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THE SCHOONER

The Official Newsletter of the Dalhousie Investment Society (DALIS)

Letter From The 2025-26 Executives

Hello Schooner Readers!

We are extremely pleased to present the first Schooner of the new (albeit delayed) school year. We can confidently say that paying forward all the hard work and effort from the years prior has been a challenge, but like those before us, we'll never stop pushing up that hill.

Besides, we're only one month in, and it's already proven tremendously rewarding. We are starting the year with resounding success. And although traditions are important, we're happy to share that DALIS has been shaken up as always – goodbye Rowe 1020, you will be missed, but you can't hold us!

We saw a resounding 150+ members at our first meeting, and a good amount of them at Oasis afterwards. We've introduced a new pod to the Maritime Fund, the Machine Learning Portfolio, they've been given a long leash to combine machine learning with financial markets. Also Seaside, a lecture series dedicated to helping young students traverse the winding road of Investment Banking, has created a new team focused on research. Look out for future projects.

As we move forward, we want to thank all those involved in making the first month of DALIS a smashing hit, from faculty and employer partners to alumni and students. We move forward with one goal: leave DALIS better than we found it.

Sincerely,

Margaux, Sam, Cole, Fara, Thomas, and William
DALIS Executive Team

A Glimpse of What's Inside:

Alumni Spotlight

CRMBA 2011

James McGuigan, CFA

Managing Director & Head of Investor Solutions
Scotiabank Global Banking and Markets

How did your time in the Dal MBA program shape your career path?

My time in the Dal MBA program was truly formative. The program struck the perfect balance between developing technical acumen and honing the softer skills that are essential for leadership. I came out of it with first-rate knowledge in finance and derivatives, but just as importantly, I learned how to prioritize, collaborate, communicate, and manage my time effectively.

The 8-month work term was a standout feature. It allowed me to apply what I'd learned in a real-world setting and build practical confidence. Outside the classroom, I co-founded the Dalhousie International Business Society, competed in case competitions, and participated in an exchange project in Mexico, where our team provided consulting advice to a small business (fun fact: it was a family-owned tequila distillery looking to export to Nova Scotia). Those experiences taught me adaptability, cultural awareness, and the ability to solve problems under pressure. Altogether, the Dal MBA equipped me with strong technical knowledge and the leadership skills that have shaped my career ever since.

What has kept you at Scotiabank for 14 years? What makes it a place you want to grow your career?

I've stayed at Scotiabank because it's a place where I've been able to build something meaningful, surrounded by talented people who genuinely care about doing things the right way. Our team has been together for years, creating a level of collaboration and trust that's rare in such a competitive industry.

The culture here rewards both innovation and accountability. From the start, I was given the opportunity to take ownership, design and grow a business, and see tangible results from those efforts.

What truly sets Scotiabank apart is its emphasis on long-term value creation; decisions aren't made just to optimize the next quarter, but to strengthen the Bank and its clients for the long run.

We're now in the middle of a major technology rollout, and I'm excited to see how it raises the baseline for our business, freeing up time for client strategy and high-impact initiatives. That kind of forward momentum, paired with a culture that values people and purpose, is what's kept me here and continues to make Scotiabank an energizing place to grow.

What is your current role, and what does a typical day look like for you?

I'm Managing Director & Head of Investor Solutions at Scotiabank Global Banking and Markets. My team originates and distributes structured notes to clients across Canada, Latin America, and the Asia-Pacific region. These are defined-outcome investment strategies that blend the benefits of equity and debt investing. Our goal is to design customized products that help clients meet their investment objectives while providing a stable source of deposits for the Bank.

My day usually starts around 5:30 a.m. with a check-in on overnight activity from our Singapore team. Then I'll take my dog for a walk while listening to Bloomberg to catch up on market news, before joining our 7:20 a.m. morning Equity Research call to review company-specific developments. From there, the day is typically filled with team strategy sessions, client meetings, product development discussions, and coordination with partners across trading, risk, legal, technology, wealth, and international teams.

The fall tends to be especially busy with conferences, client events, and strategic planning. I usually wrap up around 5:30 p.m., unless there's an evening client engagement.

End of day is a good time to clear my inbox and prepare for what's ahead. In capital markets, you're never really off duty, so I keep an eye on my phone for breaking news or important e-mails from colleagues in other time zones.

