

Investing tips: what a champion boxing trainer and fund manager can teach investors

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Boxing and investing might seem worlds apart, but when it comes to preparing an investment strategy, or getting a boxer ready for a world championship bout, there are some striking similarities between the noble art of boxing and the gentler art of investing.

On April 23, Australia will witness the biggest fight ever to grace our shores, as Brisbane Olympian Jeff Horn, one of the champion boxers I currently coach, takes on the legendary eight division world champion Manny Pacquiao for the WBO world welterweight title.



To take Jeff to the pinnacle of boxing, I have had to train him to maintain a delicate balance between attack and defence. I have similar conversations daily with investors, teaching them how to carefully manage risk and return.



For share investors, here are four key points that underpin success in both boxing and investing:

Endurance is key – focus on the long term

2016 was a tough year for active managers, as financial markets defied the fundamentals, and investors focused on stocks that were cheap (i.e. a high book value), disregarding all other important fundamental information.

However, just like in the ring, one style cannot dominate forever, which is why we pursue a multi-style investment strategy. It is well known, for example, that last year's hot stock, or top managed fund, rarely repeats the performance the following year.

Investors need to learn endurance, like boxers. They must be able to take a few hits and bounce back off the canvas. And even with a great strategy, whether in boxing or investing, there will be periods of poor performance.

However, if the strategy is sound, highly diversified, and well managed, it will prevail over the long term, and generate good results. The key is to carefully choose the right strategy, and then stick to it.

Safety first

Some boxers focus too much on attack, and do not pay enough attention to defence, just as some investors are blinded by the promised returns, and neglect the risk. Yet if you are going to survive for the long term in boxing or investing, you need to focus equally on both risk and return.

For a boxer, that means learning how to score without getting hit. For an investor, it is about seeking out investments that can deliver good long-term returns, with minimal volatility and losses, to ensure capital preservation.

Maintain balance

For a boxer, it is crucial to maintain balance at all times, as effective attack and defence require perfect balance. Investors must also seek to maintain perfect balance in their investment portfolio, to ensure it can generate good returns through a wide variety of economic conditions.

In recent years, diminishing returns from less volatile investments, such as cash or bonds, have forced Australian investors to pursue higher-risk assets, such as shares and property. Instead, investors should consider a more balanced 'Goldilocks' approach, by seeking investments that get it 'just right' by targeting a much better long-term return than cash, but with a conservative level of risk.

For managed funds, that means choosing those that are academically sound, highly diversified, and prudently leveraged, with an ability to perform well in both rising and falling markets. These include highly diversified market neutral investments, which are not closely correlated with equity market performance, or reliant on rising asset prices.

No man is an island – you can't do it all on your own

When Horn steps into the ring to fight Pacquiao for the world title, he will not be alone. As his trainer, I will be there in his corner to ensure he stays on track, and executes the carefully constructed plan. I will be ably supported by my other seconds.

Behind the scenes, there is also a great team, including physios, doctors, sponsors and promoters. Jeff could not do it all on his own, and neither can investors.

As an investment manager, I meet with professionals, business owners, and numerous other people from all walks of life. They are all great at what they do, but they are not necessarily great investors. They need support.

While you can read books, do courses, and learn to become a share investor on your own, it makes sense to seek out a champion investment manager, who has the experience and resources to help you achieve a much better return for much less risk than you can achieve on your own. With a great team in your corner, it makes achieving financial success considerably easier.

Guiding Horn and other champion boxers has been a long-term passion of mine, as has helping Australian investors achieve superior risk-adjusted returns over the medium to long term.

At Rushton, we have created world-class funds in our Rushton Global Market Neutral Fund and Rushton Conservative Global Market Neutral Fund. Like in boxing, we may not win every fight, but by applying a very sophisticated, highly diversified, market neutral and currency neutral strategy, we can be confident of being successful over the long term, whatever challenge comes our way.

I wish all Australian Shareholders' Association members a successful 2017.

For more information on Glenn Rushton and Rushton Financial Services, please visit www.rushtonfinancial.com.au.