KUDU INVESTMENT MANAGEMENT

LEARNING AND TALENT DEVELOPMENT FOR ASSET MANAGERS AND ADVISORS

A Q&A discussion between Kudu Investment Management, GrowthPlay, and J.P. Morgan Asset Management

Lee Beck
Managing Partner
Kudu Investment Management

Lee Beck is a Managing Partner at Kudu Investment Management where he and the team deploy investor capital designed to minimize disruption while providing strategic guidance for growth. In addition to Mr. Beck's role at Kudu, he guest lectures at universities in the United States and Europe.

Over the prior fifteen years, Mr. Beck led distribution and related execution teams at some of the world's most successful investment management firms, including BlackRock, J.P. Morgan and PIMCO where he also served on various executive, operating and global investment committees. Before becoming an executive leader, Mr. Beck was an institutional and middle market account manager for Federated and PIMCO, covering Fortune 1000 companies, Governmental Entities and separate account relationships.

He began his career as a university coach and assistant professor. Mr. Beck earned an MA in Foreign Literature and Languages from the University at Albany and an MBA in Finance from Daniels College of Business at the University of Denver. His quest for knowledge drives his ongoing education.

Tracey Wik
President
GrowthPlay

Tracey Wik, President of GrowthPlay's Sales Talent Consulting business, is responsible for all aspects of the practice from revenue to human capital management to research, product development and marketing. Ms. Wik helps leaders understand the talent they have, the talent they need, and how data can inform their decisions. She offers clients over 20 years of expertise in leadership and learning, sales effectiveness, diversity and inclusion, and business transformation.

Ms. Wik's career began in financial services, where she learned the importance talent plays in the defining moment when an investor decides whether or not to write a check. They base their decision on the people. Working with investors taught her that talent is THE most important thing you can do from a business perspective. Ms. Wik has used this knowledge as a business developer, consultant, educator, and sought-after public speaker to firms in the banking and financial services, technology, staffing, pharma, industrial products, distribution, and hospitality industries.

Before joining GrowthPlay, she led organizational development and leadership and learning programs at Bank of America and ABN AMRO. She also served as adjunct professor and academic lead for CSU Northridge's Knowledge Management Program. Ms. Wik is currently working on a book about the invisible influence of data on how we see the world.

Anne Devlin
Managing Director
J.P. Morgan

Anne Devlin is a Managing Director and the Global Head of the Asset & Wealth Management Client Skills Training team at J.P. Morgan. Her groups in the United States, London, and Hong Kong are responsible for driving sales excellence of the client-facing teams within the Global Asset Management and Global Wealth Management businesses. Prior to taking on her role as head of AM Client Skills Training in April 2015, she led the Wealth Management Global Strategic Relationship team within U.S. Funds Management. Over the course of her 14-year career managing national accounts for J.P. Morgan, she personally covered Morgan Stanley, Smith Barney, and Merrill Lynch, and she was awarded J.P. Morgan Funds' first Global Strategic Relationships annual award in 2004 and then again in 2006.

Ms. Devlin began her career as a J.P. Morgan Management Services training program analyst in 1997, rotating through revenue-generating areas of the firm, including Commercial Mortgage-Backed Securities, Commercial Paper Origination, and the Private Bank. She graduated Magna Cum Laude with a B.A. in English literature from Haverford College, was elected to Phi Beta Kappa, and holds Series 7, Series 63, and Series 24 licenses. She is also a member of the TEDx council and is an active member of the TED community.

LEARNING AND TALENT DEVELOPMENT FOR ASSET MANAGERS AND ADVISORS

INTRODUCTION

The asset management and financial advisory industries rely on employee skills to meet the needs of both individual and institutional clients.

Team learning and talent development is, therefore, a critical task if firms hope to succeed in raising and retaining assets and meeting profitability targets.

In this Q&A, Kudu Investment Management's Lee Beck, Tracey Wik from GrowthPlay, and J.P. Morgan's Anne Devlin and discuss the key challenges and opportunities posed by learning and talent development today and in the future.

Why should asset managers and financial advisors invest in learning and talent development?