How has the financial services industry evolved during your time at the bank, and how have you adapted?

The last 15 years have brought massive change to capital markets. Technology has been transformative; algorithmic execution, cloud computing, and advanced analytics have revolutionized speed, efficiency, and transparency. Post-financial crisis regulations also imposed greater capital requirements and limited proprietary trading, fundamentally changing how banks deploy their balance sheets.

Together, these shifts have reshaped trading floors. Banks have moved from spread-based trading toward more advice-driven solutions, focusing on balance sheet optimization, non-linear products, and technology-enabled platforms. In essence, we've evolved from the "storage" business to the "moving" business.

For my team, these changes have been positive. Investor Solutions has benefited as clients increasingly seek tailored, defined-outcome products that generate stable funding for the Bank. It's a good reminder that in capital markets, the real edge doesn't come from avoiding change; it comes from embracing it to move the business forward.

How has the CFA complemented your MBA education and helped in your current role?

The MBA and the CFA complement each other beautifully. The MBA emphasizes leadership, strategy, and decision-making skills that are critical for managing teams and navigating complex business environments. The CFA, by contrast, provides real depth in investment analysis, corporate finance, and portfolio management techniques.

Together, they create a powerful foundation. The CFA gives you the technical credibility to engage deeply with clients and evaluate investments rigorously, while the MBA provides the broader managerial perspective needed to lead effectively. Both have been invaluable in my work in capital markets.

How has the structured securities industry evolved in Canada during your time at the bank?

Structured products have existed for decades in Europe and Asia, but their growth in the Americas has accelerated dramatically in recent years. Several factors have driven this trend: a prolonged low-rate environment, the rise of goal-based investing, advances in technology that enable customization at scale, and regulatory changes that have improved transparency and investor education.

Better modelling and risk tools have also expanded the product suite available to clients. The result is a more sophisticated, diversified, and accessible market, one that continues to evolve rapidly. It's that constant evolution that makes this such an exciting space to be in.

What key principles have guided your approach to growing Scotiabank's market share in the notes industry?

Our strategy has always been grounded in simplicity, innovation, and trust. We aim to make complex ideas accessible, helping clients achieve clarity and confidence through solutions that are well-structured and transparent. Over time, we've evolved from a product-led business to a solutions-driven one, where every idea begins with solving for a client's needs.

Technology has been a major enabler of that shift. By automating and digitizing parts of the process, we've freed up capacity to deepen relationships and think more strategically about client portfolios and risk alignment.

At the core, though, success comes down to people. I've tried to create an environment where collaboration and credibility are paramount, one in which the team feels empowered to take initiative and learn continuously. Seeing that approach recognized across the industry, with multiple industry awards for client service, education, and product excellence, has been incredibly rewarding. It reinforces that doing things the right way over the long term pays off.

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Fall 2025 Group Introductions

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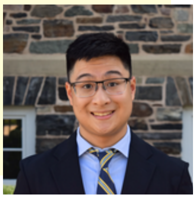
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PORTFOLIO MANAGER


