

JAMES BUCHANAN HUGHES

Born:	England, 1972
Education:	Leeds Grammar School and Cambridge University, where he studied Economics
Career:	His 14 year career in financial services commenced with a short stint in mortgage securitization in London, followed by several years with Japanese investment bank Nomura as an equity derivatives trader both in London and in Hong Kong. He then went his own way, establishing the forerunner to Black Swan Capital in London, and also assisting in the establishment of a real estate private equity venture. He is now committed to building the Black Swan Capital business here in Hong Kong, where he has settled with his family.
Ambitions:	<p>Business: To build Black Swan Capital into Hong Kong's most highly regarded wealth manager, and then to expand the business across the region.</p> <p>Personal: To hike to the South Pole before he gets too old!</p>

Black Swan Capital believes the financial crisis is an opportunity to deploy cash while markets are weak

Rewards on the Horizon

The global financial crisis is spilling over into the real economy. The Hang Seng index has lost over half its value relative to the peak achieved in 2007. The property market is looking fragile too and businesses are struggling...The crisis is being described as a 'Black Swan'.

PEAK: What is a Black Swan? James Hughes, Chief Investment Officer of wealth management firm Black Swan Capital explains.

JAMES: A Black Swan is a highly unlikely event, but has a big impact when it occurs. The classic Black Swan event was 9/11. It changed the world. In the financial context, it usually refers to a crisis or a crash that normal financial and economic models do not predict. But actually a Black Swan event can also be a good thing—the invention of the Internet could be described as a positive Black Swan event.

“THE EXUBERANCE OF THE LAST FEW YEARS HAD TO COME TO AN END, AND THE LONGER IT CONTINUED, THE FASTER IT WOULD TURN.”

PEAK: But why a Black Swan?

JAMES: The theory is all about how a single piece of data can blow away an entire model or hypothesis. Hundreds of years ago, people in the west thought that all swans were white, and every white swan they came across merely reinforced this fact. But all it took was a sighting of a single black swan in Australia to blow the fact away. That's the historical context.

As for the current financial crisis, or markets in general, over the past few years people got used to facts such as property values always go up, the US dollar will always be strong, oil will never reach US\$100 a barrel, and so on. But then property prices peak, the dollar crashes, and oil goes through the roof and back down again. The problem is once people start to doubt the reality that they're so used to, the whole thing begins to unravel. You end up with the situation spiraling out of control like it has done over the last few months. The global economy is definitely in a mess right now, but it was predictable.

“CURRENT LEVELS AND ILLIQUIDITY REPRESENT BUYING OPPORTUNITIES.”

PEAK: Did you foresee this financial crisis?

JAMES: In broad terms, yes. We did not know exactly when it was going to turn, or how, or exactly what events might take place along the way, but we were pretty confident that the exuberance of the last few years had to come to an end, and the longer it continued, the faster it would turn. We've been advising our clients to switch out of US dollars and into gold for the past four years!

PEAK: What about Hong Kong?

JAMES: We believe that underlying fundamentals in Hong Kong are good, but sentiment and uncertainty are holding things down. Current levels and illiquidity represent buying opportunities. You should become a client!

PEAK: And how do I become a client?

JAMES: We've been operating in London for several years. We are licensed by the UK Financial Services Authority. We have just opened our offices in Hong Kong at Citibank Plaza, and will start interviewing potential clients soon.

PEAK: I know Black Swan Capital is new here but what is your vision?

JAMES: We want to be a true wealth manager, providing independent investment advice based on our own views on the market. We will have our own asset allocation models, and we'll construct portfolios and select funds. We will be looking to build an ongoing relationship with our clients.

PEAK: Many people are quite negative and disillusioned now so it's refreshing to talk to someone who has a different take on things. Thank you, James.