Wik: More organizations are recognizing that talent is a strategic differentiator. The ability to attract and retain top talent – talent that can meet the changing expectations of clients and keep pace with the speed of innovation – is not something that can be left to chance.

Historically, clients have relied more on advisors to provide information and expertise about investment products. Today, we live in a subscription economy – I call it the Amazon effect – where immediacy and transparency have transformed how clients consume information. Clients now expect advisors to be able to deliver the firm's resources in a way that is meaningful to them. To do this effectively and efficiently, firms must have a learning and talent strategy and ensure the learning is aligned to the day-to-day activities of the advisor.

It requires balancing short-term objectives with long-term goals which can be challenging to execute both for leaders as well as the individual in her or his territory.

Devlin: Because we live in an information age, many firms view learning and talent development as a barbell strategy and try to digitize everything. What can't be digitized is the quality of your people. It's not enough to just hire successfully based on a candidate's experience, particularly in the asset management and the advisor industries, where we can point to a demonstrated track record of success.

We need to hire not just based on experience, but also for what I call curiosity and coachability: people with growth mindsets who are willing to accept feedback to get better. And the reason why those two attributes are so important for the asset management and advisor industries is that your best producers are net contributors to your culture. When you're talking about people's money, clients want to engage with another human being and human involvement will always be important.

So you have to make sure that your people are exceptional, that they use digital tools exceptionally, and that they're exceptional themselves. That's why it's important for asset managers and advisors to hire for curiosity and coachability so their best producers are net contributors to the firm's culture and at the end of the day create better client experiences.

Beck: Simple, people are the investment management industry's only asset, outside of real estate or the roof over their heads.

Curiosity and coachability sound like employee-level attributes, are there also firm-level goals? And does talent development differ based on seniority or age?

Devlin: We think curiosity and coachability are two key criteria, regardless of an employee's seniority, because they demonstrate a growth mindset that will benefit most from talent development and inevitable change.

As to the difference between firm-level and people-level learning and talent development, we have a responsibility to produce advisors and asset managers who are capable, knowledgeable and skilled. That's where firm-level training comes in to provide standards of excellence. But we also have a responsibility to our people to become the best version of themselves, which is challenging because for the first time in American history, we have six generations of employees under the same roof.

You have the Silent Generation folks still working, you have Baby Boomers, Gen X, Gen Y, known as the Millennials, and now you have Gen Z. Each generation has distinct values and preferences for learning and digesting information and, candidly, experience dealing with important moments in market history.

I consider the two going hand in hand: the standards have to be there, but the methods of delivery have to be flexible. Getting this right for asset management is important now because the Millennial generation is such a huge portion of our work force.

They haven't worked through periods of market crisis. How an organization trains portfolio managers, traders or financial advisors to manage money or shepherd clients through important moments in market history will be a defining moment for our industry. And it's been 10 years since we flexed these muscles.

Beck: I think the most valuable experience is adversity. Learning through difficult experiences helps people prepare and evolve. We are living in a 10-year bull market and many in investment management have never worked during extended periods of down markets or volatility. This creates risk for firms: if you have not developed and implemented a learning platform to prepare your teams, then institutional and intermediary AUM and net cash flow will be negatively impacted. Volatility will be a learning experience in itself. How do you coach to that? How do you teach without a real-time example?

