

## *James Harden and Alpha*

I played high school basketball in Indiana. I won a few honors, but was broadly mediocre, and certainly not NCAA D1 material. My brother and I were watching the Rockets play the Jazz this past week, and were commenting back and forth on the advantage James Harden gets when the referees allow him that extra step or two. And he isn't even the most egregious. In the NBA, traveling just isn't traveling anymore.

My favorite compilation is linked below<sup>1</sup>, but the bottom line is guys today get a whole lot more steps before a referee will blow the whistle. So I said to my brother, a similarly decent-but-not-awesome high school basketball player, "imagine if we got those extra steps back in the day – I mean, how much better would we have been?"

"Yeah, but Drew, the other guys would have had an extra step too."

My brother didn't realize he was spouting a zen-like Michael Mauboussin paradox-of-skill koan, but that's what it was, and it applies to me today as a fund manager as much as it did when I was a basketball player.

Advantage is only an advantage if others don't have the same advantage.

Do you meet with company management? So do 30 sell-side analysts and 100 buy side analysts and PMs every quarter. Do you build your own, bespoke, earnings models? So does half the buy side. Do you interview competitors, customers, and suppliers? So does half the buy side. Do you pull credit-card history, satellite images, and other big data in real time? So does half the buy side. **If you think you have a sustainable informational edge, you're either deluding yourself, or you have inside information.**

**We are not playing an information game. Everyone has the information.** The question is how objective can you be when you process it, and might Mr Market see the same information with bias?

That's it. That's the game. Everyone travels now.



*After you step back twice and drop this three, I am going to get the ball, and travel too.*

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<sup>1</sup> <https://www.youtube.com/watch?v=oJvEwWZhZTk>