

As We See It

The goal is to transform data into information, and information into insight.

Carly Fiorina

In our business, the words *investment research* conjure up images of analysts hunched over their desks reading annual reports and company press releases, and talking to other analysts and corporate representatives. These images are accurate as far as they go, but they reflect the *tools* and *techniques* of our research efforts, rather than its *purpose*. The purpose of investment research is to turn information into insights that result in action beneficial to client portfolios.

To further understand research's purpose, think of a jumbo jet flying at night through turbulent skies—thunder clouds, lightning, and other airplanes streaking in all directions at all altitudes. To navigate through the chaos, the pilot and crew rely on their knowledge, experience, and radar—the instrument that paints a picture of their environment, enabling them to see what is going on around them and what lies ahead. Radar doesn't tell the captain what to do, but it gives the information needed to chart a proper course.

Our research effort is similar to the airplane's radar. Its purpose is to provide the portfolio manager with an accurate picture of what's going on in the world and what's likely to happen in the months and years ahead. The assumption is that if the portfolio manager has this information, a safe course can be charted for your portfolio.

Good research is a combination of information and insight. Information is the raw material, while insight is the finished product. The key to effective research lies in getting this combination of information and insight right.

After the analysts have done their work and communicated with the portfolio managers, the research process shifts from gathering information to creating insight. One cannot say something insightful—or even intelligent—on a subject or issue about which you know little. Insight is the product of knowledge, experience, and—above all—good judgment.

A successful portfolio manager or analyst must have that one elusive and unquantifiable skill that so often brings success in every venture—the ability to spot a pattern with the fewest possible facts. One must also have the ability to look at what is known and combine this with their own knowledge, experience, and good judgment, to come up with a new idea or insight. This is the skill we see in great scientists like Albert Einstein and in great entrepreneurs like Steve Jobs and Bill Gates.

In selecting securities for client portfolios, we begin with informational evidence and then combine it with knowledge and experience to reach a conclusion. Reaching such conclusions is often accomplished best by sitting quietly in one's office, reading, writing, and—something that so few on Wall Street set aside the time to do—thinking. Turning information into insight allows us to guide your portfolio through today's global turbulence.

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