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To be a rock and not to roll
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To be a rock and not to roll

Sometimes a simple concept may take a lifetime to be fully digested, and the difference between *common sense* and *consensus* is not rarely one of them. I would like to share a childhood affective memory that was quite useful for me on that task. I grew up in a country where Ayrton Senna was idolized as a demigod. For countless Sundays as a kid, I would sit in front of the television with my father (my personal hero) to watch the most skilled and brilliant race car driver in history. It was a remarkable family experience to cheer up for such a hero, something one never forgets. Throughout my career as a portfolio manager, however, thoughts about Senna popped up into my head.

The *consensus* in those old days asserted that the Brazilian was the most incredible and brilliant driver in the world. He was the perfect idol. As in every sports tale, an archrival was much needed, and Alain Prost was suited for that job. The French F1 racer was cold, calculating and surely not a very charming tv character. I remember thinking he was even somewhat fearful. Boringly enough, he seemed to carry around the F1 rule book everywhere.

Years later, by recalling that *consensus*, I came to realize that Senna has died on track at only 34 years old, whereas Prost outnumbered his World Title collection (four against three) and is still an active name in the sport up to this date. So, looking at Senna vs Prost rivalry in a more detached and metaphorical way, what should *common sense* suggest who we would like to mirror as traders and wealth managers?

On one hand is the fantastically skilled driver who would put himself in the most risky and incredible situations, since he knows and trusts his unique ability to get way alive, and someone who avowedly *spoke with God* during races. On the other hand, the cold and calculating one, way less sexy despite his four World Titles accomplishment and his never ended prominence in the industry.

The signal and the noise

Whenever we dive into deep research of any kind, to discern between signal and noise is no easy task. By definition, a good research process inhales great amounts of information, which in our business may range as broad as possible. Any serious attempt to decode *reality* requires the examination of the same object from as many angles as possible. But how to differ signals from noises? Occasionally, a noise is so loud that makes it almost impossible to hear a signal.

A first step is to acknowledge *consensus* among qualified peers. *Consensus* results from sums of qualified reviews, framed out from their “market” clashes. It is therefore an enormously powerful force that we respect a lot, and one that we treat with great humility and esteem. Sometimes, however, *consensus* get confused, treating signal as noise or noise as signal. And the only one capable of realizing this would be the *common sense*.

I was once told that *common sense* is the most mismeasured asset in the world. That is because you will never hear someone admitting a personal lack of it. Everybody owns at least enough of it, presumably. But at **MAR** we highly doubt such abundance. *Common sense* is the critical test of a *consensus*. Most times, they both come in mixed into one another and so they should be, but other times they may not. When such a divergence arises, a price arbitrage arises.

Take the *Senna vs Prost* F1 tale, for instance. *Common sense* would candidly reject the *consensus*, pointing out Alan Prost as a way better risk manager. But when a *consensus* is fueled by passion and detaches itself from data’s crude analysis, the laws behind *common sense* are replaced by laws of crowd psychology. Voila, hysteria is born. *Common sense* is disqualified by extremely simplistic forms; summarily rejected by shallow arguments. And because fear is fed by common sense, fears tend to disappear. I wonder if Senna ever stopped to fear high-speed driving...

Eventually, *common sense* and *consensus* work together to produce icons of sports. That was the case of 11x World Surf Champion Kelly Slater, or more famously, Michael Jordan's basketball one. But as much geniuses - like superheroes - may pop out in history from time to time, that does not mean we should seek to become one of them. That said, dedication, sweat and a tireless search for real *common sense* is all we rely on over here. That makes our profiles - and our journey - perhaps not the most epic ones, although less risky and probably more consistent ones in the long run. William Sharpe expressed mathematically this very same concept we live for, by the way (the so-called Sharpe Ratio).

Our investment model is designed to move fast, delivering relevant and consistent returns. But it was never designed to make us look like superheroes. Brutally honest team dialogue; the recognition of strengths and weaknesses in both individual and team levels; seeking out complementary profiles to harness our decision-making process; a framework of methods and processes to do so. This is the boring formula we run endlessly on daily basis, so we avoid the trap of just being dredged by market *consensus*.

We at **MAR** respect *consensus*, idolize *common sense* and balance fear with opportunities. As Led Zeppelin said beautifully, it is all about **to be a rock and not to roll**.

Bruno Coutinho

MAR Asset Management

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Investor relations

Igor Galvão

55 21 99462 3359

contato@marasset.com.br

rio de janeiro – rj • av. ataulfo de paiva 1351, 3º andar, leblon • 22440 034
marasset.com.br