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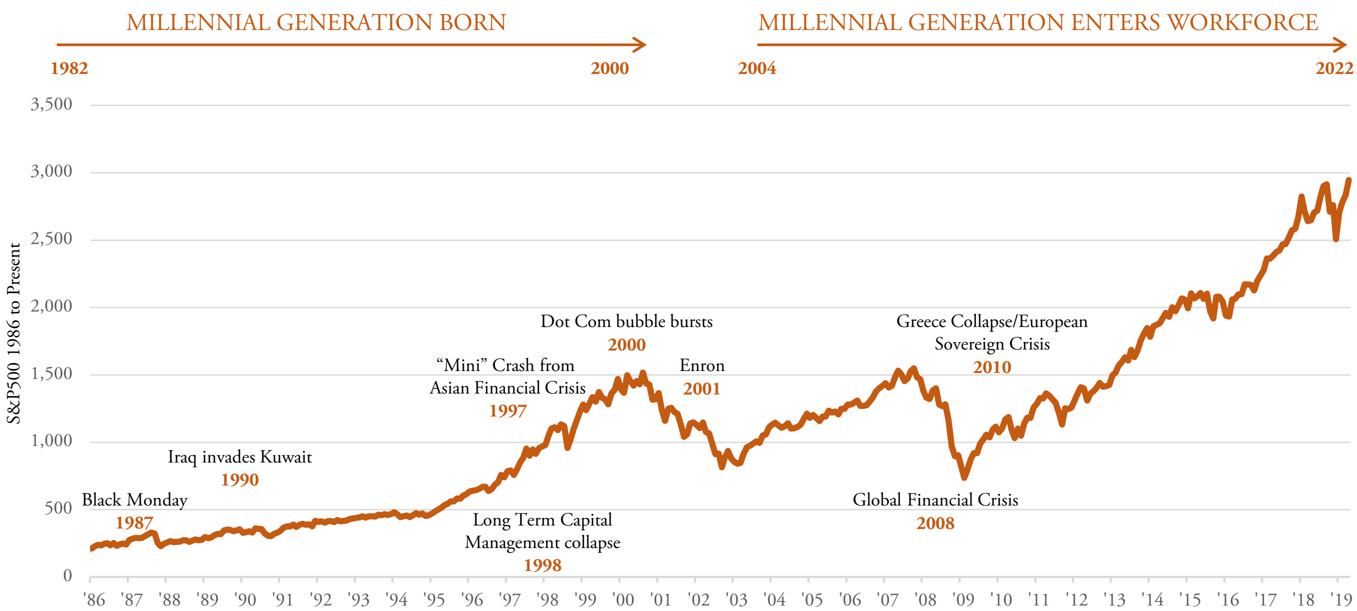
Devlin: We believe there will be a time when we need to pass along generational knowledge of how we behave. How do you think? What's the context, what's the content, and what's the conduct? What do we expect you to know and do when volatility rears its head again? How do we as an organization prepare ourselves to get our people ramped up for this time? And that's where the firm-level and the individual-level training comes together again.

Beck: And if you haven't built the infrastructure and a learning environment, when volatility hits it's going to be really hard to keep your best talent during difficult times.

Devlin: And, candidly, not just to keep your talent but ensuring that your talent is rising to the challenge of the markets in front of them.

MILLENNIALS HAVE LIVED, BUT NOT WORKED, THROUGH TIMES OF MARKET STRESS



Source: FactSet as of 3/31/2019 and J.P. Morgan Asset Management.

The S&P 500 Index is a capitalization-weighted index that measures the performance of 500 large-capitalization domestic stocks representing all major industries. All indexes are unmanaged and an individual cannot invest directly in an index. Index returns do not include fees or expenses.

Assuming markets will experience stress, how can organizations prepare their staff at both the firm and individual levels?

Wik: The best way to prepare for the unexpected is to understand the requirements of each role across the firm from a skill and a mindset perspective. If you do this work, you can hire for the most important aspect you are needing today and know what to develop for the future. It also gives you access on how to coach individuals, not just to be better at a particular activity but also for the best approach to solving problems that become critical during challenging markets.

Most organizations don't take the time to do this. They define themselves by products or industry. However, defining a firm by what it does cannot tell you what kind of talent you need to be successful. As a result, too many organizations end up with a hit or miss approach to talent development resulting in underperformance especially during difficult market cycles.

Beck: I've learned to focus on the characteristics of roles and not the traditional definition of a role. I suggest "mapping" every role characteristic and applying that same process when mapping your personnel. It is much easier to view alignment through this common frame then deciding if a person is the right "fit" to succeed.

I also think we need to teach our leaders how to coach. They may be in a leadership role, but do they know how to teach and identify characteristics and coach to them? I don't believe this thinking is prevalent in our industry. It takes a tremendous amount of learning and awareness from a 360-degree perspective.

