updated 4/2/12

a guide to

the research puzzle

a blog by tom brakke

In May of 2008, I began to write about what I called "the research puzzle." The essays include thoughts about investment process, the creation and communication of ideas, and the nature and structure of the investment ecosystem.

Along the way, I have written several series on topics of interest, some of which you'll find listed on the next page. Following that is a subject index of the rest of the postings.

At the back are a few sketches from some of the essays, as well as examples of charts from **research puzzle pix**, a site started in July of 2010 that features charts and links of interest.

Email notifications of postings are available for the research puzzle (note that all links to postings in this guide appear in this fashion) and for pix. Each also has a full-text RSS feed.

For futher information, please send me an email.

Tom Brakke, CFA

Topical Series

letters to a young analyst ✓ (all)

A compilation of advice for someone new to the investment business.

letter to a young analyst

of theory and practice

communicating ideas

a wise man

hacking your way

earning credentials

finding a home

misaligned incentives

From the dark days of 2009, a look at bad incentives across the investment industry. Little has changed.

failed incentives

actively unconnected

draw your return

let them go

the mysterious waffle ★

optioned out

one hand clapping

a morality play

the global settlement

I served as an independent consultant for the Global Research Analyst Settlement, a significant regulatory enforcement action.

goodbye to all that

the gold rush

know your audience

in search of understanding

all about the frame

the performance parade ★

behind the scenes

of the regulatory pattern

loose ends

fixed income conference

Talk about timely: A CFA conference on fixed income happened to be held while much of the bond market was frozen.

rethink everything

a nasty habit

agents of record

✓ most popular

★ tom's favorites

Subject Index

It can be hard to pin down the subjects of many of the essays. For example, behavioral finance postings often include recommendations regarding investment process. Some of the postings appear in multiple categories below, but for the sake of length, most are confined to one general topic. (Some but not all of the postings from the series listings also appear here.)

fiduciary decisions

for the prudent fiduciary

the haircut

feeling the pressure ☆

the hedge fund dilemma

stagecraft here

false benchmarks

seeking sustainability

fixed income

the indicator revisited ✓

muni blues

gurus

in him we trusted Greenspan

first name basis ☆

pictures with warren ☆ Buffett

the card player Gross

i hired a guru

wanted: mad genius Heebner

courage and process ✓ Klarman

wash with downey Cramer

fortune tellers

hedge funds

the hedge fund dilemma

seeking sustainability

wearing two hats

the investment ecosystem

old paths and new paths

vectors of contagion

great migrations

investment brackets

investment process

courage and process ✓

where we draw the lines

structured myopia ☆

without a doubt

combo platters

thinking about doing ☆

the cave and the flow ✓☆

a small piece of pie

warming up the models

those darn analysts ✓

the wayback machine

fixing a hole

investment process (cont.)

conceptual categories

i see levels

pitching horseshoes

woodward and bernstein

finding a valid approach

on the horizon

size matters

the next bandwagon ☆

the tao jones

layer upon layer

the sideshow

all gaussied up

the sand-castle issues

investor relations

growth promises ☆

manager selection/evaluation

going active

best in show

everything is relative ☆

conceptual categories

false benchmarks

manager selection (cont.)

size matters

two kinds of safety

set

wanted: mad genius

preparing for trial

of states and styles

bond math ✓

a reasonable price

algo city ✓

broken charts

degrees of difficulty ✓

a very delicious direction

one tremendous tell

seeing the trades

a "sideways" look at strategies

market structure

an important notice

vogue traders

anne berkshire hathaway

marketing investments

i don't know ✓

picturing process

telling stories

banging the drum

network dynamics

links with links

defrag this

the social urge

dealing with the deluge

opposing forces

defrag conference

organizational behavior

patterns of behavior

rational choices

thus spake the king ☆

around the table

performance

yardsticks for pundits

everything is relative ☆

stardust

product development

a small piece of pie

research communication

to each his own

communicating ideas

pathways

research funds

the analysts get their turn

wagging the dog

set

research methods

the book on equity research ✓

those darn analysts ✓

decades of work ✓

visualizing the quarter

behavioral leapfrog ✓

more leapfrogging

set

growth promises ☆

double counting

into the stacks ✓

highlighting your favorites

set

taking another look

pharmaceutical alpha

columns and rows

the briefing

research performance

the research performance derby

the optimists club

know the distribution

to the precipice

yardsticks for pundits

the performance parade ☆

research reports

frozen in time

know your audience

risk

road conditions

scams

running amok

days of dreck

strategy

out of position ☆

the street / the business

wall street runs this world ☆

playing in the street

symptomatic of the age

the street / the business (cont.)