WILL PORTER
SENIOR ANALYST


WILL KEATING
JUNIOR ANALYST


PRESTON MOON
JUNIOR ANALYST


COLE JEFFREY
JUNIOR ANALYST

Commodities


LUCAS ROBBINS
PORTFOLIO MANAGER


WILLIAM ALEXANDER
PORTFOLIO MANAGER


MARKUS CORDY-SIMPSON
SENIOR ANALYST


LANCE BRECKON
JUNIOR ANALYST


FOSTER LEGGE
JUNIOR ANALYST


JAMIE PARKIN
JUNIOR ANALYST

Long / Short Equities


SAM WHITE
PORTFOLIO MANAGER


JOSH FRANKEN
PORTFOLIO MANAGER


SEAN WOODBURY
PORTFOLIO MANAGER


AUSTIN LOVERING
PORTFOLIO MANAGER


LIAM MASON
SENIOR ANALYST


PHILIP WILLIAMS
SENIOR ANALYST


TESSA CLARK
JUNIOR ANALYST


TYLER MACKINNON
JUNIOR ANALYST


SAMUEL SINGH
JUNIOR ANALYST


JOSH HEBB
JUNIOR ANALYST

Machine Learning


JOHN VICTOR STEPHAN DURAIRAJ
PORTFOLIO MANAGER


IBAAD HEMANI
PORTFOLIO MANAGER


SAM COLIBEE
SENIOR ANALYST


SARAH FINKLE
JUNIOR ANALYST

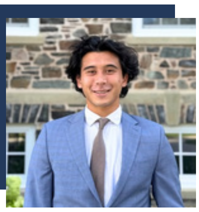

JADEN CICCOA
JUNIOR ANALYST

Seaside Capital


RONAN SAHAJPAL
HEAD OF SEASIDE CAPITAL


MATTHEW KING
ASSOCIATE


RYAN SPITZER
ASSOCIATE


BRANDON DIPAOLA
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Smart Risk or Legal Risk: How Regulation Shapes Canadian Banking

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Canadian banks are rarely urged to take on more risk. Yet in September 2025, the Office of the Superintendent of Financial Institutions (OSFI) surprised Bay Street by calling on the country's largest lenders to pursue "smart risk." The OSFI signalled that Canadian banks, long known for prudence, should lean further into business lending to support economic growth. The call, first reported by Reuters on September 22, marked a striking change of tone for an institution that has traditionally emphasized restraint and capital discipline.

The moment highlights a fundamental tension in Canadian finance: the balance between growth and safety. The rules that help banks remain resilient can also limit how much they lend and invest. Canada's framework, shaped by the Bank Act, the Financial Consumer Agency of Canada (FCAC), the Canada Deposit Insurance Corporation (CDIC) and the Bank of Canada, has often erred on the side of caution. This cautious approach has strengthened the system's stability, but often sparks debate over whether it slows innovation and limits credit for businesses.

Cutting Red Tape, Keeping the Cushion

OSFI's recent moves show it's trying to walk that fine line. Through a Policy Modernization program announced in July 2025, the regulator rolled back some outdated rules to make life easier for banks on the compliance side. It also hit pause on the Basel III "output floor," a global rule that would have forced Canadian banks to hold more capital than many of their foreign rivals. At the same time, in June 2025, OSFI maintained the Domestic Stability Buffer at 3.5 percent, which serves as a cushion of extra capital for uncertain times. These moves together show a regulator willing to cut red tape but not willing to compromise the system's safety.

What does "smart risk" actually mean in practice? According to the September 22 Reuters report, OSFI wants large lenders to expand credit to businesses, especially mid-market firms and sectors such as infrastructure, clean energy, and technology.

The idea is that well-capitalized banks, with better data analytics and stress-testing tools, can prudently take on more strategic lending instead of parking capital on the sidelines. Yet the guardrails remain: minimum capital and liquidity requirements still apply, stress tests continue, and the OSFI has warned that it will raise buffers again if systemic vulnerabilities rise. In the regulator's own words, smart risk is not "reckless risk."

Limits, Doubts, and Trade-Offs

Legal obligations add another layer of discipline. Banks must fulfill their fiduciary duties to shareholders and depositors, comply with the Bank Act and consumer protection rules, and adhere to governance and disclosure requirements. Capital-ratio thresholds or other regulatory limits may still constrain a bank eager to extend credit to a riskier borrower. OSFI's modernization drive is meant to make regulation more efficient, not to weaken the prudential backbone that underpins the system's safety.

Some critics aren't convinced that a friendlier tone from the regulator will spark a wave of new lending. They worry that even a slight loosening of the rules could set the stage for future problems if credit growth becomes too fast. Others note that the big banks are more likely to take advantage of the flexibility than smaller lenders. And with high interest rates, shaky global trade, and a slowing economy at home, many banks may remain cautious, regardless of what regulators say.

Why It Matters for the Future

The implications reach far beyond the banking sector. For Canadian businesses and entrepreneurs, the outcome will shape how easily they can access credit for investment and growth. For students preparing for careers in law, finance, or policy, it signals sustained demand for professionals skilled in risk management, compliance, and regulatory affairs. Key things to watch will be any changes to capital or liquidity rules, movements in the Domestic Stability Buffer, and whether business lending numbers actually start to climb.

Regulation isn't just there to slow banks down but also to set the boundaries for how they can grow safely. OSFI's push for "smart risk" is a real-time test of whether banks can step up their lending without losing the stability they're known for. For Schooner readers, it's a reminder that the future of Canadian banking, and the opportunities it opens, will be driven as much by laws and regulations as by market forces. The question now is whether banks will actually take the plunge or keep playing it safe.

