a short form, to really great insights. Audiobooks wasn't a big part of our life. The ability to find different insights in different places. So most of us don't now turn to our email, or indeed our Bloombergs, for a lot of the insights. You go to other places. And I think that's making...

I think the other interesting bit is we were all absolutely blown away by playing with ChatGPT over the festive season. And I have this sneaking suspicion that in 12 months time we will be saying the productivity change, the ability to think about analyzing information fundamentally differently, will become a much more normal part of life. So we rely on the hidden algorithms in our phones and to feed us what we want. But we don't use those in thinking about how we go about our business life. And I think we will do that a lot more. So if I wanted to listen to every single recorded phone call that our sales guys had made, it would take a very long time. But I can get a bit of technology to listen and say, "Who missed the cues? Who's doing this? Who's doing that?" We're not there yet, but we're not very far away.

Simon Brewer

And that leads us, of course, into young people who are an important cohort of our listeners. Some of them maybe have been less enthused about finance in recent years. What do you say to young people thinking about finance?

Peter Harrison

I think the interesting piece that's changed is the purpose of finance has become a lot clearer. The ability of finance to transform is becoming much more recognized, if we're to fund transition, if we're to address some of these social issues. I get quite optimistic that we will get ahead of climate change because it's a problem that humans can change. And I think young people will get quite excited about being part of that change. I get much more depressed about the intractable issues in society and those are not being changed. And we could rant on about those for a long time. But I think that purpose of finance will attract more and more people back in.

Simon Brewer

So at the one end we've got this youthful cohort, and on the other end, we've got some very senior folks. Some of whom will be CEOs one day or are CEOs. What's the most important lesson, or lessons, you've learned from being a CEO?

Peter Harrison

It's a bit of a cliché to say it's lonely. But I have to say that sense of, how do you take responsibility for those last really difficult decisions, where you can't really discuss them with very many people at all? And that quiet moment where you say, "Actually, this is something important that I need to deal with," that's certainly something that I think it's a skill you acquire. One of the ones I think I've learned is about the return to work, and this idea that we have control over things that perhaps we don't have control over. And I've watched, rather amused, as so many big leaders have said, "You will come back to work." And the reality is that people don't naturally respond to those things. So one of the things I feel, you've got to be really clear about knowing which things you can change and which things you can't. And the humility to know the difference, if that's not too much of a cliché.

Simon Brewer

Yeah, yeah, yeah. And your two or three priorities for the next few years for you?

Peter Harrison

Oh, look, for me, there's a massive amount of disruption going on in our industry. And that gets me really excited because it is absolutely possible to make a difference. So for 20 years, in many ways, all through the bull market, it was about better, faster, quicker. Just keep on doing it and you're going to be fine. Now, strategy matters, where you move your feet matters. The choices that you're going to have to make, that is seriously energising.

Simon Brewer

Well, that's really helpful. Now, three years ago, we were sitting here with a glass of wine. Today, we've been doing it with a cup of tea. That's not because we've given up alcohol, it's because of the time of day that we're doing this interview. But it's been absolutely terrific to talk again. And as I think about the key observations as we've gone along, one is, and it shouldn't be surprising to anybody, but the growth engines of Asia and the US are firing fully. And I have been in a meeting when quite a well-known institutional investor said, essentially, that Asia was too complicated. Is that that's running away from what could be one of the most interesting, and will be one of the most interesting opportunity sets, even if it's complicated, diverse, et cetera. And this natural capital idea, which you talked about, which sounds like you're starting in Asia, is... We've had carbon credits. But it sounds to me like this is the next frontier. Maybe I should ask, how is natural capital going to evolve over the next few years?

Peter Harrison

If you think about it, we put a price on everything. We put a price on... pretty well, every single click you make on your phone gets monetized in some way, shape, or form. And yet the thing which probably many of us care most about, what's outside the window, nature. No one puts a price on that. They might put a value on a piece of land. But figuring out how that changes, and the second derivative of the value of that, is starting to emerge as something. So as you put a price on carbon, you put a price on the way in which nature is allowed to evolve. And as you get better at pricing biodiversity...so one of the acquisitions we've made was around how do you map the whole world to within a meter, the canopies of every trees? And what's the carbon value of all of those assets? The voluntary carbon market is just starting to open up in the UK. My sense is that in 10 years time, thinking about natural capital beyond forestry, in a bigger sense, is absolutely what we will all think of as part and parcel of our daily lives. It's the biggest single asset class in the world. And none of it's got a value on it.

Simon Brewer

So, interestingly, Pete Davis from Lansdowne talked about that when I interviewed him. And we have Ben Goldsmith coming up on the interview in a couple of months, and I believe he is starting a fund around that as well.

Peter Harrison

And Anthony Dalwood did exactly the same, actually, as well.

Simon Brewer

Right, right. So a lot's happening. This is not an industry that is standing still. And if you do stand still, then you're going to be in the wrong part of the industry. So, Peter, it's been great catching up. I hope it's not another three years till we have the chance to sit in front of you. But thank you so much for your thoughts today.

Peter Harrison

And, Simon, really enjoyed it as ever. But congratulations again on what you've achieved. It's been fantastic.