Steadyhand

Tom Bradley's Investment Industry Hall of Fame Induction Speech

One of my favourite podcasts is called, 'How I Built This'. At the end of each episode, the host, Guy Raz, asks the entrepreneur how much of her or his success was due to skill and hard work, and how much was due to luck. I don't know what my proportions are, but I know I've had some amazing luck.

First of all, I had the good fortune of winning the genetic lottery. I was born into an upper-middle class, Canadian family that believed deeply in education. That's a pretty good base to build from.

I had a father who taught me that working hard at something you really love isn't really work.

I had a marketing prof at University of Manitoba, Fred Starke, who cared more about how we wrote than what we knew about advertising and thank goodness, a finance prof at Ivey, Paul Bishop, who turned me on to finance and made me realize I was pretty good at it.

If that wasn't fortunate enough, my first boss, Chuck Winograd, turned out to be a hall of famer and he lit a fire under me. He was Director of Research at Richardson Greenshields, and I was as green as grass. I'll always remember getting back a draft of my first stock report from him. There was more ink on it from his red pen than my printer. (Note: I'm lucky my career didn't end there. That 'Buy' report on BRIC, which a few of you will remember, was a brick.)

During my days as a sell side analyst, I got a chance to learn from many of my institutional clients. Two of the most impactful were named 'Bob', both of whom have already been inducted. I only met Bob Krembil a few times during those years, but he asked questions nobody else did that went to the core of my understanding of a company, or lack of understanding. In more recent years as a friend, he asked me equally penetrating questions about our business.

And I eventually had the chance to work with Bob Hager at PH&N where he taught that if "it doesn't make sense for the client, it doesn't make sense".

How lucky is that … 3 Hall of Famers in my first 10 years. And my luck continued.

When I was ready to try something different, I met my long-time partner and Co-founder at Steadyhand. Neil Jensen is as geeky about tech as I am about investing, so it was a perfect combination. His management skills allowed me to focus on investing – research and writing – and importantly, he knew what it meant to be an entrepreneur, which for those of you who have done it will know, is not a trivial skill.

Neil and I knew it was going to be difficult starting from scratch. Indeed, I was told by one my mentors that it was a "longshot". It was then that I leaned on one of the great leaders, teachers and builders in our industry, Tony Hamblin. Tony is a little-known giant in our industry. From his post at Confederation Life, he helped launch more great portfolio managers than anyone, one of them being his eventual partner, Prem Watsa. But it was Tony's passion for entrepreneurs and confidence in me that gave me the inspiration I needed.

I was lucky that our two national papers – the Globe and the Post – needed an investment person who could write. My first break came when Ira Gluskin pissed off the editors at the Globe and I got his slot. More recently, I was fortunate that the National Post gave me a regular gig and extended my reach.

You get the picture. We all need collaborators, challengers, and boosters, and I had the best.

Which brings me to why I'm here? What did I do with my luck and hard work that distinguished me from the many other great investment professionals we have in this country? There are portfolio managers who have better performance than I do. That have run larger organizations. That have been more innovative.

I don't know what the nominating committee saw in me. I've done many things at a high level for almost 40 years, but I hope part of it was what I've dedicated the last 15 years of my working life to. Let me explain.

I'm speaking to a room full of talented investment professionals. We're trained to look for inefficiencies in the market that we can take advantage of — overlooked stocks, structural dislocations, or underappreciated trends. Well, one of the biggest inefficiencies in our industry, by far, is investor behaviour. And when I say 'inefficiency', I mean the biggest cause of slippage to client returns.

Providing great investment management is important. Charging reasonable fees is a given. But it all goes for naught if the ultimate consumer uses our products and skills incorrectly.

The penny dropped for me when I saw a study of returns for the clients of an eminent U.S. money manager. The firm had an excellent record and at one point was named 'Investment Manager of the Decade'. But the study showed that the clients of the firm hadn't done nearly as well. Indeed, they'd done poorly.

Why you ask? Well, money flooded into the firm when results were good (and valuations were stretched) and flowed out just as quickly when they were bad (and opportunities were plentiful).

When studying history, we can always find similarities between previous market cycles, but there are more differences. What is consistent through all the cycles is the part that human emotions and behaviours play. What investors do with the portfolios and products we create is the biggest swing factor and yet it has been ignored by many of my more talented contemporaries.

This has been my sandbox – the area where we can have the biggest impact on the outcomes of our clients and others investors.

I, and many others, implore investors to take care of the things they can control. Having an appropriate asset mix. Keeping costs down. Sticking to the plan.

But we, the professionals, can also do a better job of taking care of our controllables. We can't know what the market is going to do, but we can make sure our processes and client interactions reinforce sound investor behaviour.

That means not portraying ourselves as knowing more than we do. In other words, stop making market forecasts (which is an unfortunate occupational hazard and the biggest waste of grey matter I know). Stop promoting frequent trading. Provide clear reporting that tells clients what they need to know. And align promotion, product launches and growth strategies with what our portfolio managers are doing, not what clients are feeling. The slippage I mentioned comes when we push a safe product when our portfolio managers are doing the exact opposite … buying stocks on weakness.

In this regard, I've moved the dial with my writing and advocacy, but there's further to go. Indeed, if any of you believe in this mission and need support, or want to better understand it, I'd love to help.

As I take you through my story, you can see the luck vs. skill and hard work ratio is pretty high for me, and I haven't even mentioned the biggest factor in my success – my wife.

Lori has been there with me every step of the way. She's kept me grounded in the good times and pumped me up during the not-so-good times. And in our household, there's no worry about speaking truth to "power" (I'll let you interpret that as you wish).

I'm truly honoured to be recognized by the IIAC and humbled that I'm joining such an amazing group. I'm particularly delighted to be inducted along side Kim [Shannon] and Bob [Bertram]. I've known Kim for many years and once wrote about her skills and drive. Bob is a little like Tony Hamblin. He's not known to the public (or should I say, not know enough) but his impact on the Canadian investment landscape is huge.

I want to finish by thanking all the people whose shoulders I've stood on, particularly my dear friends, family, colleagues, and mentors who are here tonight. They include my nominator, Tony Arrell of Burgundy, who is a hall of famer in our eyes and our talented team at Steadyhand that walks my talk every day.

Thank you.