Will History Repeat Itself?

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The Roman Empire's collapse was driven by chronic inflation of the denarius, and the Spanish fell under the weight of their own treasure and enormous debt. The greatest empires on Earth are not immune to financial mismanagement. Is the US next?

Levels of US government debt have skyrocketed since the onset of the pandemic, and concern amongst the public has been building. Is the US on an unsustainable path of borrowing that will cripple its standing as the global economic leader? In this article, I will delve into the scale of American sovereign debt and assess the looming debt crisis.

The Numbers

Total Federal debt has ballooned from $863 billion in 1980 to $36 trillion as of the second quarter of 2025. Every major economic slowdown since World War II has acted as a catalyst for the government's indebtedness, as the federal government widened its budget deficit to stimulate the economy. This includes the early '80s recession, the dot-com bubble, the '08 financial crisis, and most importantly, the COVID-19 pandemic. Since the early 1980s recession, total debt has grown forty-one-fold, a similar pace of increase to the previous 50-year time span, following World War II. So, if the rate of change is not grounds for concern, what is?

It is the debt burden relative to GDP, as well as the servicing costs of that debt. The debt-to-GDP ratio has swiftly passed the crucial threshold of 100% and sits over 120%, the third highest among the G10; the Federal Government now owes more than its economy's yearly output. This means the marginal benefit of American debt is steeply diminishing, as reflected in the underperformance of output. An efficient pace of growth in debt would have resulted in a constant debt-to-GDP ratio, as output would grow with debt.

The servicing cost of said debt is even more concerning. In 2024, the US government paid $1.1 trillion in interest expenses (13% of the total budget), which is more than the annual defence budget (let that sink in). The US government, which spends $997 billion on defence, the most on earth, beating second (China) by threefold, is spending more on servicing its debt. This is not sustainable.

The bottom line is that the rate of increase in debt has been caused by the government funding large deficits during wars and recessions. The issue now lies in the diminishing marginal utility of debt and the excruciating cost of servicing it.

What the Future May Hold

Suppose the federal government continues down this path, running a yearly deficit of nearly $2 trillion and accumulating debt that exceeds the current $41 trillion ceiling. At the same time, the economy grows at a lower rate. In that case, I see a parallel to the fall of the once-richest empire in the world, Spain. The kingdom was rich in gold and silver after the conquests of Africa and Latin America; large shipments of treasure would arrive on the shores of Seville, funding sovereign consumption. The Spanish crown did not invest in industries or form trade routes, but instead relied on imports. In time, the crown began borrowing money on the back of future shipments of treasure. When treasure arrived, the debt would be repaid, and the cycle would continue. But when treasure was captured or destroyed, the crown would default on its debt, which it did roughly every 20 years. Due to the lack of investment in production, they did not earn enough money to repay debts without new treasure. This resembles the US Government's inability to cover large principal payments without issuing more debt. The US has a significant appetite for its debt, given the dollar's status as a reserve currency, much like Spain was rich in gold and silver.

In the event of a default, it is easy to think that the government can simply print money to cover its obligations. But the domino effect of a drastic increase in the supply of the world's reserve currency would be devastating. All we need to do is look back to post-World War 1 Germany, the nation fired up the printing press to pay back reparations. Resulting in hyperinflation and a great depression amongst the nation.

Reform

The only way out of this hole is to tighten the deficit and pay down debt. An example of this in recent US history was Bill Clinton's Omnibus Budget Reconciliation Act of 1993. Clinton's administration enforced fiscal discipline and converted the Government's then large deficit to a surplus while maintaining strong economic growth. This was done through raising taxes on income (personal and corporate), Medicare, Social Security, and fuel. All while cutting spending by over $200 billion. In his own frantic way, Trump seems to be trying to pull off a similar feat.

Instead of tax hikes to boost federal revenue, he is using import tariffs, he is lobbying to cut spending on Medicaid and Social Security, and lastly, he is hell bent on the Federal Reserve lowering interest rates to lower borrowing costs. But the One Big Beautiful Bill Act (OBBBA) contradicts this perceived effort towards reform.

To conclude, the current velocity of American Federal debt and its cost is unsustainable. The government needs to embark on serious reform to cut down the budget deficit and slow the growth of debt. I don't want to imagine a world post-US default; nobody does.

