

BY SUSAN BISSET

Bernard Drury: Personal projects that pay off

Bernard Drury has accomplished what most fund managers around the world only have dreamed of doing: He's had a positive yearly performance for every year of his diversified fund. That alone is a feat without considering that those returns have always been in the double digits.

So, how does this Russian language major do it? Not surprisingly, he attributes his success to lots of hard work and a little good fortune.

Just out of Dartmouth College, Drury took a job as a trader in the grain markets at the Minneapolis Grain Exchange thinking the international aspect of trading would put his Russian skills to use. Though he never needed to speak the language, he grew more interested in the trading industry. His next job took him to Washington, D.C., where he worked as a writer analyzing the grain markets and how agricultural policies affected them. For more than eight years, he watched the grain markets and learned to anticipate certain responses to news and events, a skill that would come in handy later.

"I was eager to get back to trading. So in 1990, I moved back to Chicago to trade for myself," Drury says. It's no surprise that he stuck to what he knew and traded grain spreads.

"It was serendipitous that I chose to study for the MBA while I was in Chicago because, as part of a class project, I did research on the managed futures industry," he says, describing how that in-depth look turned his attention to a new aspect of trading. "I am lucky I did that class project because it encouraged me to set up a CTA firm of my own."

And so Drury Capital Inc. was born and traded in grains exclusively for the first four years. That was when Drury's trading experienced a third major shift. Not satisfied with the trend-following techniques in grains, he set out to find something better. He acknowledged his solid background in fundamentals but thought that wasn't enough to take advantage of some major moves.

"I didn't necessarily have system creation as a goal," he says. "What I did have as a goal was supplementing my fundamental trading with some technical insights."

What resulted was his long-term technical system that he realized worked well for diverse markets, not just grains. He says that moving away from fundamentals made it easier to create something that held true for a variety of markets.

He restricts his current trading to futures contracts only. Though he has had a lot of past experience with trading options, his current system and trading style

keeps him focused on futures.

Drury approached his analysis with all the concepts and ideas he had accumulated through his past experiences.

"I spent a couple of years on the project," he says. "It didn't come to me overnight, but it probably wouldn't have come to me at all had I not been observing the markets for close to two decades."

Now, Drury trades a diverse portfolio of markets from numerous sectors. He admits his system allows him to catch only long-term, trend-following moves and says he is

content to leave short-term, intraday and countertrend trades to others.

He describes his system as a blend of patterns, technical indicators and statistics. It is all very mathematically based, though the original ideology behind it stems from his personal market observations.

Of the five years Drury's fund has been open, the worst month was October 1997 at -9.35%, part of his worst drawdown of -13.12%. The next worse month was -6.20% in January 2001. On the flip side, the best month was August 1998 at 19.34%. His lowest yearly performance came in 1999 at 13.24%, and the best was 1998's 47.21%. Drury has seen the money under his management rise from \$2.4

million in 1997 to \$101 million in 2001.

"I would attribute the growth to good absolute performance in the '97 and '98 period and then to good relative performance in the '99 and 2000 period," he says. "We avoided the large drawdowns suffered by many trading firms in '99 and 2000."

Drury explains the 1997 drawdown was caused mainly by "clustered losses" in the stocks and instruments underlying the contracts he was trading at the time. It is also important to note that the negative performance occurred in the first year trading his system and hasn't been repeated in that magnitude since.

It was that early drawdown that made Drury think the system he had created was hardly extraordinary.

"As far as I knew, my trading approach was rather similar to the trading approach of other trend followers," Drury says. "It wasn't until 1999 and 2000 that you could see the differences in the performance. At first I thought the differences were primarily portfolio selection. But in 2000, I examined the results on a month-to-month basis, and I got to see how the differences probably had a great deal to do with trading technique as well."

That technique has made all the difference for this Russian linguist turned trader turned analyst turned CTA. **FM**

