

Reprinted from:

THE NATION'S OLDEST WEEKLY BUSINESS JOURNAL

DENVER BUSINESS JOURNAL

VOL. 55 NO. 5

August 22-28, 2003

68 PAGES \$1.50

Compliments of

InnoVest
Portfolio Solutions LLC

Baseball wisdom: Do the A's have it?

“Many people think they are smarter than others in the stock market and that the market itself has no intrinsic intelligence - as if it's inert. Many people think they are smarter than others in baseball and that the game on the field is simply what they think through their set of images/beliefs. Actual data from the market means more than individual perception/belief. The same is true in baseball.”

That is a quote from “Moneyball,” a wildly entertaining book by Michael Lewis on the story of the reconstruction of the Oakland A's and their general manager, Billy Beane. In a nutshell, the A's took on conventional baseball wisdom and began playing under a different set of rules than everyone else. With the second-lowest payroll in the major leagues, the A's have managed to become one of the winningest franchises.

The A's flouted the traditional approach to player evaluation and building a team. They focused more on the amateur draft and tossed aside the old tools used to judge players. Traditional baseball experts focus on the ability to hit, field, throw and run. The A's instead focused almost exclusively on little-evaluated statistics. They liked only college players who had high on-base percentages, got deep into counts (wears out the pitcher) and few strikeouts.

By being fiercely independent, the A's focused on process instead of outcomes. By focusing on process, the A's could accept



**PERSONAL
FINANCE**

**RICHARD
TODD**

By focusing on process, the A's could accept some short-term pain but could drastically change the odds for long-term success. Investing is very similar.

some short-term pain but could drastically change the odds for long-term success. Investing is very similar.

InnoVest conducted a detailed study (published in Senior Consultant, November/December 2002) on investment manager success. We are convinced that those managers that are just a little better than average, but consistently so, have stellar long-term results. This is true whether they are a stock or bond manager, growth or value, domestic or international. In other words, managers that swing for the fences strike out far too often, and manager consistency is a premium.

Most investment publications and their “expert” journalists are caught in the trap of using the same old tools to evaluate products and strategies, and are too excited about short-term periods. Investors act on their ideas, but these experts have no accountability when failure occurs.

Take a page from the A's playbook. Be independent and skeptical about common perceptions.

RICHARD M. TODD is a consultant and principal of InnoVest Portfolio Solutions in Greenwood Village. Reach him at 303-694-1900 or at richt@innovestinc.com.