How the Choice of Valuation Approach Affects a Company's Target Price Accuracy and Minimizes the Forecast Error

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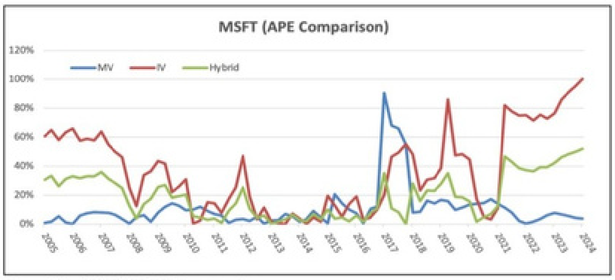
It is undeniable that company valuation techniques have long been at the forefront of academic discussion within the higher financial education system. As students enrolled in finance-focused subjects, the first thing they have to learn is the various types of valuation techniques, along with their merits and limitations. At the same time, there has been a heated ongoing debate in academia regarding which valuation technique produces the least forecast errors, thereby offering a more accurate assessment of company valuation.

In this article, two overarching valuation techniques, income-based and market-based, are explored alongside a third valuation technique called "Hybrid valuation". At the time of the thesis publication, merely around five theses had been devoted to hybrid valuation, highlighting its relative novelty in academic research. The focus of the study is to evaluate how these different techniques affect the reliability of target price forecasts produced by financial analysts.

Regarding the methodology, 15 large US publicly traded enterprises, ranked by market capitalization, from five different industries, were analyzed over the period 2005-2024.

Each company was valued using three valuation techniques: income-based, market-based, and hybrid valuation techniques.

These data sets were extensively compiled from the consensus of financial analysts' estimates through the LSEG Refinitiv database. In addition, the study rigorously compares these methods by analyzing forecast error rates (using the Mean Absolute Percentage Error, or MAPE) and applying statistical analyses, including linear regression, t-tests, and ANOVA. In addition, Gauss-Markov Assumptions Testing was conducted to validate the research results statistically.



Graph 6. MSFT APE Comparison

The findings reveal that forecast error rates vary significantly across different valuation techniques, with some cases exceeding 30% differences (depending on the valuation techniques), particularly during the 2008 Global Financial Crisis and the 2020 Covid-19 pandemic. Initially, the research was hypothesized on the assumption that the income-based valuation would yield the lowest forecast error rates, as it analyzes the intrinsic value of the company's financial statements. However, much to the surprise of expectations, market valuation outperformed in terms of forecast errors in the data analysis, suggesting that it is generally more accurate for price targeting than income-based or hybrid approaches.

Although the hybrid valuation approach provides a broader perspective by combining the strengths of both income- and market-based approaches, it did not consistently outperform the market-based approach. One notable observation is that during economic turmoil, forecast error rates tend to increase; as a result, target price accuracy decreases across different valuations.

Despite the effectiveness of market-based valuation, the research concludes that financial analysts ought to employ a multifaceted approach to valuation, rather than relying on a sole valuation technique, leveraging both quantitative benchmarks and professional industry judgment to yield an accurate assessment of the enterprises' values.

This comprehensive approach to valuation not only enhances the credibility and reliability of the target price forecasting but also offers meaningful insights for both academic inquiry and professional financial analysis. Furthermore, the study highlights the implications of valuation techniques for multinational enterprises, particularly their significant impact on international business strategies. Nonetheless, it is crucial to incorporate hybrid valuation, which further complements traditional methods during turbulent economic periods.

While the research focuses exclusively on US public enterprises, it offers an initial step to further explore multifaceted techniques across different markets. Further research should explore advanced statistical tools, expand analysis to international markets, and consider alternative measures beyond current metrics to further enhance valuation reliability and its applicability in the global financial landscape.

I want to emphasize that this article is merely a brief discussion of the thesis. If you would like to investigate further into the research, please feel free to explore the source provided. I hope that this article sparks an initial idea of how different company valuation techniques yield diverse price targets. If you are interested in finance academia, I strongly urge you to explore further research into this area and perhaps publish your own thesis in the future.

Blurring "Safe" Leverage: Current Outlook on UK Gilt Markets

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Unsettling situations are plentiful around the world currently, but the UK Gilt market is a less talked-about issue and has a higher chance of delivering a shocking result in the coming year. They stand at a crossroads, grappling with elevated yields, fiscal uncertainties, and growing leverage from non-bank financial institutions. Recent volatility, driven by global economic jitters and domestic budget concerns, has pushed yields to multi-year highs, evoking memories of the 2022 Liability-Driven Investment (LDI) crisis. The 2022 LDI crisis was triggered by a sharp surge in UK gilt yields, which was caused by the unfunded tax cuts in the September 2022 budget.

