

Northstar CIO: Fund management should be driven by process, not personality

In the latest in a series of interviews with industry veterans, Stephen Cranston talks to Northstar Asset Management chief investment officer Adrian Clayton.



BY **STEPHEN CRANSTON**

[Adrian Clayton](#) has built up three fund management businesses since 1995. He first worked at Alphen Asset Management, then moved to PSG Asset Management, and for the past 11 years he has worked at Northstar Asset Management.

'My father did well in the gold market when the metal boomed in 1979 and 1980, so financial markets had always interested me. However, my career choices were to follow my other passions, including becoming a flying vet, or going into financial markets.'

Clayton took the helm at Northstar, which now has R6bn in assets under management, when his friend Alexander Otten died suddenly, and he felt the need to step into the breach to protect client assets. He left as CEO of PSG Asset Management to take over Northstar.

'My career started at Appleton Asset Management, a boutique based in Constantia, where I ran the Appleton Managed Growth fund, which

underwent a series of name changes. That portfolio is now the [PSG Balanced](#) fund,' Clayton told Citywire South Africa in an interview.

Appleton lost substantial credibility after the failure of the (unfortunately named) Appleton Visionary Growth fund, which Clayton didn't manage.

'It invested heavily in technology shares just as they got into a bubble before the 2000 dotcom crash. I always had a much more conservative approach. For example, I was among the first investors in inflation-linked bonds.'



Clayton (pictured above) said there was undoubtedly a contrast between his conservative approach in the office and his love of dangerous pursuits such as flying private planes and mountain biking.

'But managing client money needs the utmost care.'

In 2002, Clayton took his fund to Alphen Asset Management. His colleagues there included [Mark Seymour](#) (now also at Northstar) and Citywire A-rated

manager [Shaun Le Roux](#), who has managed the [PSG Equity fund](#) for more than a decade.

Alphen had the backing of PSG, which was a 50% shareholder.

'PSG boss Jannie Mouton allowed us to run a very English shop,' Clayton joked.

By 2002, with PSG in majority control, the business was renamed PSG Asset Management.

Process

Clayton believes fund management should be process-driven and not personality-driven.

'At each asset manager I have set up, I have ensured the quality-at-a-reasonable-price philosophy persists,' he added.

'But the market environment and the technology we can use are also changing. I wouldn't say the process has ever been radically adjusted, but we have far more powerful quantitative tools.

'At Northstar, we screen 1,200 global shares, have a shortlist of 250 and load 100 into our models. This is a tool we had started to build back in the Alphen days,' Clayton said.

Northstar expresses its full unconstrained investment view through its R608m [Northstar SCI Global Flexible fund](#), which has delivered an annualised return of 14.6% over the five years that ended in February 2023. The fund is ranked fourth out of 29 in the Asisa global flexible category over this period.

Clayton now co-manages the fund with Seymour, since the original manager, Citywire A-rated [Rory Spangenberg](#), left for Vunani.

A global income fund is going through the regulatory registration process, as Clayton believes Northstar can run this product.

Acceptable limits

Clayton said one thing that he had learnt was the importance of keeping tracking errors within acceptable limits.

'Clients don't want to see a 50% return in one year only to see a 50% drawdown in the next.'

Like PSG, Northstar has focused on the retail market, particularly DFMs.

Northstar should get some access to the institutional market through its upcoming research-sharing agreement with the black-controlled First Avenue Investment Management, which will combine the resources of Northstar's nine investment professionals and First Avenue's four.

He said there was also potential for further distribution if Momentum's proposed acquisition of the shareholding held by RMI Investment Management goes through.

'We know Momentum is planning to take its relationship with the RMI affiliates (which include Truffle Asset Management and Perpetua Investment Managers) seriously,' Clayton said.