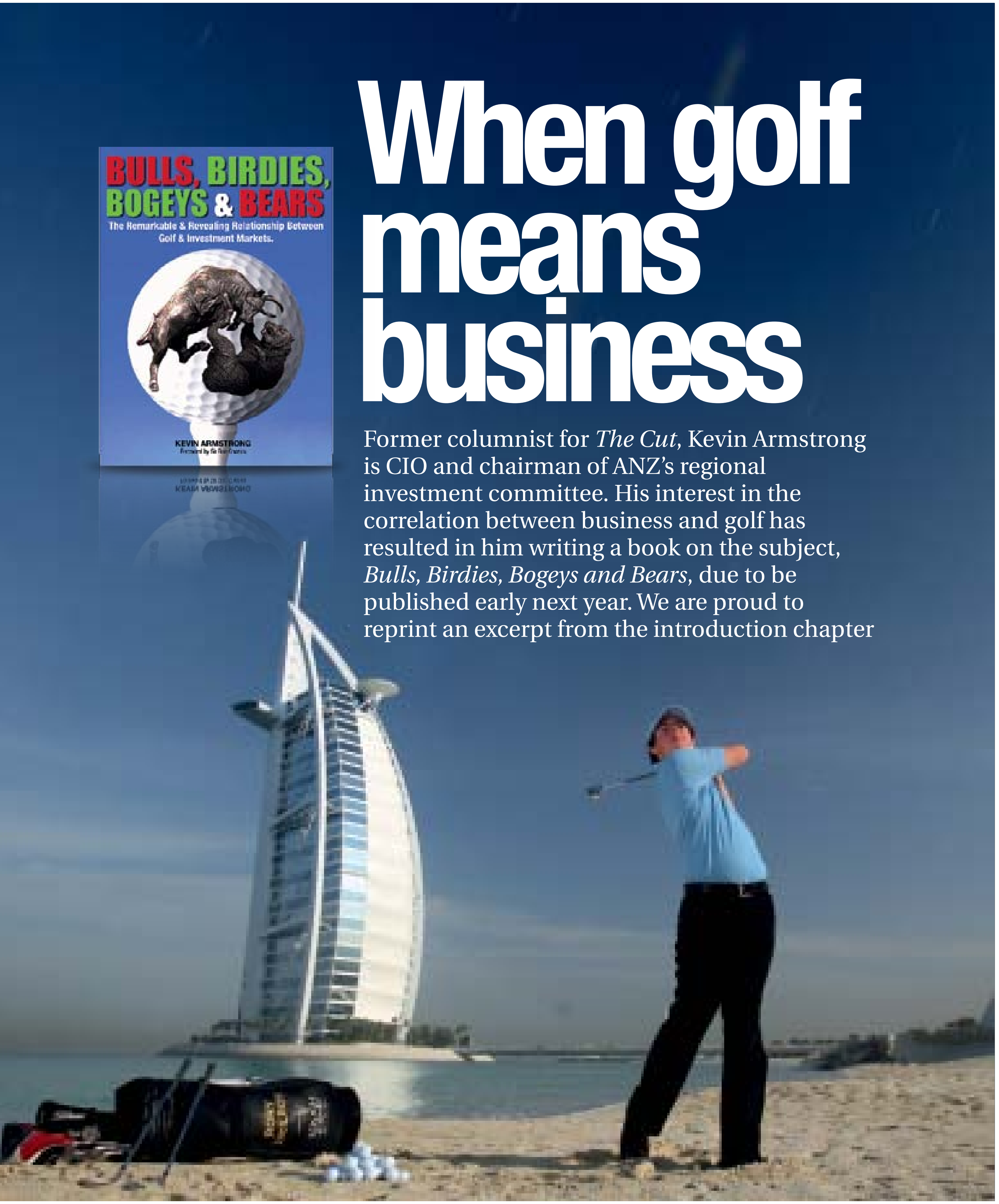


When golf means business

Former columnist for *The Cut*, Kevin Armstrong is CIO and chairman of ANZ's regional investment committee. His interest in the correlation between business and golf has resulted in him writing a book on the subject, *Bulls, Birdies, Bogeys and Bears*, due to be published early next year. We are proud to reprint an excerpt from the introduction chapter

The 'Great Games'

"Golf is typical capitalist lunacy." George Bernard Shaw

A close relationship has existed between business and golf since golf began. However, over the last century, this remarkable connection has grown ever closer.

To some extent the reason for this relationship is understandable. Business and business relationships can be developed and grown on the golf course. This is not true of any other sport.

The pace, style and handicapping system of golf uniquely allows participants the opportunity to compete against each other, yet at the same time converse and get to know one another.

Golf is a game of honesty and integrity, leading many business people to believe they learn more of the character of a colleague, client or employee in one round of golf than in any number of meetings or interviews.

All these aspects of 'The Great Game', as golf has frequently been described, mean that the two activities, golf and business, are inextricably linked. *Bulls, Birdies, Bogeys and Bears* explores these links from both a historic, current and future perspective; however, this relationship's most intriguing manifestation is that evidenced in the behaviour of many of the measures of the 'pulse' of both business and golf.

