Whether they run retail funds, closed funds, or manage money on behalf of large corporations, sovereign states, ‘high net worth’ private clients, or pension funds, asset managers are the group of financial professionals charged with managing the world’s money. During the first eight months of 2007 I interviewed 52 such people working in major centres in the United States, the United Kingdom, France, and Asia. As luck would have it, this timing was opportune, allowing me to talk to some of them about the quite large falls in world equity markets in May 2006 and February 2007, the first signs of subprime difficulties causing hedge fund bankruptcies in April 2007 and the beginning of the credit crunch in August 2007.

Those I spoke to (who included hedge fund managers) had been at least ten years in their roles and personally controlled at least one billion dollars. They instructed brokers and traders to buy and sell assets of many kinds as well as asset-backed and other derivatives. Some worked in small boutique partnerships but must most were part of the asset management arms of very large financial service institutions. Their institutions, which have been called giant funds (Turner, Haldane et al. 2010), are at the apex of the financial system. They collect huge sums of money from clients all over the world and in doing so set the tone for what those clients can expect from their investments. With all that money, and perhaps with additional borrowed moneys to allocate, they decide what assets to buy, sell, and hold based on the strategies they advertise and the information they obtain from brokers, analysts, and all kinds of information services. The managers I interviewed mostly dealt in equities but some also bought, held, and sold bonds and derivatives. They used a combination of active and quantitatively based techniques and invested in every major world market. They had to make decisions about what was happening in every currency and together controlled over $500 billion dollars held in stocks or bonds in most of the world’s economies and a very wide range of industries. Thirty-nine were essentially ‘stock pickers’, one traded only in bonds, another
was a very experienced investment analyst, and nine used highly quantitative techniques in which they made few decisions about individual assets but programmed computers to make their day-to-day choices. Two used a particularly complex and thorough combination of stock-picking and quant techniques. Each interview was tape-recorded and transcribed and so produced qualitative data capable of systematic analysis.¹

This chapter aims to give the reader a sense of the reality of the experience of asset managers and to demonstrate how field interviews, because they offer direct contact with actual decision-makers, may have more use as a data source than economists have usually thought. I mentioned in my preface that the overlooked significance of the characteristics of financial assets and of the uncertainty facing asset managers became evident rather quickly. As I spent the first half hour of the first pilot interview trying to work out what questions to ask, to test whether the respondent was behaving in the manner expected by standard theory, it already became apparent that focus was not very useful. The respondent was the highly successful head of a major desk. He had a lot of research and computer resources on which to draw. He tried to use them rationally, but, as he volunteered with some embarrassment, ultimately it was ‘touchy-feely’ guesswork. In this chapter I aim to show in detail why that was so by looking at my interviews with four of the managers from the main study sample.²

Fred Bingham

Fred Bingham had been in the finance industry for over 20 years when I met him in March 2007. He had a university background in economics, history, and politics and had passed subsequent professional exams. He was responsible for a range of private client portfolios, family trusts, charity and pension funds with mandates to invest in the United Kingdom and valued at just over half a billion dollars. The team he belongs to manages about $6 billion.

Managing information

Talking to Bingham, one is immediately aware of just how much information he is subjected to at any point of his day – information which might impact assets he does own, those he is thinking of buying, and those he has owned before. Many companies issue shares and bonds which one might invest in all over the world and there are also many other types of assets. The companies and the potential impact on them of a wide range of political, social, technical, meteorological, economic, and other factors are the object of comment, rumour, reports, and analysis 24 hours a day. It is quite impossible for him to be fully informed. So one of the first decisions he has had to make has been to frame his search behaviour and to limit his universe. His mandate is some