

### **Sports, Markets and Mortality**

As a few of you may know, I come from Rhode Island, and as a good “Ocean Stater”, I still sometimes read the local paper. This is in no small part because an acquaintance of mine is a sports columnist for it. Unfortunately, I also read it for the obituaries, as I am of an age where my friend’s parents are very vulnerable. But, to the point, Bill Reynolds, my acquaintance, wrote a piece back on October 10<sup>th</sup> that resonated for me about not just sports, but about the markets. What follows is a partial paraphrase, and a partial plagerization of that column with my thoughts interspersed.

Sports (the market) humbles everyone.

Eventually, anyway.

Sports (the market) humbles everyone, and almost no one’s immune.

From the kids (individual investors) who realize they’re never going to be as good as they want to be, to the great players (portfolio managers) who must face the passage of time (their style being out of favor), everyone eventually deals with their athletic (market) mortality.

Sports (the market) humbles everyone.

I’ve been thinking of that the last few days, ever since the Yankees went out of these baseball playoffs and the Pats lost to Miami to sink to 3-2. Thinking of how sports (the markets) humble everyone, even the most storied franchise in sports history (Five star mutual funds), and a team that danced at the Super Bowl (top decile managers).

Even if no one really wants to deal with it.

We now live in Darwinian times. Winners and losers. Haves and have-nots. People who make it and people who don’t. A world where “loser” is the ultimate pejorative, as if you can have a lot of character flaws, a laundry list of ills, but just don’t become a loser.

Sports (the market) is just a microcosm of this. No one has any tolerance for losing anymore. Not at any level of sports (investing). To lose is to hear whispers coming from behind closed doors. To lose is almost un-American. We celebrate winners. We have banquets for them (make them members of the Institutional Investor All-Star Research Team). We give them parades (interview them on CNBC). To the victors belong the spoils (nice advances for books on how to beat the market).

The loser’s?

To lose is a public failure, a sports (market) version of the scarlet letter. Losers slink away in obscurity, almost as if they’re embarrassed. Why not? Losers embarrass us. We don’t want to be around them because their failure may rub off on us.

Because we’re not supposed to lose. We’re supposed to get the promotion, win the award, beat out the other guy, over and over again. We’re supposed to win, and keep on winning. For winning is the only thing that keeps feeding the beast.

Sports (the markets) humble everyone.

Every time someone celebrates, someone slinks off in defeat. They are two sides of the same coin (trade), but we rarely perceive them as such. We so often forget that the line between winning and losing can be so fine, is so dependent on variables. No one keeps winning forever.

But everyone loses. Eventually the great player gets old (the portfolio manager's style goes out of favor), the kid in the playground realizes he's never going to be as good as he wants to be (the individual investor realizes he'll never guest star on "Wall Street Week"), everyone confronts their athletic (market) mortality. Eventually, the winning streak ends, even for teams that have walked with kings.

For sports (markets) humble everyone.

No one's immune. No one escapes.

Ask the Yankees. Ask the Pats. Ask any investor.

All is not lost, however. Just as slumps come and go, styles of investing move in and out of vogue. This is so much the case that it has even been suggested that one could do particularly well by hiring quality investment managers whose recent numbers have been bad ("Hiring High, Firing Low" by Robert Kirby, Institutional Investor, May 1988). And while we all can't put up Derek Jeter numbers, or grace the cover of Sports Illustrated like Tom Brady, with diligent research and rigorous analysis, we can grind out positive returns.

Athletes have the luxury of playing a limited schedule and saying, "wait 'til next year". We mere mortals must play every day, and there are no time-outs. But for both of us "You win some, you lose some, and some of them get rained out. But you have to suit-up for all of them".

Ask the Yankees. Ask the Pats. Ask any investor.

### **Odds and Ends**

For a change of pace how about a few good old Wall Street pearls of wisdom:

"Bulls and bears make money, pigs never do." Or "Bulls and bears make money, sheep get fleeced."

"Never put all your eggs in one basket." Or "Put all your eggs in one basket and really watch that basket."

"He who sells what isn't his'n, buys it back or goes to prison."

Advice from an experienced Wall Streeter to a fresh-faced rookie, "Think about this, son, Wall Street has a graveyard at one end and a river at the other...and its one way to the river."