Family Capital

# Jane Austen, a good fortune, family businesses…and asset management

by **Michael Foster** 22nd June 2020

Family values espoused by novelist Jane Austen have helped to make Michael Crawford a top performer in his first year running his own boutique, Chawton Global Investors.

His global equity income fund generated a return of 14% in its first year to May, against 8.9% from the MSCI World index. Its gain compared to an average fall of -0.4% for the IA global income fund universe, where it came top.

The fund is small. Prior to Chawton, however, Crawford ran a $6 billion global equity portfolio for wealthy clients of Bessemer Trust, the multi-family office.

Over its seven years, it returned a top-quartile 13.9% a year, against 10.9% from the MSCI World index.

Crawford's business takes its name from Chawton, Hampshire, the home of Regency novelist Jane Austen. Her novels constantly refer to the importance of finding and keeping a good income sufficient to support a family lifestyle – at least 4%, she thought, the yield on a UK gilt.

Austen knew a bit about money. Her favourite brother, Henry, was not only a banker but financed her writing before his business collapsed in 1816.

Crawford points out Warren Buffett funded his early business out of dividends received from the businesses he bought, including various family concerns. Which means a good income only becomes truly valuable if invested wisely.

Crawford wants Chawton's investors to benefit from a reliable dividend stream, along with a resilient capital return which from wisely reinvesting underlying cash flows.

His previous employer, Bessemer Trust, is renowned for its patient approach following its creation in 1907 as a single-family office by steel magnate Henry Phipps. It has gone on to manage other family money, building up a portfolio worth $140 billion.

Crawford says: "Bessemer has this tremendous longevity. That struck a chord with me, because you really want to be able to take a long-term view of any investment."

Data produced by consultant Willis Towers Watson has shown that long-term investment strategies outperform by up to 1.5% a year. Crawford aims to invest in no more than 50 quality, liquid, stocks for five to ten years. He will only back companies with a sustainable business approach.

He aims to build up a dividend income of 3% from his global equity portfolio. At present, it pays investors 2.5%.

Value stocks in mature economies have lately offered a far higher yield. UK income funds have been nourished by dividend yields of 5% for the last thirty years.

But UK dividend income has shrunk. Consultant Lane Clark & Peacock has warned UK dividend payments have been generated by a clutch of oil, banks and insurance stocks and trashed by Covid-19 and market volatility.

LCP believes UK income funds need to broaden their exposure abroad, as a matter of urgency.

Crawford diversified out of the UK and into global equities years ago, after deciding opportunities in the UK were becoming too narrow.

His backing for global champions has reduced his income expectations, but he believes the sacrifice has been worthwhile. He has given himself licence to invest in a range of businesses notably those using technology to nurture their competitive position, including companies based in China.

One of Crawford's largest positions is ASML, a supplier to the semiconductor industry. He also owns Microsoft and Apple.

He likes companies which consistently generate above-average returns from intellectual capital and brand strength. "Tech stocks can offer a high return on capital. I don't regard them as expensive when you consider what they could achieve over ten years. "

To anchor his fund, Crawford has invested in a number of steady income generators like Procter & Gamble, Nestle and Johnson and Johnson. Consumer staple stocks are his largest exposure by far, comprising 27% of the portfolio.

He believes family businesses will further drive his income and capital growth."I would regard family involvement as a very positive governance aspect."

His two biggest bets are family-controlled Roche which uses technology to treat several ailments, including cancer, and Brown-Forman, the US whiskey maker.

Family-owned L'Oreal is another big investment along with Kone, the Finnish lift company led by Henrik Eynrooth as well as the wealthy Herlin family.

He is enjoying his experience: "It's much better being the captain of a rowing boat than a deckhand on a cruiser."