in formaldehyde

back at it

this is fatal

in lombard street

more of the same

another monday

a street named desire ☆

fill or kill

gravy train detour

a very good year

commencement exercises

structured finance

too many arrows

under the green tree

look at the little things

tools

about that dashboard ☆

the tools we use

time and motion

paper or plastic

one hundred forty

Set

unifying principles

everything is connected

three types of risk

unmanageable proportions

celebrating independence

unbiased industriousness

seeking sustainability

the art of triangulation

valuation

unpegged

the error price

valuation (cont.)

pricing glamour

betting on beta

valuation debates

not always comparable

miscellany

frugality in vogue

pick up the pieces

competitive keys

three years on

Adaptations of some of the postings have appeared in other publications and on a variety of websites, including *Financial Times*, *CFA Magazine*, *Morningstar*, *Advisor Perspectives*, *Financial Professionals' Post* (from the NYSSA), and *TabbFORUM*. Other original pieces include Due Diligence from a Distance, Being Able to Answer the Question, and Way Off Target.

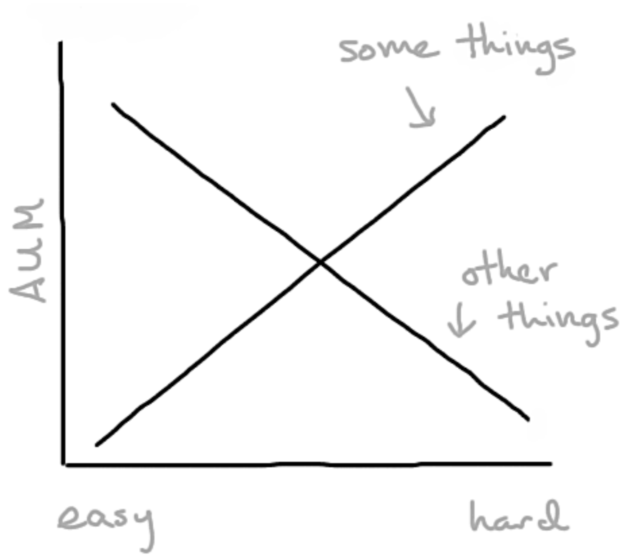
For insights into your business as unique as the puzzlings you've read here, check out what tjb research can provide. We specialize in the "how" of the investment world, helping firms of all types and the buyers of investment products to improve their decision making processes. A key aspect of that is communicating ideas effectively within an organization and to prospects, clients, and other interested parties.

Maybe you need to take a fresh look at what you do.

