

# Australia's Investment Rock

As one of the world's largest fund managers, BlackRock is helping shape the future of funds management.

Images by Captured Vision Photography



As featured in  
*The CEO Magazine*

For more info visit  
[theceomagazine.com.au](http://theceomagazine.com.au)

**B**lackRock has a presence on the ground in 29 countries and a reputation as one of the world's pre-eminent asset-management firms. In addition to its role as an independent global asset manager, BlackRock also acts as a premier provider of investment management, risk management, and advisory services for some of the world's largest pension funds and insurance companies.

BlackRock can gaze across asset classes, geographies, and investment strategies to provide innovative solutions and strategies to its clients. With around 100 investment teams and more than 1,000 risk professionals in 29 countries, BlackRock provides clarity to suppliers, partners, and clients around the world.

Country head of BlackRock Australia Justin Arter joined the company in September 2012 after serving as CEO of the Victorian Funds Management Corporation. Before that role, he spent 18 years at Goldman Sachs JBWere, where he held a range of titles including head of research and head of institutional equities, as well as management roles in strategy and proprietary trading.

With such an uncertain economic climate in Australia, Justin helps investors find solutions that deliver enhanced returns and income. By utilising BlackRock's depth of global expertise and knowledge, Justin has delivered effective active and passive strategies to his diverse range of investors.

*The CEO Magazine* recently spoke to Justin about what attracted him to BlackRock, the evolution of the business, and the future of industry funds and funds management in Australia.

**The CEO Magazine:** What led you to your role at BlackRock?

**Justin:** The attractions of the BlackRock opportunity were pretty manifest from the first time that my boss, Mark McCombe, Chairman of BlackRock Asia-Pacific, got in touch with me. One of the main attractions about BlackRock was its strong global footprint. I'd argue

that we have a stronger global footprint than any of our rivals across all geographies and asset classes, but we are also involved in risk-management solutions as well as fund-management or asset-management activities.

**You've had extensive experience in the public and private sectors. What lessons have you picked up over your career that have aided you in your current position?**

With financial services being such a hotly contested and volatile industry, managing stakeholder relationships is absolutely critical. My previous roles taught me a lot about what we do in terms of managing those relationships, which is something quite different from being an investment manager. Investment management is learnt as a craft and as a profession, but stakeholder management is something you're always going to learn about as you go along.

**What challenges or changes did you anticipate when you came into this role?**

In terms of our investors, how we're doing with clients is always going to be my overarching, primary concern, and then come our staff and their development.

As a leader of 250 people, I'm always concerned fundamentally >





about what financial returns our investors are getting, as well as the experience they're having with BlackRock in client service, from the quality of our reporting to the quality of our events.

I also worry about the people who are making that experience for them. We've got marketing people, business operations people, fund-management people, and financial people; we're like any business with seven or eight separate departments who all do their own thing. Their quality of life, enjoyment, and professional development are the other fundamental concerns I have as country lead.

**How does BlackRock collaborate with its strategic partners to ensure success?**

We like to think of our clients as our partners, and we like them to think of us as partners as well. As the world's largest fund manager, we aim to bring to the table high-level investment thinking from around the world. We like to provide new, innovative ways of approaching the task of fund management and putting investments together.

We see ourselves as working with our clients and trying to come in and answer their challenges and problems. For example, how do I drive sensible returns to give my superannuation a decent return over time? That's the dialogue we find really productive and it's where we really partner with our clients.

**As a transnational organisation, what kinds of links and communications exist between Australia and the parent company in New York?**

We are a 24/7 organisation. As we're closing, London's opening, and the Americas are opening as the UK day is coming to a close. It's tightly linked. I think that's the essence of BlackRock's strength: that we can get in direct contact with these people globally and pool our resources to solve our investors' problems.



**Are operations basically the same across the 29 countries BlackRock operates in?**

Yes, that's right. There's the occasional late night so we can get everyone on the line at the same time.

**What would you say to those who claim super funds are shrinking?**

They're actually not shrinking; all of them are growing. We're seeing an industry consolidation occurring. Many industries congregate around consolidation where you have a couple of very large suppliers. Industry funds in Australia are responding to greater regulatory oversight, greater investment demand, and a desire for more asset classes.

Subject to their liabilities matching sensibly and having a liability book, there is value in some of these industry funds coming together. That's something the government's been talking about

for some time. This is hardly a flashing insight of brilliance by me, but we've seen the number of industry funds fall quite sharply from many hundreds of industry funds to now around 40 or 50 substantial funds, and that could still decline.

As you go from a \$5-billion fund to a \$35-billion fund, your investment options expand remarkably. Being bigger allows you to access certain asset classes—for example, private equity—which would have been an imprudently large part of your portfolio if you were still \$5 billion.

When you're at \$35 billion, you can actually start thinking about some of these investment options which will hopefully reduce the correlation of returns between all your asset classes, meaning that when one asset class is going down, the other is going up. That's the value of size—it can help get you to that point.

*“As a leader of 250 people, I'm always concerned fundamentally about what financial returns our investors are getting, as well as the experience they're having with BlackRock in client service, from the quality of our reporting to the quality of our events.”*

- Justin Arter

Funds management, like banking, is a scale business. For some teams, it's as easy for them to manage a thousand million dollars as it is to manage a hundred million dollars. There's a very similar amount of work involved in terms of compliance, trading, finance, et cetera—the back- and middle-office functions.

Businesses that lend themselves to economies of scale tend to find that they consolidate. You've seen it in banking; I think you'll see it in industry funds, and you're starting to see it in funds management—the difference being that unlike banking, you will always have those boutique providers in funds management that consist of six or seven people who have a tight focus on the one asset class.

**Do you believe there'll be much of a change in funds management over the next few years, or do you think it will be reliant on the volatility of the markets?**

I do think there will be some changes. In some asset classes, there are probably too many entrants in fund management. In Australian equities, for example, a recent study found some 170 providers. When I started in the industry, there wouldn't have been 30 providers. Yes, the market's gone up, come back down again, and then gone back up; the size of the market has grown. But it's hard to see it supporting that number of entrants. By contrast, there are comparatively few providers of infrastructure investments, global macro, and other investment strategies.



*“I think the question is: are they economic? Can they be economic with 170 fund managers across Australia? If they can't, then Darwinism will play out and the fittest will survive.”*

- Justin Arter



**Do you think we have too many fund managers per capita—for example, compared to America?**

I don't think we do because it's the number of fund managers relative to the pool of investable assets. I think the question is: are they economic? Can they be economic with 170 fund managers across Australian equities? If they can't, then Darwinism will play out and the fittest will survive.

**On a personal note, how have you managed to balance your work life with your personal life?**

I make sure that I carve off good chunks of time to see my family when I don't do work—taking some time to smell the roses and participate in some of the sporting activities that I enjoy. I like sailing with my crew; I try to get out and race with those guys whenever I can.

**What plans do you have for BlackRock moving forward?**

We're in the process of sharpening the focus of this business quite a lot. We have withdrawn from certain asset-management capabilities, such as fundamental Australian equities. As we see it, we

only want to offer our clients a service where we can be the best of the best. We want to have first-class offerings.

It's challenging to think that as big as we are, with so many rivals, we can be first class across every aspect of the business. It's challenging, but you can be. For now, we would rather focus on doing a few things really well for our clients rather than trying to be everything to everybody. ●

