

# Britain still excites expert in the art of discovering a long-term winner

Canadian pension fund boss remains confident of healthy returns from backing UK companies, **Patrick Hosking** writes

**E**ighteen months ago Jo Taylor was one of a select band of deep-pocketed overseas investors who were very publicly wooed and schmoozed by Boris Johnson at a bash at the Science Museum, and entertained by the Queen at Windsor Castle.

The boss of the Ontario Teachers' Pension Plan (OTPP) liked what he heard, saying at the time that Britain was politically stable, had predictable regulators he could do business with, had a largely steady exchange rate and was "a really attractive home for patient capital".

Has he changed his mind, given the Truss chaos, the wobble in sterling and the decision by the Gambling Commission to deny Camelot, OTPP's prize bauble in the UK, an extension to its national lottery licence? Add in moribund productivity growth, stubbornly high inflation and a flurry of disruptive strikes and the country might not seem very attractive to foreign investors just now.

In short, the answer is no. Taylor, a Brit raised in Bolton but now living in Toronto, remains supportive. His verdict today is that the UK still rates as "reasonable to good" as a place to invest. "Over the last 15 to 20 years, it has been a pretty good port of call for us." And as an international investor, OTPP "still feels welcome here".

Indeed, since the Windsor Castle excursion, he has piled more cash into the UK, buying a 25 per cent stake in SSE's electricity transmission network and injecting capital into a string of private businesses including Inmarsat, the satellites business, and a new insurance underwriting vehicle at Lloyd's of London.

OTPP also has a number of other potentially exciting technology-linked investments in the UK ranging from Beamery, a talent platform for HR people, to Lendable, an online loans business. Another innovative punt is Kry, which trades as Livi in the UK, a platform helping people to find GPs, both private and in the NHS.

In the space of a year total sterling-denominated assets held by OTPP have increased from C\$4.4 billion to \$6.6 billion, a 50 per cent increase.

But sitting in the pension scheme's London office, a stone's throw from Selfridges, and sipping a mug of Tetley tea, a brand he can't get in Toronto, Taylor does not sound quite as enamoured with Britain as he was.

The Gambling Commission decision clearly still rankles. Camelot lost the franchise to the Czech billionaire Karel Komarek and initially planned to mount a legal challenge but dropped it. "We were disappointed by the process and the outcome for the lottery," Taylor says. "I think that Camelot was and would have been a much better operator in the future of that licence. And we felt that some of the assumptions that framed the decision to go with a different operator wouldn't be ones we'd've necessarily understood."



Jo Taylor with a work by the Chilean artist Eduardo Guelfenbein. His success has helped to fund a passion for abstract art

## Q&A

### Who is your mentor?

When I became CEO of Ontario Teachers, I asked the CEO of a business we had invested in, Jeff Gravenhorst at ISS, for guidance. I respected what he had achieved in a large multi-country company with a positive culture.

### Does money motivate you?

Money has to motivate me given our important duty to deliver returns to pay the pensions of educators. Making it for me and stakeholders does motivate. Once you have enough it becomes less impactful.

Predictable regulation is one of four key elements Taylor considers when weighing up a country's appeal. A massive backer of regulated infrastructure businesses, few things are more important for ensuring reliable, inflation-proofed returns.

He's also worried about Brexit. One disappointment, he says, is the way the basic process of UK firms dealing with overseas customers has become "more complicated and bureaucratic than it used to be". That will not be good for growth.

OTPP is seen as just the kind of

## CV

**What was the most important event in your working life?** Making the decision to leave 3i. There was value in going back to basics where you are on your own. That teaches you ruthlessly what you are good at.

### Which person do you most admire?

Nelson Mandela. He was a class act and dealt heroically with adversity. **What is your favourite television programme?** Ozark, below

### What does leadership mean to you?

Taking the tough choices, being authentic, getting the most out of colleagues.

### How do you relax?

When I get the chance, walking on the beach.

