

Work & Careers

Ariel Investments' John Rogers: Taking a contrarian view to beat markets and prejudice

The investor approached family contacts and more progressive institutions to launch the US's first black-owned asset manager

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When John Rogers launched the US's first black-owned asset manager in 1983, even the people who most wanted him to succeed feared it would be hard for the twenty-something investor to overcome the barriers set by centuries of racism and segregation.

"I remember I had dinner with John Johnson, an iconic entrepreneur, who built the largest black-owned company in the country's history at the time, and he told me he was fearful that there were not going to be enough white Americans who would trust me with their money," recalls the founder and chief executive of Ariel Investments.

Rogers says that Americans in the 1980s had just become used to working with minority-owned companies in manual focused industries such as construction, catering and janitorial services. But, he adds, "they had a hard time seeing African-Americans managing other people's money".

"There were a lot of people who just said, 'you know, we're not comfortable with the transition to use diversity' when it came to managing endowments or pension plans," says Rogers. "There was obviously a lot of, and still is in our world, implicit or unconscious bias."

Nearly four decades since he began managing about \$500,000 from a small group of friends and family who were keen to make history by entrusting him with their savings, the contrarian value investor has built a \$15bn asset manager.

What guided him early in his career – and still does, as the US grapples with centuries of discrimination and policies that contribute to a large racial wealth gap – has been a commitment to prudence and a focus on divergent thinking.

The inspiration to be "first in something" came from Rogers' mother, who was the first African-American woman to graduate from the University of Chicago Law School in 1946. Growing up around the city's diverse Hyde Park neighbourhood, and attending University of Chicago's high school, where the parents of his classmates were Nobel Prize winners and world-class surgeons, provided Rogers with the intellectual curiosity to challenge the status quo early on.

"It was just a wonderful, unique atmosphere," Rogers says of his upbringing. "A real rich environment for people to learn how to think

independently, to believe in rigorous inquiry and debate."

The entrepreneurial role models who convinced him early on that he wanted to build something of his own were also Chicago locals. John Johnson, who built a publishing empire from scratch that included the *Ebony* and *Jet* magazine franchises, and George Johnson, who created one of the US's largest cosmetic companies, were living examples of people who beat the odds to create large scalable businesses.

"They were the first African-American companies to be listed on a major stock [exchange]," says Rogers. "I was inspired by those entrepreneurs to start the first African-American-owned money management firm and mutual fund company in the country's history."

The desire to pick unloved stocks was built while at Princeton University thanks to the lessons learnt in class from investor and economist Burton Malkiel, author of *A Random Walk Down Wall Street*, and on a basketball court under coach Pete Carril – a National Collegiate Basketball Hall of Famer – his "best teacher ever".

"I was the one guy in the basketball team that had a broker right across the street from campus, and I loved trading stocks. And I thought at the time, you can get rich quick trading fast-growing companies," recalls Rogers.

We still find some people who are not believers in working with diverse asset managers

"And once I started reading Burton Malkiel's legendary book, I started to realise how efficient the market is and how hard it is to outperform."

Rogers flirted a little longer with betting on growth stocks at William Blair, the investment bank and wealth manager, but he soon realised it was not the right home for him. His investing philosophy was much more attuned to that of Warren Buffett, John Templeton and Ben Graham.

"I was kind of a little bit of a fish out of water [at William Blair], because, you know, being an independent thinker, my Hyde Park roots, I was comfortable being a contrarian," says Rogers. "I just naturally fell in love with the value approach to investing, the contrarian approach to investing."

Aged 24, Rogers quit William Blair, hired a friend from high school to be his deputy and embarked on a mission to set up his own shop. Although the colour of his skin made it harder to launch a successful asset manager in 1983, Rogers recalls that there were many at the time who were keen to help him. "Because we were the first, there were people willing to take a risk on us because they wanted to make a little history themselves," says Rogers.

Howard University, a historically black college, and Cecil Partee, a city treasurer of Chicago and the first black person to serve as president of the Illinois Senate, gave Ariel small but at the time significant amounts of money to manage, which helped Rogers get off the ground.

"The city treasurer of Chicago was a life-long friend, I'd gone to school with his daughter, and I remember he told my father, 'I've been waiting for someone like John to come in the door, you know, someone African-American, that I can be helpful to'," recalls Rogers.

"There were many other progressive institutions like that, who were wanting to be helpful for this young African-American kid trying to make history in a field that was not traditional," says Rogers.

Racial discrimination was not the only obstacle he faced when starting off. The lack of a track record played against him. What helped, as it often does for successful investors, was a crisis.

"The stock market crash of 1987 was a seminal moment for Ariel," says Rogers. This was the moment when his contrarian views were put to the test. He remembers working the phones nonstop to convince clients to send him money to buy the stocks of companies he believed had been unfairly hit by the crash.

"This is a once in a lifetime opportunity to buy bargains," he recalls telling clients. Bets on stocks such as Sanford Corp and Specialty Equipment paid off handsomely, helping Ariel make killer returns for its clients and proving that Rogers could manage money just like his idol Buffett.

Rogers says that despite Ariel having

outlived a market crash and the 2008 financial crisis, and now navigating the pandemic from a position of strength, he still needs to prove to some white Americans that he is capable of managing their money.

"We still find some people who are not believers in working with diverse asset managers. And so we've got to work to change their minds," says Rogers. "The big benefit now, of course, is we have a 38-year track record."

Three questions for John Rogers

Who is your leadership hero?

My parents, who each achieved tremendous success despite the powerful forces working against them. My father was a Tuskegee airman who flew more than 100 combat missions [during world war two] before becoming a judge, and my mother built a legal career at a time when black women were shut out of leadership positions at the top firms. She went on to become the first female deputy solicitor general of the US.

What was the first leadership lesson you learnt?

Think long term and stay the course – two mantras I picked up from Warren Buffett. When everyone else is panicked, which happens often in investing, it's important to keep a level head.

If you were not a CEO, what would you be?

I'm sure I would still be doing what I love – picking stocks. I fell in love with investing at the age of 12 when my father gifted me small amounts of stocks and let me keep the dividend checks to continue investing. The rest is history.