This led to collateral calls on highly leveraged pension fund LDI strategies, resulting in mass gilt sales and a market "doom loop" of recurring consequences.

Long-term 30-year gilt yields recently breached 5.7%, a 27-year high before easing slightly, underscoring investor unease over the long-term fiscal sustainability of the UK's ability to deal with its nearly £3 trillion public debt. The 10-year gilt yield hovered at 4.715% on October 2, up slightly from the previous close of 4.695%, marking a rebound amid global bond market pressures. This follows a surge to 4.73% earlier in the week, influenced by US Treasury movements and domestic data. Meanwhile, 5-year yields stood at 4.138% as of October 2, amid potential pressure on short-end yields if borrowing surges from the Autumn budget, due on November 26th.

Following the 2022 budget fallout, current market jitters stem from fears of higher issuance to plug a projected £22 billion fiscal hole, potentially inflating the deficit and eroding investor confidence in the current Chancellor, Rachel Reeves. BoE intervention is the situation to avoid, but if yields spike again due to any of the government's emphasis on tax reforms or UK-specific factors such as meagre growth and sticky inflation, a solution will have to be found to prevent the past situations of en masse fire sales of gilts, to deleverage fund positions across the board.

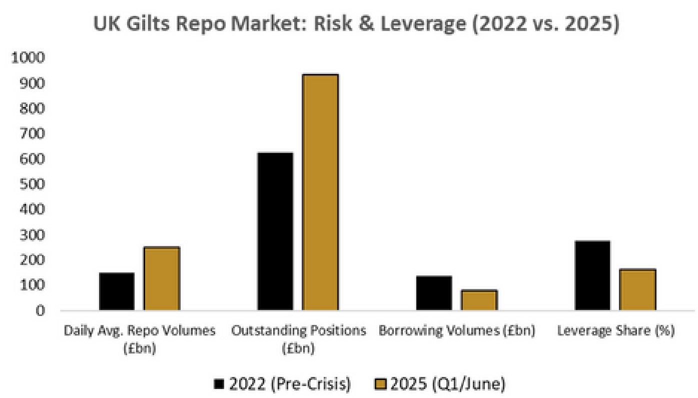
Transaction volumes have increased over the last 3 years, as hedge funds have emerged as a dominant force, accounting for nearly 30% of gilt transactions in 2025, up from 15% in 2018, and driving leverage through repurchase agreements. Net hedge fund repo borrowing surged to £61 billion by March, a 15-fold increase from early 2024, concentrated in a handful of funds executing basis trades, yield curve bets, and inflation shorts. The repo market has expanded, with daily average volumes at £250 billion and outstanding positions at £935 billion, but over 50% of non-cleared repos feature zero haircuts, amplifying procyclical risks.

As leveraged strategies enhance liquidity during calm periods, the BoE has flagged that during a period of stress, these same strategies will cause a jump to illiquidity, similar to the situation of the 2020 COVID-induced US Treasury unwind. Current holders include the BoE at 25% via QE/QT, pensions/insurers at 30% with LDI exposure, foreigners at 25-30% prone to outflows amid better US yields, and domestic at 15-20%.

It's September 2025; the discussion paper proposes bolstering the gilt repo market through greater central clearing, where currently only 23% of trades are cleared, potentially unlocking £75 billion in dealer efficiencies, and mandating minimum haircuts on non-cleared repos to curb the zero-haircut practices that amplify leverage. These reforms aim to dampen the procyclical shocks seen when hedge funds, now holding £61 billion in net repo borrowing, face margin calls.

Post-2022 regulations have already reduced pension fund leverage to 8% of positions, a stark contrast to the crisis era. Still, the BoE's focus on hedge funds signals a proactive stance to prevent a repeat of forced fire sales. By diversifying liquidity sources and enhancing oversight, these measures could help stabilize the nearly £3 trillion gilt market, although implementation challenges, such as higher costs for hedge funds, loom large.

