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Would sales people build great cars?

Greg Dean, May 18, 2018

I've been fortunate over the years to meet many of our clients – both advisor partners, and the families and individuals who own our funds directly. Collecting feedback and thanking those who trust us with their hard-earned savings is one of my favourite parts of the job. Often on these visits I'm asked, "So, which fund should I buy?" This is usually met with a blank stare by myself or a member of my team because the honest answer is, "it depends". That's rarely the answer people expect, so I want to provide some context and draw parallels to a different industry in order to illustrate why I believe the investment professionals at Cambridge are not always best positioned to answer that question.

Let's look at the automotive industry to provide a more relatable example.

If you were asked to explain what Chevrolet does, you would probably say it builds cars. In a similar manner, Cambridge builds investment portfolios. Both Cambridge and Chevrolet make a whole host of products, all backed by their reputation, using skill and experience. In this example, Chevrolet would be the fund company and the Equinox, Camaro and Corvette models, for example, would be different funds that it sells. To be successful, the manufacturer would need car salespeople who explain the attributes of the products and ask questions of prospective customers about their needs, preferences, budget, and perhaps how they see themselves using the vehicle. Additionally, back at the factory, Chevrolet needs engineers and other workers to ensure the products are made safely, cost effectively and with the customer in mind.

Imagine if you reversed the roles with salespeople from the dealership building the cars, and engineers and technicians from the factory now stationed at the dealership to sell cars. The likely outcome? My guess is that Chevrolet wouldn't have much product to sell, and what they were able to get to dealers wouldn't sell well!

My hope with this blog is to share why I have never been willing to answer the question, "Which fund should I buy?" The simple fact is that neither myself nor anyone on the Cambridge investment team are best suited to provide that answer to our valued clients. That's because we don't have enough specific information about the client's unique circumstances to help match the individual with the fund best suited for their risk-tolerance and objectives. We rely on our advisor partners to make these connections. But that's not to say that Cambridge doesn't stand behind our products. It simply means that as fund builders we focus on having a deep knowledge of the companies we own, as well as the risks we are taking on in the portfolio.

Another reason we're reticent to answer this question is because we're concerned it could lend credence to emotionally driven investment decisions. While it's certainly not always the case, "What should I buy?" may also logically raise the follow-up question, "What should I sell?" Long-time Cambridge investors will know we are strong advocates of clients building portfolios with advisors for the long-term, and sticking to their strategic allocation through good and bad times with periodic rebalancing. Our opinion is that before you ask yourself, your advisor or a CI sales representative ***what*** to buy or sell, you need to ask yourself ***why*** you're looking to make a change in the first place, and whether you're sticking to your established long-term plan.

Our team is dedicated to executing and refining our time-tested investment process aimed at providing clients with great products and attractive risk-adjusted returns. We rely on our advisor partners and the CI sales representatives to take the products we make and find clients who can benefit from them. Providing the fit makes sense, the benefits should increase the longer the time period of product ownership – that's the benefit of compounding. However, as any car owner can attest, that's probably where the similarities to the automotive industry end.

Thanks for your continued support,

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