



### **One Shining Stock Pick!?: What can March Madness teach us about investing?**

It's my favorite time of year again: March Madness, the NCAA competition held each spring to determine the national champions of college basketball. It provides us with a few of the most entertaining days in sport as David goes up against Goliath time after time. During the 2024 version, many of us were captivated by the new focus on the women's game. Long distance threes, last second shots, agonizing defeats, and Goliath connecting on a few rocks to David's head each year. If you are a basketball fan, you just finished a few weeks of pure bliss.

A whole nation of basketball fans and casual onlookers try to predict who is going to win, what's become known as "bracketology". In my mind, March Madness is captivating because it's completely unpredictable. What I love is witnessing an arena full of athletes trying their absolute hardest, working together to achieve a common goal. Watching college basketball provides clear evidence that we, as human beings, can do so much more together than we're capable of on our own. In this way, it reminds me of the human ingenuity that drives the stock market.

The value of the stock market grows every year because of the power of people to solve problems in more and more inventive ways. In both basketball and markets, we don't know who is going to win, but we know someone is going to win—and that win will carry us all forward in some way. Air travel, television, PC's, the internet, mobile phones and the prospects of AI have all driven markets forward to heights we couldn't have imagined in prior generations.

In the tournament, what I'm interested in is seeing all these talented, dedicated people deal with uncertainty. How do they come together to solve problems? What works and what doesn't? What do they learn in the process? Only one team can win each game, but every single member of both teams is doing the absolute best they can do. And that's my definition of winning—in basketball, investing, and the rest of life, too.

What I love is witnessing an arena full of athletes trying their absolute hardest, working together to achieve a common goal. As a fan of the Georgetown Hoyas, I haven't had much to cheer about the last decade. It has allowed me to take some of my passion as a fan out of the game and observe the nuance of each team's approach. What adjustments were made? How did players respond to adversity when their game plan didn't work? Were both teams performing at a high caliber, or was one team better prepared or better coached than the other?

That's what I'm looking for. I want to learn from the experience, just like the players and coaches do. So how do these lessons correspond to investing? When we talk about empirical research in the science of finance, we mean studying the way stocks have performed over the course of the past 100 years to understand more about how the market works. I understand that individual games and

tournaments are just steps along a team's journey. Most long-term fans feel the same way I do. Team allegiance gets passed down through generations, and fans don't abandon their teams after a loss (although it has been really tough to keep watching my Hoyas). They stick with them. Kind of like how long-term investors understand that the market will deliver short-term ups and downs, but provide a worthwhile reward in the long run, to those who stick around.