

Delivering for Clients

**An Interview with George H. Walker,
Chairman and Chief Executive Officer, Neuberger Berman**

EDITORS' NOTE *George Walker is the Chairman and Chief Executive Officer of Neuberger Berman. Before Neuberger Berman became independent in 2009, he was Global Head of the Investment Management Division at Neuberger Berman's former corporate parent, Lehman Brothers. Previously, George spent 14 years at Goldman Sachs where he was a partner and a member of the firm's Partnership Committee. His board service includes the Lincoln Center for the Performing Arts, Local Initiatives Support Corporation, the Mayor's Fund to Advance New York City, and the Partnership for New York City. George earned B.A, B.S., and M.B.A. degrees from the University of Pennsylvania.*



George H. Walker

COMPANY BRIEF *Neuberger Berman (www.nb.com) is one of the world's leading employee-controlled investment firms. The firm employs more than 400 investment professionals and over 1,400 client and support personnel. The firm's portfolio managers oversee equity, fixed income, and alternatives strategies – both hedge fund and private equity – and average 27 years of industry experience. Founded in 1939, the firm had \$214 billion in assets under management as of June 2013.*

Were you surprised by the speed and depth of the economic downturn and is true recovery happening today?

As it relates to markets, we were surprised by the severity of 2008 and early 2009. However, we did a good job of helping clients remain invested through that period and positioning portfolios to take advantage of what we believed, at the time, to be markets in which we saw far more upside than downside, and clients have benefited from that.

In terms of managing the business of Neuberger Berman, we're proud that the investment and client professionals who are here today were overwhelmingly in the same seats performing the same mission long prior to the financial crisis. This is unusual in a very competitive business, which often experiences substantial turnover. We have had a remarkably stable team.

Is sustainable recovery taking place and how strong is the economy?

Markets have recovered; whether you look at it in terms of absolute price levels, relative price levels or changes in valuations, there has been a significant market recovery. Frankly though, a lot has been based on the work of central banks around the world.

Businesses around the world have done a terrific job over the course of the past five years. However, the underlying economic recovery has not been as strong as it could or should have been

Do we have to change the way we look at unemployment levels going forward?

It is true that there have been structural changes in employment. That said, job growth should be far stronger than it has been. One reason it hasn't is that, in a central bank-driven market rally coming on the heels of the events of late-

2008 and 2009, CEOs are more willing to commit to things that are easier to unwind and are less willing to make longer-term, more permanent capital investments. They don't trust that the recovery is appropriately durable; key regulatory issues are unsettled, fiscal policy has been subpar and, in such an environment, CEOs are doing a prudent job of risk management.

Washington needs to find political will to do the things necessary to allow the real economic recovery to occur, in which case you will see far more hiring. This is a challenging period for democracy.

How has your firm been so consistently successful?

Our recipe over the course of the past three quarters of a century has been grounded in a strong investment and client-centric culture created by Roy Neuberger, who passed away in 2007 at 107. He continued to come to the office for many years after leaving as an active employee. Many of our employees had the privilege of working with him and his legacy continues to be an important part of who and what we are.

We're a firm that is built for portfolio managers with a total focus on clients. If you love managing money, this is a spectacular place in which to do it. Our culture, our passion for investing, and our focus on delivering for clients have, more than anything else, contributed to our stability.

One of the first decisions we made as an independent company in 2009 was to continue to have a significant deferred compensation program. The program invests into the same strategies we manage for clients, which aligns our employees' interests with clients' interests.

How do you define your client?

Just over 50 percent of our assets are from institutions – from as close as the City of New York to an increasing number of sovereign wealth funds around the world.

About 30 percent of our clients come through important intermediary partners, be they large financial institutions, registered investment advisers or insurance companies.

Another 20 percent of the business is from direct relationships that the firm has had with high net-worth clients, particularly in New York City, over the course of the past 75 years.

As the firm has grown, has it become more difficult to maintain its culture?

It takes a real commitment to strengthen the culture. We have a clear cultural agenda, which our leadership team takes seriously. Certainly, the global financial crisis put the culture to a test in ways we'd never imagined and to have come through it even stronger has been binding

The success we've had in markets for clients has been fundamental, as has our ability to attract people. The caliber of talent electing to come to Neuberger Berman today is remarkable. Our culture continues to be one of service to clients with the highest value on independent thought and fundamental research.

How critical is it to be a good corporate citizen?

Our focus on community engagement reminds us that, while we spend our day investing and competing aggressively in markets, we're here for a larger and more fundamental purpose: to help our clients. Our clients are retired police officers in New York City; retired teachers in the state of Texas; and wealthy individuals who want to make important philanthropic gifts. We're here to be of service to them.

Since employees assumed control of the firm in 2009, instead of hosting a big annual holiday party, we come together in May to celebrate with a week-long period where we participate in community service projects together. In 2013, for example, more than 1,000 Neuberger Berman volunteers participated in 67 projects around the world.

How do you define what makes a successful CEO today?

Ultimately a CEO's success is defined by how well the firm performs. It's about having the right folks in the right seats, empowering and enabling the team, generating focus, getting the alignment issues right – especially with clients – and finding opportunities that markets present for our clients and firm. For me, it also extends to working quite closely with many of our largest clients, fulfilling our mission, as well as with our people, our greatest asset. ●