

THE DRIVING SEAT

By Sheridan Winn

HUGH HODGES IS DRIVEN BY CURIOSITY, PRIDE IN GETTING SOMETHING RIGHT AND A STRONG SENSE OF PERSONAL RESPONSIBILITY

Making beneficial social change is what Hugh Hodges values most about his role. Sheridan Winn talks to the Chief Investment Officer of ANZ Private Bank and Trustees Australia, and member of ANZ Private Bank's Regional Investment Council.

Hugh Hodges likes to drive. So passionate is he about his 1973 Porsche 911 that he has driven 200 km to get fish and chips. Over the Christmas holiday, he drove from Melbourne to Queensland through a tropical cyclone. 'I've experienced white-out conditions in the US, but this was much worse,' he says. On his arrival in Bargara Beach near Bundaberg, he found his mind clear. 'In some ways, it was the best break I've had in years,' he says. 'I was concentrating so hard on driving that I wasn't thinking about anything else.'

In business and in life, Hodges is driven by curiosity, pride in getting things right and a strong sense of personal responsibility. He's also got a keen competitive edge. 'Anyone who works in the market likes beating it,' he says. 'The market synthesises everyone's views and decisions, so if you're doing well it means you're doing better than average. It's the challenge, the thrill of the chase.'

Born in Melbourne – by coincidence only a few hundred yards from where he and his family now live – Hodges' early schooling was by correspondence. Then came various schools around Victoria, as his father travelled in his role as a District Forest Officer. A double degree, with first class honours, in accounting and economics at Monash University taught Hodges to 'think', but it was practical experience in the 'real' world that he was after. On graduation he joined the Department of Treasury in Canberra. Two years later he moved to the Department of Prime Minister and Cabinet and then three years later to Parliament House, first as an advisor to Senator Fred Chaney, followed by a period with John Howard.

The markets beckoned and Hodges moved to managing mutual



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funds with EquitiLink in Sydney, then at Norwich Union (now Aviva) in Melbourne. There he rose to Deputy Managing Director of the investment arm, Norwich Investment Management Limited, before joining ANZ in 1998, as Head of Australian Equities.

By 2000, Hodges was looking for a new challenge. He already had a long interest in charitable work, partly through his family and as chairman of a charitable foundation, along with an interest in trustee funds. When ANZ decided to revitalise its trustee division – now an almost \$3 billion organisation with more than 1000 clients – he jumped at the chance to run the investment area of the trustee company. Applying his research and analytical skills, Hodges began by writing a paper on long-term investments for charitable trusts, an investment approach that is also applicable to many private bank clients. By focusing on income flow rather than just total return, he came up with a different way to invest. As a result, ANZ Trustees built a philosophy around 'perpetual' investing. 'We've gone back to the old style investment strategy that trustee companies used years ago,' he says.

Having worked in big institutions where 'it's all about numbers,' Hodges now enjoys the feeling of greater personal responsibility in the trustee company. 'We stand in the shoes of individuals who are often not capable of looking after themselves: accident victims, for example,' he explains. 'These people are given an award and will never get any more money. In 60 years' time, they will still need the income from that investment and it had better be there. With our clients the mantra is that you'd never make any investment that you wouldn't make for your mum.'

In addition to his role within ANZ Private Bank and Trustees, Australia, Hodges is also a member of the ANZ Private Bank Regional Investment Council (RIC). The RIC is a congress of ANZ's most talented investment experts: together, the members of the RIC develop

strategies for ANZ Private Bank clients. These strategies collectively form the proprietary view for ANZ Private Bank on global investment markets and asset classes.

'I am privileged to be able to collaborate closely with ANZ's most respected investment experts as part of the Regional Investment Council,' says Hodges, 'a rare and deeply talented group of people who come together monthly to the betterment of all ANZ Private Bank clients.'

There have been a number of memorable moments in his career. One was the Black Monday crash in 1987, which he describes as 'unbelievable'. A quieter moment was sitting in the Kimberley region of Western Australia, talking with Aboriginal Elders. As Chief Investment Officer of ANZ Trustees, Hodges was advising the Elders on the long-term strategy for investing the income received from the mining rights on their land. 'We've built a strategy so that when the royalties run out – and they will – there will be enough to provide an income for the traditional owners in perpetuity,' explains Hodges.

His guiding principles are to, 'First do no harm' and 'Leave the world a better place than when you came into it,' and he is quick to commend his team of eight colleagues. 'We've attracted people with the same values and it's had a very good benefit,' says Hodges. With regard to leadership, he prefers a light hand. 'Everybody can bring something to the table,' he says. 'I believe in guidance rather than direction.'

His personal investment strategy is something he says he could pay more attention to. 'It's nothing fancy. I go for the long-term: I'm not interested in short-term gains. Inflation is the major enemy of investment, so best go for property and equities. Then it is back to old racing cars in the evenings, as he corresponds with other like-minded international enthusiasts and researches their history. 'I've built up a serious database,' he says. 'I try to relax with that as it is so different to my day's activities!'