



IN INVESTMENTS, STICK WITH THE BOSS

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“To say I’ll make your dreams come true would be wrong, but maybe, darling, I could help them along.”
–Bruce Springsteen, I Wanna Marry You

A few years ago, my wife and I went to a Bruce Springsteen concert. Other than “Born in the USA,” I never owned any Springsteen albums, so I speak from the perspective of a casual fan at best. If you’ve never been to a Springsteen concert, there are a few things you should know:

1. He played continuously for about four hours,
2. As best I can tell, his aging seems to work roughly inversely from dogs (as in, every calendar year, he ages about two months),
3. He runs approximately fifteen miles during the concert, and
4. Our tickets cost about \$50 each, which is (apparently) similar to or less than most concerts in the venue where we saw the show

Put more simply, the guy works unbelievably hard, and puts on a truly amazing concert for a reasonable price.

I’ve got four young kids, so my concert attendance has fallen to one per year or less. As I sat (yes, I sat, even for Bruce—I’m getting old) and enjoyed the concert, I was struck with one overwhelming thought:

How can this concert, where this brilliant performer is playing his heart out for four hours, cost the same or less than an average concert?

My best guess is that people have a natural bias to support things that are newer, different, or more unusual. Also, there are a lot of people that attend far more concerts than I do, so are far less picky with their decisions (where I’ll pick maybe one concert per year, they might pick twenty or more).

In investments, the same seems to hold true in many cases. There is often very little correlation between the fees charged by a money manager and the performance generated by that manager. Many investors will often entrust their money to firms with little or no track records, or to new and untested strategies. Some will try to reduce this risk by spreading their money across numerous new and untested firms and strategies, much like the avid concert-goer will select their diverse roster for the year.

If you have lots of time and lots of money, by all means, go see lots of concerts and put your money with anyone that has an interesting idea of how to invest it if this makes you comfortable.

Personally, I prefer to take the time to spend my time and money on a proven band that puts everything it has into putting on a great concert, and I’ll invest my money with a firm with a very long and very good track record. I’ll undoubtedly miss the next big thing in both, but that’s ok—I’ll sleep better and have more time to spend with my kids.

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