

What is EBI?

INVESTMENT PHILOSOPHY

Evidence-Based Investing

Evidence-based investing (EBI) combines empirical research, data and logic to help with investment decisions. Many of the major advances in portfolio management over the last 60 years have come from academic research. Investors who adopt EBI use a proven, disciplined investment decision-making process based on Nobel Prize winning academic ideas—the types of ideas you would learn in an advanced finance program taught at a top university. They synthesize available evidence to make informed investment decisions and then implement them using time-tested strategies. Some people refer to EBI as replacing emotional biases with intellectual objectivity.

Science of Investing

EBI is sometimes called the “Science of Investing” because it relies on rigorous academic research. In the field of medicine, physicians use research and data to give patients the probability of success of a particular surgery or medication. Patients typically choose the course of action that will have the highest probability of success relative to optimizing their health. Investors who adopt the EBI approach believe that the same use of research and data can be applied to help investors optimize their investment decision-making

EBI leaders like Harry Markowitz, Eugene Fama, Robert Merton, Daniel Kahneman, Richard Thaler and William Sharpe have been awarded Nobel Prizes for their breakthrough ideas in finance. Their ideas provide the foundation of EBI, guiding investors with peer-reviewed, academic inquiry as opposed to “expert” opinions from Wall Street professionals.

Research Results

Studies have shown that stock-picking, market timing, market forecasting, and other attempts to outperform the market don’t often work out as intended and worse, can lead to major mistakes. Investors are barraged with these biased messages that ultimately lead to higher fees for Wall Street firms or more advertisements for Madison Avenue. In comparison, the evidence-based investor adopts a repeatable rules-based investment decision-making process which incorporates investment discipline, the fiduciary standard and a bias for lower costs. They rely on logic rather than emotion, focus on what they can control, and thoughtfully select strategies shown to have higher odds of success.

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