The most obvious pulse of business is found in the ever-changing mood and level of stock markets. The pulse of golf is harder to measure. However, *Bulls, Birdies, Bogeys and Bears* shows several such measures, as well as many more anecdotal indicators.

These indicators illustrate that the movements and developments, growth and contraction, of both activities have been, and will likely continue to be, closely correlated, and to a far greater extent than any other sport and certainly more than mere coincidence could account for.

Investing, at least on Wall Street, has also been known as 'The Great Game'. Both golf and investing require a similar self-discipline and single-mindedness. Both are at the same time absorbing and frustrating, and can become either a healthy obsession or a damaging addiction.

However, the greatest truth about both activities is that they are highly complex and neither can ever be conquered. The moment a participant starts to think they have mastered 'it', they can be assured of being quickly disabused of any such notion. Both great games are endlessly humbling.

The emotional highs and lows that both golf and investing induce, and the need to keep those emotions controlled, is one of the threads that link them. These emotional swings must be managed not only for the split second that playing a shot or placing a trade may take, but also for much longer periods where doubts and fears have plenty of time to grow.

There are few other sports where the competitor must stay focused, yet calm, in the face of a myriad of obstacles and challenges, dealing with moments of extreme joy and agony over potentially a four-day period and, at least, a four-hour round. Similarly, inner strength and fortitude, over time frames ranging from seconds to days and to even years, is essential in investing if success is to be achieved.

The emotional similarity between the two great games may be the underlying root of their incredible interconnectedness, a connection not seen between investing and any other sport. There are, however, many other potential causes on many different levels.

Back in the early 1930s, the venerable golf writer Bernard Darwin described in *Out of the Rough* the first surge in both the popularity, and the general appreciation of skill, in golf.

He was describing the emergence of the Great Triumvirate — JH Taylor, James Braid and Harry Vardon — in the last years of the 19th century. These three players dominated golf and the populace's imagination like few sportsmen had before. They took golf to a new, previously incomprehensible, level and, to quote Darwin, the game was "booming".

It is one of the contentions of *Bulls, Birdies, Bogeys and Bears* that golf booms when business and stock markets are booming. It further appears that when golf is really booming it finds a new hero, or perhaps it is the new hero that helps golf boom.

The late 19th century was a period of economic and scientific importance. There was a great deal of excitement about the dawning of a new century, the British Empire was at its peak and the world was being propelled forward on a wave of new inventions, from electrification to the telephone.

This was reflected in the stock markets of the time as a new wave of speculation emerged. So, just as golf was enjoying its first widely documented boom — along with the requisite new cadre of stars — investment markets and the economy were also booming.

By the early days of the 20th century, British domination of business, and possibly the world, was coming to an end as America emerged from its colonial past. This was beginning to be seen in the relative performance of the two powers' stock markets and would eventually be seen on the golf course too.

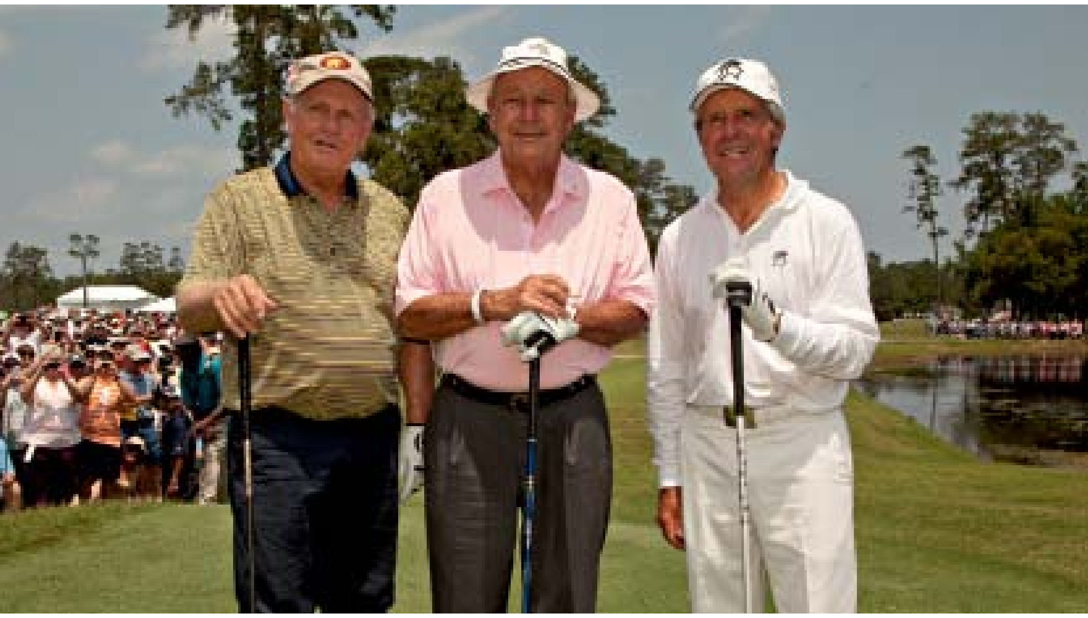
The first sign Britain was on the decline came in the US Open of 1913. Then a little known former caddy Francis Ouimet saw off the might of British golf in winning the Championship amid immensely trying conditions. From then on the tide had turned and America began to take on the mantle of the world's dominant stock market, economy and golfing nation.