Devlin: When we think about equipping managers to be coaches, we need to consider the attention span of the average human being.

We see advantages to sending our best leaders off to a class and taking time way from the field, and our leadership programs support this sacred opportunity to deepen skills. That said, your best and regular ongoing coaching happens when managers see an opportunity to coach performance just in time. The more you equip sales managers or branch managers or field managers to be better coaches, the more positive the impact will be on firm culture and production.

To Lee's point, managers are often told to figure this out on their own or to delegate the task to a different group that sits outside the business. We view it differently. We view it as the responsibility of everybody to train the people above you, around you, and below you. A constant environment of active and good feedback is really important in any good culture.

Wik: Leaders often struggle because of the tension between producing short-term immediate results versus the long-term gains coaching produces. This dilemma is real, and it can derail the best intentions to coach and develop others. The fact is that leaders are under so much pressure from their day-to-day demands. They deal with the issue that is in front of them when perhaps the better action would be to take the time to develop the team. It is hard to see these choices clearly in the moment. The best firms have taken this into consideration and have programs to help leaders rather than leaving them alone to figure out the best solutions to short- and long-term challenges.

Can firms measure if their investment in talent development is paying off? Can the effort be tied to a firm's goal of increasing ROI or assets under management or advisement?

Devlin: When I first came into this role, I looked for every metric I could find – surveys, how people felt when they left a classroom, pre- and post-training production, and so on. But then I decided that the best way for us to be successful was to evaluate and align ourselves against the business results of the businesses you support.

When you have the same metrics of success as the folks that are responsible for driving revenue, you are more apt to think about training that actually drives growth in revenue. In the case of a portfolio manager, you might develop tools and techniques that help them block out the noise and deliver alpha. When you do that, you get out of your own way of creating the things that are interesting to you and you start creating things that are important to others.

When you have the same metrics of success as the folks that are responsible for driving revenue, you are more apt to think about training that actually drives growth in revenue.

In the past the industry would look at the number of training hours as a proxy for the impact on the business. That has to change. We have a responsibility to meet people where they are, and most people are starved for time and attention. So if you used to take three days to train on a topic, shrink it to one day.

We believe in digital methods for information and practice approaches for transformation. That means we need to flip the script in terms of time spent with learners digesting content in a fun, engaging way which exposes them to core concepts, and then we need to bring the learners together to practice what they learned and create a safe place to fail. We believe in the concept of psychological safety, giving folks a place to practice techniques with each other so that the practice doesn't happen on a client. We believe that role plays are important and that portfolio simulation games are important so you have experience and confidence to create better client outcomes. So net net, we think that the best way to evaluate the ROI of learning and talent development is to align yourself to the business results of the businesses you support so that you're building methods that are important to the firm and not just interesting to us as talent development professionals.

Beck: Kudu invests in growing asset managers around the world and we're working with a number of CEOs about what the right metrics are to evaluate success and how success evolves from the development of talent through a learning platform. I'm surprised how many CEOs won't focus on what Anne alluded to – if these are the metrics that you're trying to gauge business success with, if this is what you need to accomplish to be successful, then why aren't these the measurements of how well your learning development or talent development platforms are working?

Metrics should be uniform, i.e. the same. I don't believe in creating a different set of metrics to evaluate progress at the corporate level, distribution level or at the individual level.

Wik: Talent metrics cannot be distinct from business metrics if you believe talent is the most important thing you can do to differentiate your firm. When learning and talent management have the same objectives the business leaders have, they are aligned. When they don't have the same goals, they are not necessarily working against one another but the impact learning can have is mitigated. It also sends a message to the organization how important learning is to attaining business outcomes if the executive team agenda includes this on a regular basis. The importance of learning as a way of being becomes part of the firm's employee value proposition which is essential to attract top talent. It seems simple, but you'd be surprised at how few companies actually do that.

Why are some firms more successful at learning and talent development than others?