## CV

**Age:** 62  
**Education:** Bolton School, University of London and Alliance Manchester Business School (MBA)  
**Career:** 1984 3i, various roles including head of international venture capital; 2008 co-founded Ethean Capital and held various non-executive directorships. 2012 Ontario Teachers' Pension Fund, head of London office; moved to Toronto in 2018 as managing director, global development; appointed president and chief executive in January 2020.

in the Canadian province of Ontario, it has outstanding pension promises to 336,000 current and retired teachers. Women, who tend to live much longer, predominate. OTPP has 150 members over the age of 100 and several who have been drawing a pension for more than 50 years.

"It's not the easiest funding dynamic," Taylor, 62, remarks wryly. But the scheme is fully funded and has a strong investment record, he says, notching up average annual returns of 9.5 per cent since inception in 1990 and 8.5 per cent over the past ten years. Last year, when most investment institutions were reporting negative returns on the back of falling equity and bond markets, OTPP posted a positive 4 per cent return.

That's mostly because of the scheme's unusual asset mix. It has only 7 per cent of its assets invested in listed shares, compared with about 60 per cent in a conventional pension fund. Instead it has made huge

allocations to private equity and infrastructure in particular, both of which have delivered much higher returns in recent years.

That approach has caught the eye of UK ministers, who are urging UK pension funds to look across the Atlantic at how the Canadians manage things. They want higher investment in UK unlisted companies,

particularly in technology-related fields such as life sciences, advanced manufacturing and digital.

Taylor says how UK pension funds are reformed is "up to others to decide" but adds that OTPP has had certain advantages both because of its huge scale and its decision to keep investment in-house, rather than farming it out to third-party fund managers. It has 450 investment professionals, including 100 in London. One of the key reasons for OTPP's success was the decision by the board to appoint an investment team who are paid market-rate salaries. "If you don't do that, you won't make the best returns, in my opinion." The philosophy extends to Taylor himself, who was paid C\$6.35 million (£3.8 million) last year.

Not every investment decision has paid off. OTPP emerged recently as a significant backer of Sam Bankman-Fried, whose crypto-business FTX collapsed in November, prompting fraud charges. OTPP had only recently put US\$95 million into the business, raising questions from some Canadian teachers about what kind of due diligence had been carried out.

Taylor says a review into the decision is continuing. "One thing I would stress is that \$95 million, whilst a lot for an individual member, is not a lot for the plan. We've got to be a bit careful [we don't] overcompensate." Some of the best-known technology investors such as Sequoia and Lightspeed also ploughed money in, he points out.

High-risk, high-return investing is in Taylor's bones. He spent 24 years at 3i, including running the technology investment team in the rollercoaster dotcom boom-and-bust years. "I think in 1999 we had an attempt to IPO 43 companies. We got to about 32 and then ran out road," he recalls.

3i stalled badly in the banking crisis years and in 2008 Taylor hatched a plot to create a fund to buy its international venture capital investments. He was told he would not sell to him. "It would've been helpful if someone had told me that before," says Taylor. "But I have absolutely no regrets." His newly created buying vehicle, Ethean Capital, was dissolved and Taylor went plural for a while, joining various boards and backing various ventures with his own money.

The most successful was Kainos, the Belfast-based software company, which is now listed and a member of the FTSE 250. Taylor initially came on board as a non-executive director and later bought in to the company. "It wasn't a big stake but I made about 150 times my money on it," says Taylor. How much was that exactly? "A lot." That has helped finance his collection of abstract art, including works by Guelfenbein.

He made a lot of profit buying into other technology companies, whose valuations were on the floor at the time, he says, but it was "a lonely journey" so he went to work for OTPP in 2012, rising to the top job in 2020.

"What's great for me at my age is actually hanging around smart, useful people who have lots of energy and ideas, which I get in spades here."



patient and responsible long-term investor Britain needs to keep sweet. Weighing in at C\$247 billion, it has huge financial firepower, but also particular expertise in infrastructure and private equity.

Established as a retirement fund for teachers