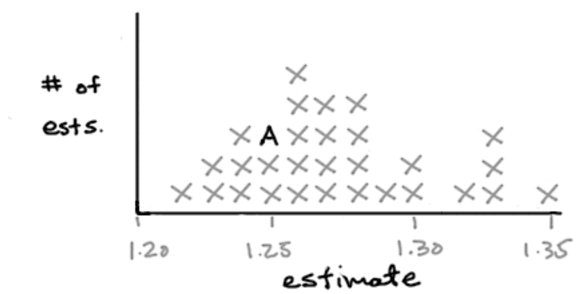
Tom 952.401.7677

check out the sketches & pix →

Sketches

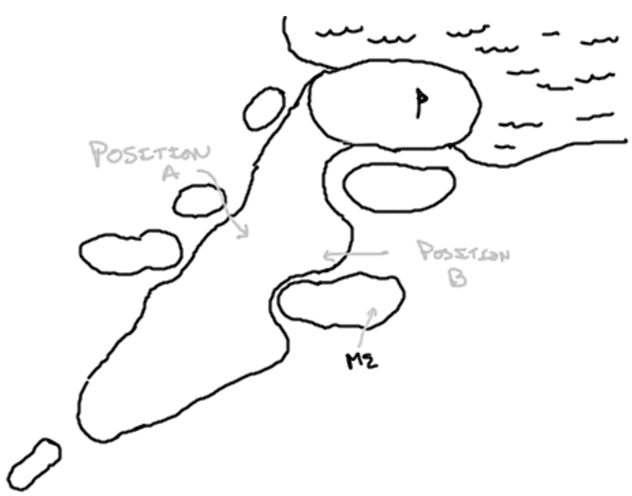


A number of postings include simple illustrations. For example, to show that size matters, but not always as we think, this drawing reminds us that more assets under management can be a blessing and a curse. (See also two kinds of safety.)



Do analysts play behavioral leapfrog with earnings estimates? Some evidence, plus a rebuttal from a reader as I consider more leapfrogging.

How would you fill in the blank? A look back at in him we trusted.

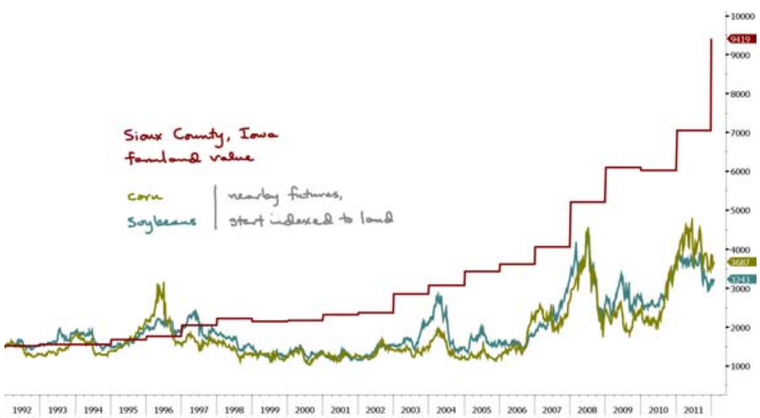


Part of the research puzzle is using analogies to convey important points, as in this rendering. Unfortunately, as with golf, in investing you can get out of position rather easily. When this posting was done in the summer of 2008, the “course” was about to get a lot tougher in a real hurry.

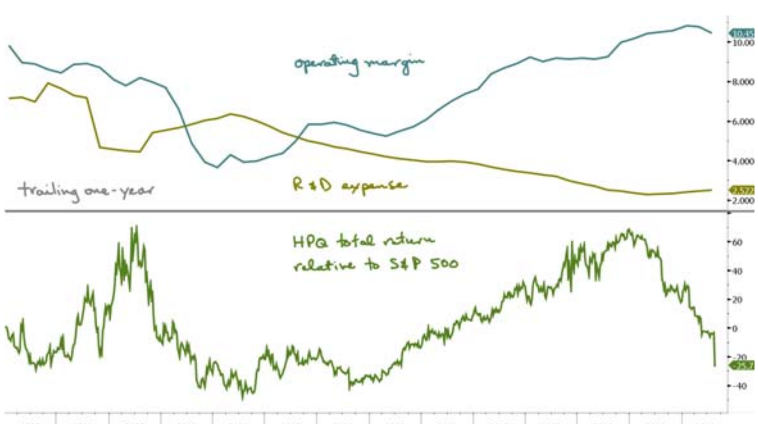
research puzzle pix

This companion site features a chart of interest and related commentary.

These charts (each among the most popular) charts show the diversity of topics considered in pix. Some are macro in orientation. This one featured a long run, the performance of key asset classes during the first twenty-eight years of my career.



Farmland has been on a tear, as this chart of prices for it in Sioux County, Iowa shows (corn and soybeans are presented too). Also included are the beautiful words of the “scribe of Siouxland,” Frederick Manfred.



The long-running soap opera at Hewlett-Packard included a period of expanding margins built on the back of a decline in the lifeblood of the firm: research and development. You could call it corporate suicide.