Wik: Successful firms have a few things in common. Probably the most important is the reporting structure. Firms who are known for their ability to hire and develop talent typically have the talent and learning group report to the business, often serving on the executive team. Successful firms have consciously thought about the world we are living in today which is flat, transparent and immediate. They have designed their talent management strategy with this perspective in mind for all levels in the organization – not just the senior or client-facing teams. They have also designed the learning tactics based on the skill or the content being developed rather than using a one-size-fits-all approach.

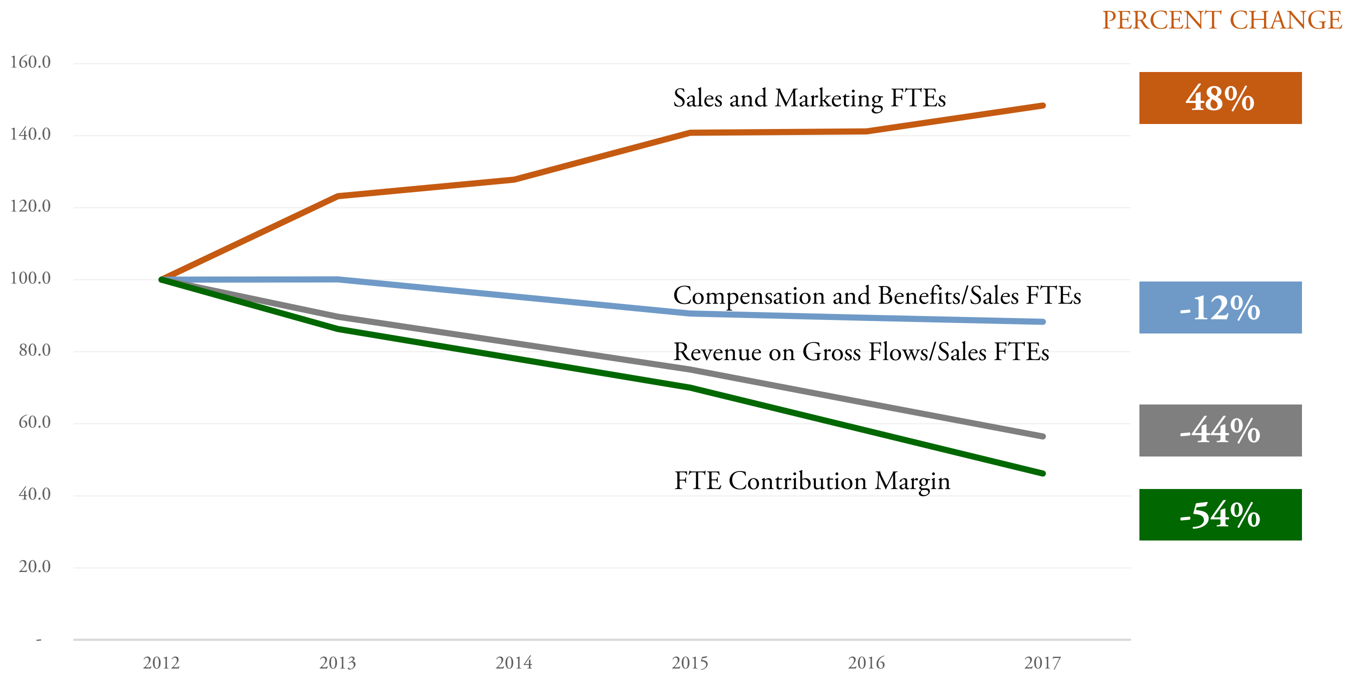
Devlin: I don't believe that lack of information separates successful firms from those that are not, in terms of learning and talent development. I believe that most firms fail in executing their plan because they leave it to the learner to draw their own conclusions. It's been my experience in classrooms and in coaching that humans seek clarity and specific direction and we owe it to our people to provide it.

Wik: Leaders often underestimate what it's going to take to be good at developing talent. They want to simplify things, or view coaching as an event rather than an on-going process. Not everyone is motivated by leading teams or coaching others. Some firms are offering other viable career pathways rather than tracks which are geared towards management roles.

