

HOW TO FIND GOOD RESEARCH: ADVISORS SHARE THEIR BEST TIPS

Dean DiSpalatro / December 12, 2014



How much time do you spend researching stocks, or different portfolio construction methods? Do you stick to what's offered in-house, or do you look elsewhere for another view?

For many, the answer to the first question is, "Not as much as I'd like," and to the second, "I stay in-house." Changing your answers to both will make you better at what you do. We talked to top advisors who spend a lot of time—and money—on research to find out how you can refine your process.

BIG BILL

Marc Dalpé, portfolio manager at DalpéMilette

| Richardson GMP in Montreal, spends about \$100,000 a year on research.

"It looks like a lot, but it's peanuts," he says, when he considers the pivotal role it plays in the advice he gives clients, and in generating \$5 million a year in revenue for his group.

He uses a top-down approach focusing on large caps, and this informs the research he buys. About 95% of the analysis that goes into building his portfolios deals with macroeconomics and geopolitics. The other 5% is company-specific. His research budget reflects this split.

"Before getting the right call on a company, you have to have the right call on the industry," as well as trends around interest rates and currencies, for instance. "You can buy a great company, but if it's in a poorly performing sector, or if it's getting hit by a currency devaluation you haven't predicted, you're stuck with an investment that does nothing."

One of his sources for macro insight is London-based Capital Economics. A subscription costs north of \$20,000 a year, and he gets between five and seven reports a day. Dalpé also uses Gavekal and MRB Partners.

For geopolitics, Dalpé relies heavily on Texas-based Stratfor. Its research covers everything from military deployments to terrorism to vessel movements, which helps him make calls on the direction of oil prices, for instance. "They're so smart and thorough, and they cost close to nothing. I get stuff from them seven days a week."

Dalpe spends four hours a day reading research. He likes providers who let their analysts disagree with each other; Montreal-based BCA Research stands out. "Their China guy is very bullish, but their emerging markets guy, who also covers China, is bearish. I don't want a house view; I'm issuing the house view."

Stay focused, he adds, on the purpose of research: the practical task of building client portfolios. "There was one publication we subscribed to for two, three years, which cost about US\$10,000 a year. It provided intelligent, well-thought-out research, but I found it was more entertaining than useful." Since it lacked practical analysis he could act on, he cancelled. "If it was a \$100 subscription, I wouldn't mind. But, when it's \$10,000, my business partner raises his eyebrows." !