Renowned anthropologist Claude Levi-Strauss made the observation that a scientist is not a person who gives the right answers, but one who asks the right questions. Theoretical physicist David Harding applied a similar rule of scientific questioning to global investment markets and created futures trader Winton Capital Management.

Bruce Madden talks to Harding’s chief investment officer Matthew Beddall about how one simple idea of scientific interrogation has led to the creation of a $25 billion global hedge fund.

"The stock market was tanking, and we did very well, we had a really good year in 2008."  

MATTHEW BEDDALL
We live in this age where there’s all this data being produced, the Google age, and some of it we can’t use, but some of it we can use, and we’re always trying to get hold of this type of data and seeing if there’s some way of relating it to movements in the market.
Healthy ego or not, Winton’s researchers are exposed to the leading edge of information and data collection capability. Given new advances in information technology, this includes being able to interrogate, for example, data on the movements of oil tankers around the world.

“There’s a big database on oil tankers, it’s amazing, every oil tanker on a day-by-day basis, they track the movement. And using this database we created an index of oil flows into the US, and based on that we built a system which tried to forecast energy prices, crude oil prices, based on trying to understand how much oil is flowing there,” Beddall says.

Other technology examples include devices placed in the cabs of tractors to monitor crop yields in real time, aggregated credit card data in case you need to know what number of mobile phones are being purchased in Western Europe.

Or another company that has sensors on gas pipelines to detect the gas flow based on the vibration of the pipe.

“I guess the main point is we live in this age where there’s all this data being produced, the Google age, and some of it we can’t use, but some of it we can use, and we’re always trying to get hold of this type of data and seeing if there’s some way of relating it to movements in the market,” he says.

Things have come far in only the 12 years since Beddall himself was one of the fortunate fresh-faced few to be recruited by Winton. He approached the firm’s founder Harding in 2001, during a university break studying mathematics and computer science.

“I had to plead with David to go and work there for the summer. Back then we only had about 10 people in the business managing about $100 million.

“In those days we had to check the back-office statements with a felt-tipped pen, in order to make sure all the trades had gone through correctly, so every morning I would come in to the back office with a felt-tipped pen.

“I was expected to do all sorts of different things, which with the benefit of hindsight, has helped me later on in my career.”

For all his relative youth, Beddall speaks with the wisdom of an old hand. He has been intimately involved in the design of the computerised trading systems that run Winton, but is also mindful of striking an appropriate balance between technology, innovation and reliable investment outcomes. He is clear on the expectations of investors.

“There’s a thin line in the middle where we want to be innovative, but we can’t completely re-invent ourselves,” he says. “Having told everyone that we’re a trend following CTA, we can’t start being a party planning business or something.”

His final word? Winton would never suggest an investor put all of their money in any one fund.

“We live in an uncertain world and who knows what’s going to happen. Rather than put everything in the stock market or in bonds, putting a fraction of your capital with a company like Winton could prove to be a very shrewd investment.”

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