Beck: Business development teams are often told to be "partners" or "consultants", but the traditional sales process is about controlling the situation – at least in your mind – you're controlling how the conversation is going to feel, its path and its outcome. When you evolve to a consulting framework, you ask questions that may cascade in a number of directions as you try to understand the problem a person is trying to solve. At that point, you've lost the traditional "control" aspect of the discussion. The confidence that control gives you is now gone – it's dissipated and you don't know where the conversation ultimately will end.

How many leaders have the confidence and comfort to coach their teams to ask questions which may lead to a myriad of potential answers, where you're not sure if you have a viable

ASSET MANAGEMENT SALES ECONOMICS, 2012-2017 (MEDIAN CHANGE INDEXED TO 100)



Source: Distribution 2.0: How technology will redefine relationships with asset management clients, Casey Quirk, a Deloitte business.

solution or product? The meeting may even end in a soft referral to a competitor. So it's not just coaching, it's shifting to a mindset of how to teach someone to understand the client's core problem and, hopefully, delivering the firm's solution. That is not an easy task and I think there are very few leaders who are prepared to do this well.

The traditional solution to grow was to hire more people, 48% more FTE's since 2012. Yet the investment in the number of sales and marketing staff doesn't appear to be paying off as gross revenue per salesperson is down 44% and margin is down 54%. Technology may be able to narrow the gap but I think coaching and training may be more effective if organizations want to increase productivity.

Devlin: I believe that the days of sitting in large classrooms and then going back and applying something to your job may have worked in the past, but we are now in a new coaching culture where we get one-on-one specific guidance on everything from nutrition and exercise to general guidance in the form of a life coach. This concept of having someone custom-tailor advice to where you are, in your moment in time, is something we as humans crave. This desire doesn't stop when you enter traditional learning and development.

But because it's very hard for large firms to scale coaching, you have to pick a couple of things that you believe every employee should be good or better at and give them access to those resources on demand when they need it. It does not mean that you need a huge staff of coaching professionals, it just means you need a group of trusted advisors that people can go to when they need it.

Wik: At the end of the day the cost of a bad hire or the cost of a bad leader is astronomical compared to hiring someone who can develop a strategy and a partnership with the business. The expense is not so much in offering either a tool or a technology or a staff because there are some great organizations who run lean and have two or three talent development professionals for thousands of individuals.

These firms are empowering a coaching conversation and it's a way of being and a mindset first so the real expense comes in the loss of not doing the work. The world is moving quickly and I think asset managers who are thinking that they're not going to be caught off-guard by innovation are going to get swept up and become irrelevant. That's the part that I find fascinating. On one side, asset managers are very innovative when it comes to data and tools, but many lag other industries that are experiencing the same thing. There's more resistance to adopting a shift in behavior and I'm not really sure why.

Is the increasing role of big data and artificial intelligence changing your approach to learning and talent development?

Devlin: We're in the early days of using AI for learning and talent development. Most of AI today in the learning space is akin to the Amazon shopping cart we discussed earlier: if you like this, you should like that, and so forth. But unlike shopping, where people have time and are motivated to keep clicking, when it comes to learning, people devote between 20 to 30 minutes a week to learning activities.

AI which helps humans digest information that they want in snackable bites – and that's a key point – will be more welcome than giving additional recommendations to extend learning time. And I think that's why dynamic explanatory videos and infographics are being used to simplify the complex. I also think that's why Ted-like talks where the expert delivers a "so what/now what" story in 18 minutes or less are becoming the preferred format, as in "I don't have time to really understand how interest rates work, so let me watch this explainer video with infographics that shows me how to put the pieces together." With that shrinking period of time and attention to devote to learning, you'd better make each minute count.

Wik: There is a lot of confusion right now about what AI is, and what it can do for us. So much so that my clients are experiencing what I call data and tool fatigue. AI doesn't replace sound learning principles, and it doesn't replace sound and validated assessments.

There is a lot of confusion right now about what AI is, and what it can do for us. So much so that my clients are experiencing what I call data and tool fatigue. AI doesn't replace sound learning principles, and it doesn't replace sound and validated assessments.

