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Horn's boxing boss Rushton likes relativity for new fund

Matthew Cranston

When boxing coach Glenn Rushton started preparing the now world welterweight champion Jeff Horn for a bout with Manny Pacquiao he studied more than 100 hours of footage.

The analysis of Pacquiao's technique gave a detailed picture of vulnerabilities and opportunities that Horn could take advantage of and give him a victory – albeit a controversially close one.

For Rushton there are very real parallels between coaching a champion boxer and managing a newly launched \$4 million quant fund, with ambitions to grow it to \$50 million.

"It's about design and defence," Rushton tells *The Australian Financial Review*. "It's very much like boxing. You

have to have a plan to make sure you don't get hit."

The Rushton Conservative Global Market Neutral Fund went live to investors late last year but Rushton had been operating it with his son and a small team for several years. They have back-tested the fund to the year 2000, showing double-digit returns.

One of the key figures he likes to give to portray the defensive nature of the fund is the annualised monthly standard deviation – the swings and roundabouts of the returns. Over the past 10 years, that standard deviation has been only 2.68 per cent, which is lower than some bond portfolios and much lower than the S&P/ASX 200, which is about 14 per cent over the same time period.

But the defensive aspect is only one

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Boxing trainer and investment manager Glenn Rushton. PHOTO: GETTY IMAGES



Australian Financial Review

Monday 17/07/2017

Page: 13
Section: Companies and Markets
Region: Australia, AU
Circulation: 47179
Type: National
Size: 601.00 sq.cms.



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From page 13 Rushton likes relative value in new fund

part of the strategy. A further explanation inevitably involves Rushton using numerous boxing analogies.

"Many boxers are more interested in attack than defence, but great boxers understand the critical balance between attack and defence and they pay equal attention to both. In boxing, we have to remove every risk we can, and carefully manage those that can't be removed."

The fund, based on a constantly maintained mathematical model overseen by his son Lee, takes both long and short positions covering 600 stocks across 23 countries.

The strategy is designed to make money out of relativities not absolutes. So, for example, while Australia's Real Estate Investment Trusts have taken a battering of late, this hasn't been a problem for the fund.

"We have been long Charter Hall Group and short Westfield, and even though both have declined, Westfield has declined a lot more than Charter Hall, so this produces an overall profit for our fund, and that is what matters to us – the relative movement.

"We assess stocks in the same way that you would assess two fighters in a boxing match. The outcome of the match will be determined by their relative, not absolute, ability."

When Rushton assesses companies, he is concerned only with their relative prospects. "We make a profit when our highly ranked companies outperform our lowly ranked companies, regardless of the direction of the sharemarket.

"This means it is still possible to do well even when market conditions are horrible, as some companies will still be doing better than others in a relative sense."

Rushton, who has that humble but enthusiastic approach of a boxing coach, has been glowing in the recent victory, doing dozens of media interviews. This is his first on the investment fund since the fight.

In the past 10 years Rushton says the fund has produced an average annual return of 10.62 per cent. Last quarter it

delivered a 0.67 per cent return.

"It was a challenging first quarter for active management but we would expect to return to our long-term averages over the coming months and years, as the momentum swings from being macro-driven, back towards bottom-up active management."

He describes the overall investment process his team undertake as "quantamental". It takes fundamental ideas about companies, defines them with mathematical precision (the quant side) and implements them in a disciplined, systematic way.

Rushton, a martial arts expert himself says, the "quantamental" approach also takes any emotion or behavioural biases out of investment decisions.

While there hasn't been much marketing to raise money for the fund so far, Rushton Financial Services, which already manages financial portfolios for investors, will look to self-managed super funds to grow the fund.

"We see it as a cornerstone product for investors over 50," Rushton says.

Like most fund managers Rushton wants patient capital and investors who won't get spooked by broader market conditions. "People often overestimate what they can achieve in a year and dramatically underestimate what they can achieve in a decade – to succeed at any great undertaking, you have to tune out the short-term noise.

"With Jeff, before he had even fought, I told him I believed I could get him to the Olympics in four years, and then three to four years after this, I could make him a world champion, and, if all went according to my plan for him, he could retire in his mid-30s as a very wealthy man.

"There are no certainties in boxing or investing, but you can dramatically tip the odds in your favour."

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Jeff Horn training with Glenn Rushton: "We assess stocks in the same way you would assess two fighters." PHOTO: BRADLEY KANARIS