Sub-Advisor Spotlight: Like Scuba Diving, Investing Starts with Knowing the Risks

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MD's global sub-advisors are hired for their investment philosophy, asset management expertise, investment research, innovation and, above all, their great people. In this series, you'll meet a few of the faces behind our funds, pools and portfolios.

Jerry Seinfeld joked about scuba diving during one of his early appearances on "The Tonight Show," asking how anyone could enjoy an activity where the main goal is "to not die".

And judging by the laughter that ensued, it's a relatable sentiment. With your safety dependent on the perfect functioning of equipment—

and more unpredictable—the mood, number and kind of marine life hanging around, scuba diving seems laden with risks.

But Julia Wittlin, a Portfolio Manager at BlackRock, is comfortable with scuba and its associated risks. "I have this view that if I can see what's coming, I'm less concerned about it," she says. "It's actually quite relaxing."

In addition to her work at BlackRock, a familiar name in asset management, Wittlin is raising an active two-year old daughter in Manhattan. It's a choice she embraces because of all the advantages the city offers, but one that makes her appreciate diving that much more.

"It's very rare to have silence, and [under water] all you hear is the white noise of the ambiance," she says. And when you typically travel from city to city for business, "seeing that there are other frontiers that human kind has not fully explored, or appreciated, is really exciting to me."

Nurturing the people who nurture your investments

For the past 10 years, much of Wittlin's city-hopping has been for BlackRock. After graduating from the University of Rochester with a degree in economics, she started with BlackRock's Risk and Quantitative Analysis group. In that role, she performed research and risk analysis for various investment teams, including her current group.

An internal transfer two years ago landed Wittlin on the Private Equity Partners team, where she oversees the investment process in collaboration with the team's Global Head of Investments, Lynn Baranski. Wittlin also develops private equity investment portfolios that reflect clients' risk and return preferences; she and her colleagues have partnered with MD to manage the new MD Platinum Global Private Equity Pool.

While it was once the norm, Wittlin's endurance with one firm stands out today—especially in the financial services industry. But Ryan Coulter, Vice President on the BlackRock Private Equity Partners team, has seen it more than once at BlackRock.

He attributes Wittlin's longevity in part to the firm's recognition that employees are people first, with families and lives outside of work.

And Wittlin agrees: "BlackRock is exceptionally family-friendly," she says.

In fact, she recently left work in the middle of the day to host lunch at her daughter's preschool. "They're willing to work with you and be flexible, and I think that's not very common for financial firms in New York," she explained. "I feel really lucky that I'm not missing out on anything important."

Wittlin also appreciates the firm's consistent focus on employee development. She and Lynn Baranski designed Wittlin's current role to fit her skill-set, goals, and the needs of the firm.

As a result, BlackRock has over 350 years of combined private equity investment experience and over US$25 billion in private equity investments under management from 230 institutions in 19 countries. An employee-centric culture that attracts and keeps top talent is a key driver of such success.

The keys to investment returns: humility and planning

But Wittlin wasn't always sure she'd be at BlackRock this long. In a moment of panic during maternity leave, she debated whether she should come back to work at all. "I wasn't sure I could do my job well and be a good mom, and enjoy both," she says. "I thought, I don't know how this is going to work."

Her husband was ready to support her either way. But with an admirably clear mind for a new parent, she reasoned that she should get more information before making a decision. "I said, I should at least come back for a little bit, because maybe I'll really like it. And turns out I did."

This logical approach to decision-making—gathering the necessary information to identify and evaluate the risks, and only pursuing a goal once the risk is deemed manageable—is unsurprising in someone with a background in risk analysis. And it's unsurprising at BlackRock, which started as a fixed-income firm with a risk management specialty.

30 years later, rigorous risk management principles still permeate the company and inform everything its portfolio managers do. For Wittlin, that means always being aware that she doesn't have all the information. "It's important to have a dose of paranoia," she says, not

to avoid taking risks, but to do as much as possible to identify and mitigate them in advance.

And usually they succeed. Once, though, technology leapfrogged a company in which BlackRock had invested. As a result, Wittlin says, “one of the questions we always ask is, what’s around the corner that could potentially disrupt the whole industry of the company we’re looking at?”

And then they do their research. After tapping into their relationships with venture capital groups and their own internal technology experts, for example, Wittlin and her team passed on an opportunity to invest in a brick and mortar pet retailer focused on pet supplies. They liked the company, but knew e-commerce was going to threaten its growth.

Sure enough, a year later they invested in the industry’s e-commerce disruptor, Chewy (recently acquired by PetSmart), with excellent results—a prime example of the value of careful risk analysis in private equity investing.

“We like to have a plan, making sure we have good returns with reasonable amounts of risk, versus trying to win the lottery,” she explains, and losing.

Private equity experts

As opposed to publically listed companies, private equity is ownership in companies that are not publically traded on a stock exchange. As a private equity manager, BlackRock seeks to improve the private businesses they invest in, thereby creating additional value for investors. To do that, they might bring in an expert management team that specializes in the industry, make operational changes or seek mergers and acquisitions opportunities which benefit the company.

The MD Platinum Global Private Equity Pool invests in a diversified portfolio of private businesses hand-picked and managed by BlackRock to maximize long-term investment returns. The Pool provides additional portfolio construction opportunities as private equity investments are typically uncorrelated to public markets. This will be the first opportunity for individual retail investors in Canada to access an asset class normally reserved for institutions with tens of millions to spend, and MD is excited to bring it to our clients.

But MD is especially pleased to be able to partner with BlackRock in the effort. “They’re experts in this field,” says Sabeen Saeed, Investment Product Manager at MD. “BlackRock has a long track record but they also have this huge network across the world, of managers they can work with.”

That’s important because not all of BlackRock’s private equity investments are direct—where they buy the company, or a part of it, themselves. Many are investments in other private equity funds, managed by other knowledgeable managers. In that case, “BlackRock would know that fund manager really well and trust their focus and their expertise,” says Saeed.

In fact, because of BlackRock’s size and scope, they have unparalleled access to compelling investment opportunities, as well as to the information—much of it in-house—required to vet them.

In the end, it’s personal

And then there’s BlackRock’s focus on people. Not only on their employees, whose career development and families they prioritize—but also on the people behind the capital they manage.

“I think sometimes it’s hard to think about the end result, the people we’re doing this for, but it’s for the doctors at MD, or my parents, or me,” says Wittlin. “We think about those people. It’s personal for us, which really informs how we think about investing.”

Wittlin’s level-headed, value-oriented approach to investing—and to risky leisure activities—are unlikely to change. She says she’ll continue to think about how to manage risk, especially in view of eventual market volatility. The positive macro-economic environment we’ve enjoyed for many years can’t last forever, after all.

And then what?

“It’s a hard question,” she says, “but part of it is anticipating what will impact the future.” In other words, if she can see what’s coming—downturn or shark—she’ll be less concerned.