I joke that there is someone in their garage in Grand Rapids that just invented a killer assessment that will predict your next rainmaker. Really? I don't think we will ever get to a place where that will be true. I think Anne's principles are sound; report to the business, keep learning bite-sized, and create a culture of curiosity and coaching. If you can do that, I think you've got a lot of what you need and you will have simplicity as opposed to noise.

Devlin: An example of an industry using AI most effectively is the medical field, where the combination of a doctor's insight with technological tools helps the doctor make better decisions. We believe that financial advisors will create better outcomes for their clients when they are paired with the right tools, and have the training to use those tools well.

We are in early days of AI for learning and talent, relative to other industries.

If you could make one change to learning and talent development, would it be to resolve the role of AI? Is that the key change that will enable firms to compete successfully in the next 15 years?

Devlin: I would go in a different direction: cut your content in half, do it better, and your firm and employees will thank you. If you used to have 17 or 18 programs, identify the handful that are actually creating the impact you desire, and then do the programs better by putting all your time and resources into improving your offerings.

What often happens is that learning professionals get a roster of programs, and a broad curriculum with a sense of more is more. And it becomes hard to "fire yourself," from hobbies or things that might have worked in the past. That takes time and money but is a fantastic investment. I think asset managers and wealth managers should take the time to look at their roster and ask, how many hours are you training people and on which topics? How many of these initiatives are really aligned to the businesses you support?

I believe that we have to recognize that financial professionals, whether they're advising clients or managing money, are where they are, and we have to meet them where they are. At the same time, we can't leave them to fend for themselves.

We have an aging advisor population with many advisors who aren't all that comfortable with the technological tools that we're providing to help them be more efficient. They didn't grow up with these tools, but the most successful advisors will augment these tools with their own intelligence. As I said earlier, the best outcomes from AI have been in the medical space where technicians and doctors see technology as a tool to augment their own insight to create positive outcomes. I think it's our job to do the same for our financial professionals. When we do that, we help our clients get to the finish line, which uplifts our industry as a whole.

Wik: Sometimes I think there's something just over the horizon that people aren't seeing, and I hope that there's more urgency around taking some of the actions we've discussed. I do think change is happening now but I don't think everyone is connecting the dots in the way we've described. It's how you use information and to me it's about context and relevancy. I think advisors and leaders need to think about the context of their programs and the relevancy of that context to their goals and then link them to their people. And not everyone in my opinion is making those connections.

Beck: I agree – I don't think it's about AI and big data. While they will be important tools to direct, predict and evaluate defined processes, when I speak with a CEO, I want to learn how he or she defines the organization and its differentiation from peers – who you are as a firm and what do you do best? Understanding who you are, why you've succeeded and how you're going to improve is a core element of a firm's strategy. What is the "differentiation" strategy and what is the best structure to amplify results in real time? And then what are the metrics to measure progress?

But if firms don't start with a clear understanding of who they are, why you are different, and how you amplify this understanding, I think it will be difficult to incorporate learning development platforms. You would be surprised how many firms can't articulate this. That's where I would start if you want to compete successfully.

Kudu Investment Management

provides specialized capital solutions to asset managers and registered investment advisers, facilitating generational ownership transfers, management buyouts, acquisition and growth finance, as well as liquidity for legacy partners.

In addition to capital, Kudu provides value-added consulting on strategy, marketing, and distribution designed to help managers and advisors accelerate growth in revenue and assets under management.

Kudu's principals have structured over 25 transactions for a total of nearly $1 billion over their careers. The firm is backed by a $250 million capital commitment from White Mountains Insurance Group, Ltd.

For more information about Kudu, please visit www.kuduinvestment.com

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is the leading research-based sales effectiveness and training firm. Our holistic talent assessments, analytics, training, and coaching solutions fuel business growth by enabling you to better understand the existing and requisite capabilities of your salespeople, make the right hires, and retain top talent.

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J.P. Morgan Asset Management

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KUDU INVESTMENT MANAGEMENT

286 Madison Avenue
Suite 2002 (20th Floor)
New York, NY 10017

212.257.6422

info@kuduinvestment.com