Baseball And Investing: Waiting For The Perfect Pitch or

5 Ways to Hit a Home Run in Investing or

The Art of Investing: Lessons from Baseball or

Swing for Success: Waiting for that Perfect Pitch or

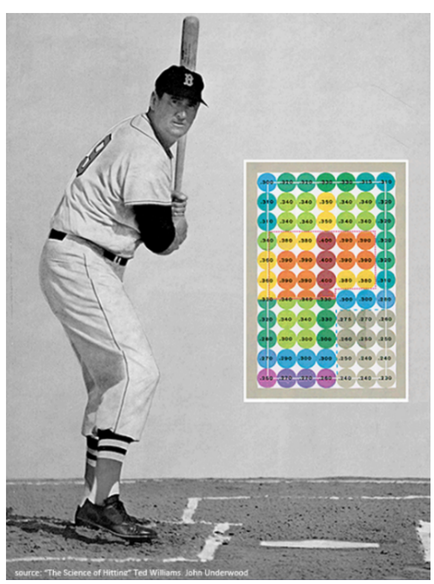
For the first time in 32 years, the Toronto Blue Jays are going to the World Series! Wow. Canada's beloved baseball team will face the reigning world-champion L.A. Dodgers to see who will be crowned champion of the world for another year.

It is a well-known fact that hitting a baseball is one of the most difficult things to do in all of sports. And despite the fact that it might seem like an art form, hitting is actually more of a science. Take it from the most proficient hitter in the history of baseball, Ted Williams.

In 1941, Ted Williams achieved one of the best batting averages of all time – and one that has not been matched since. He hit 0.406 that year, which is more than 4 hits out of every 10 at-bats. He was and still is regarded as the best hitter of all time. By comparison, our own slugger, Vladimir Guerrero, Jr. batted an incredible 0.385 over a seven-game series during the ALCS playoffs - and this was good enough for him to be named ALCS MVP!

So, how did Ted Williams do it? And what can we learn from his approach, and apply to investing?

Statistical Analysis. Ted Williams did one thing that no other player was doing at the time. He embraced statistical analysis in his approach to hitting. He meticulously tracked his at-bats, and broke down the batter's box into 77 sections, 11 down and 7 across, all the size of a baseball.



Source: **“The Science of Hitting” Ted Williams, John Underwood**

Once he deconstructed the batter's box, he discovered something that is common knowledge today. On pitches that were near the middle of the box, he tended to have the highest batting average. That’s what we term today as the “sweet spot” of hitting.

Patience & Discipline. Williams was still pretty remarkable when hitting in the other sectors, but what he understood was that to be the best hitter, he didn’t need to have the best swing or be the strongest, he simply had to be patient. Williams didn’t swing at everything; he waited for pitchers to throw him a baseball right in the “sweet spot,” and used those pitches as an opportunity to get on base. Of course, in baseball, you only get so many pitches per at-bat. However, to maximize your batting average, you’re better off waiting for the perfect pitch down the middle, rather than taking a chance at something on the outside - even if it’s close to what you’re looking for. Conversely, the advantage to investing is to sit there patiently and watch pitch after pitch go by and wait for the right one in your sweet spot – you don’t have to swing until you are ready.

Quality Focussed. One of the core principles of Ted Williams’ hitting matrix was his emphasis on waiting for the right pitch. He believed in swinging at only those pitches that were within his “sweet spot.” Williams would often let pitches outside this zone pass by, even if they were strikes, because he knew they were less likely to result in a successful hit. In investing, a similar focus on quality is essential. Successful investors don’t chase after every investment opportunity that comes their way. Instead, they wait for high-quality investments that align with their investment goals and risk tolerance.

The Circle of Competence. Just as Williams passed on pitches outside his happy zone, investors should avoid investments that fall outside their comfort zone or are unsuitable for their long-term strategy. Legendary investor Warren Buffett, explained that, “*What an investor needs is the ability to correctly evaluate selected businesses. Note that word ‘selected’: You don’t have to be an expert on every company, or even many. You only have to be able to evaluate companies within your circle of competence.”* What does that circle of competence remind you of? The sweet spot in Ted William’s hitting matrix. At Fairbank, we want to stay within our circle of competence - our “sweet spot” - and wait for the best possible opportunity to come along. There will be countless pitches coming our way every day, but if we concentrate on our sweet spot, we’ll end up with the highest batting average that we can possibly muster.

Emotional Control. Williams' legendary composure at the plate is another aspect of his approach that has parallels in investing. He maintained a calm and focused demeanor, even when he encountered high-pressure situations. This emotional control allowed him to make rational decisions rather than succumbing to fear or anxiety. In investing, emotions can be a significant challenge, even for the most sophisticated investors. Market volatility can trigger emotional responses, leading to impulsive decisions that may not align with long-term goals. Successful investors develop emotional resilience and the ability to make decisions based on reason rather than hope, fear or greed.

Markets today have been precarious and volatile, to say the least. This means that the market is starting to offer a lot of interesting pitches. As company valuations start to come into our "sweet spot," it is becoming clear that taking a swing or two might be an excellent option for long-term investors.

Investing, like in baseball, is not easy in this environment. No one has the ability to predict outcomes with certainty. As legendary baseball manager Yogi Berra used to say, "*it's tough to make predictions, especially about the future.*" The important thing to remember is to stick with your game-plan, wait for the right opportunities, and don't hesitate to swing big when everything lines up.

So as the Blue Jays head to the World Series and fans across Canada cheer them on, remember that the science of hitting and the discipline of investing share the same foundation — patience, preparation, and perspective. Or as Ted Williams might put it: *"wait for your pitch… and when it comes, don't miss it."* Now let's go, Blue Jays!

Robert Gill is portfolio manager at Fairbank Investment Management, a company that offers individual investors and institutions actively-managed investment solutions and helpful advice. He can be reached at rgill@fairbankim.ca