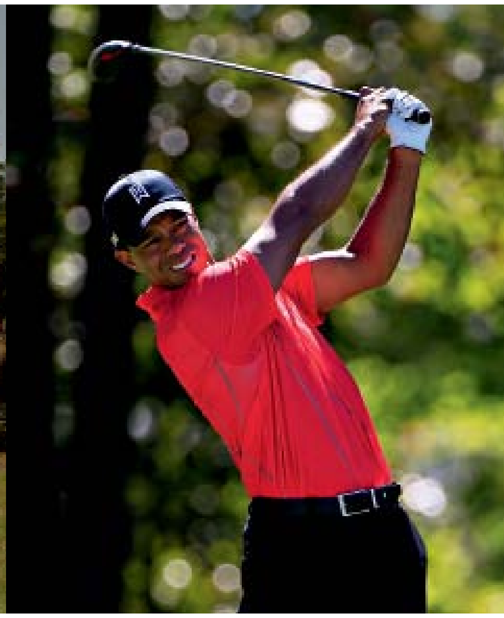
Golf certainly blossomed during the 1920s, particularly in America, and the great amateur Bobby Jones was no small part of this growth. After the Great Triumvirate, he was the next truly dominant player. Again, an explosion in golf was coincident with a booming economy, a surging stock market and the arrival of a new 'star'.

This state of affairs lasted until the early 1930s and the onset of the Great Depression. Whilst the Great Depression was a global phenomenon, it hit America particularly hard, and the stock market reflected this. So too did golf. No American won the British Open for 14 years from 1933 onwards, having previously dominated the event for more than the prior decade.

Whilst golf remained popular, its growth was overshadowed by the gloom of World War II. However, after the war golf emerged with a bang and so did the stock market. One of the world's most enduring bull markets was just in its infancy, and a new breed of golfing star was emerging.

The crescendo of this bull market was seen when golf was brought literally into everyone's living rooms by the miracle of television. The American public embraced its swashbuckling





new hero, Arnold Palmer. To this day, his name is still one of the most recognised, admired and loved in golf. And when he was joined in the mid 1960s by Gary Player and Jack Nicklaus as the 'Big Three' – the modern day triumvirate – golf exploded on the upside and so did the markets.

Despite Gary Player being a South African, golf in the '60s and '70s was dominated by America.

However, things were beginning to change by the 1980s. Globalisation in investing was being discussed at the same time as golf was also embracing globalisation. Courses were being opened where, just a few years earlier, no one had even heard of golf. The decade of Japan had arrived.

If an investor had perfect foresight he would have easily seen this coming. The Japanese stock market was set to explode on the upside through the 1980s. And it was not just the stock market; real estate soared along with most other assets in Japan. Swept up in this wave, and possibly even leading it, was golf. Golf club memberships in Japan became one of the most sought-after investments, and the money available for Japanese golfers on the Japanese tour soared. American golf did not slide backwards in the '80s, but in comparison to Japan it felt like it did.

Through the late 1980s, as the US markets struggled to recover from the '87 crash, investors' appetites for global investing grew and the number of markets open to international investors expanded to meet this demand.

At the same time, golf's dominant superstar Greg Norman proposed a world tour, picking up on an earlier idea of Arnold Palmer's. Greg was ahead of his time by about a decade.

New trends in anything often begin with a false start. This was seen with the emergence of American golf and its stock market prior to the 1929 crash and The Great Depression. Both suffered terribly through that period only to re-emerge with even greater strength 15 years later. The globalisation of both golf and investing followed a similar path.

Through the 1990s, the US once again became the world's dominant economy, stock market and, eventually, the birthplace of great golfers. In the '80s and very early '90s, the US wanted to be more like Japan.

Then the emerging markets of Asia took over the baton of growth after Japan's bubble had burst. America must have wondered what it could do in the face of these 'Tiger' economies.

Eventually, after the Asian crisis, the US did once again become the world's growth engine, and its stock market the world's best performing. In a remarkable coincidence, America also had the next great golf star. America became a 'Tiger' at the same time as Tiger (Woods) began to rewrite the record books.

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The world is certainly more global now. The world's best golfers play virtually a global tour, and the undisputed global golf star, Tiger Woods, is, whilst American by birth, a truly multicultural and global athlete.

The last century began with golf booming on the back of a new wave of golfing stars known as the Great Triumvirate and amidst a surge in innovation and development. Over the subsequent century, golf's popularity and fortunes, and that of its professional participants, have been closely linked with the ebb and flow of global stock markets. It is highly probable that this will continue to be the case going forward.

What is harder to foretell is whether Tiger's winning more majors will ensure that markets continue to rise, or whether rising markets will guarantee even greater popularity for golf. ◑

Bulls, Birdies, Bogeys and Bears, by Kevin Armstrong, is being published by Wilkinson Publishing, Melbourne, Australia, and is due to be released in early 2013.