Looking ahead, the November 26 Autumn Budget could be a make-or-break moment for UK gilts, with yields teetering on the edge of multi-year highs with the 5-year at 4.138%, 10-year at 4.73%, and 30-year near 5.7%. If inflation cools, analysts like Goldman Sachs expect 10-year yields to ease to 4% by year's end, offering relief. However, a misstep in tax reforms or growth forecasts could trigger volatility akin to 2022, potentially impacting mortgage rates and sterling FX. Investors should monitor OBR updates and BoE signals, particularly for the one predicted 25 bp rate cut in December, while eyeing gilts' current high yields as a tactical opportunity. Amid global uncertainty, the UK gilt market remains a less discussed powder keg, hopefully not with a "00 license to kill".



The Sheer Irrelevance and Utter Necessity of Skilled Portfolio Managers

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David Swensen, the Chief Investment Officer at Yale University, has solidified his position as a leader in institutional investment, expertly navigating the complexities that arise throughout the ongoing mission to support one of the world's most reputable higher-education organizations.

Swensen's book, "Pioneering Portfolio Management," is an in-depth exploration of the factors, decisions, and thoughts that go into institutional investment, coined by Swensen himself as an "unconventional approach". In this context, a discussion arises around active management and how many portfolio managers find themselves, consciously or unconsciously, "hugging" the market benchmark.

Swensen argues that reasonably efficient markets provide little to no mispricing for active managers, allowing them to take advantage of opportunities; therefore, results that deviate from the market benchmark stem from luck, not skill. While there still might be minor inefficiencies, public markets are often reasonably and efficiently priced, offering little advantage; timing those inefficiencies proves to be practically impossible. Moreover, Swensen highlights, "market timing, defined as a short-term bet against long-term policy targets, requires being right in the short run about factors that are impossible to predict in the short run." As the name of the book suggests, this is an unconventional approach, a perspective on public vs. private markets that highlights the irrelevance of a skilled portfolio manager, yet within this argument, Swensen also highlights their utter necessity as well.

The Sheer Irrelevance and Utter Necessity

Table 1.1 (10 years of returns)

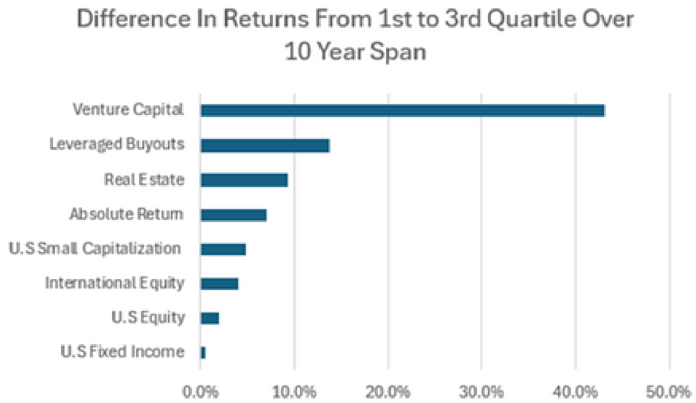
Asset Class	First Quartile	Median	Third Quartile	Range
U.S Fixed Income	7.4%	7.1%	6.9%	0.5%
U.S Equity	12.1	11.2	10.2	1.9
International Equity	10.5	9.0	6.5	4.0
U.S Small Capitalization	16.1	14.0	11.3	4.8
Absolute Return	15.6	12.5	8.5	7.1
Real Estate	17.6	12.0	8.4	9.2
Leveraged Buyouts	13.3	8.0	(0.4)	13.7
Venture Capital	28.7	(1.4)	(14.5)	43.2

As seen in Table 1.1, over ten years of annual returns, the more efficiently priced the market, the less variance there is between the top-performing quartile and the third quartile. The more "skilled" managers ranking in the first quartile, in efficiently priced markets, have a noticeable lack of gap between their returns and the average returns in the long run.

Now, consider the more "inefficient markets" in the private sectors, such as real estate, LBOs, and venture capital. The differences in returns are now widening; these results could very well be attributed to the illiquid and information-scarce private markets. According to this evidence, it appears that in public markets, such as those involving bonds or large-cap companies, the "skill" of any active manager is of negligible relevance. In contrast, in private markets, such as venture capital and leveraged buyouts, that same "skill" is an utter necessity for producing results and returns.

Figure 1.1 provides a visual depiction of this data.

Figure 1.1



Reasonable Irony

As Swensen puts it, "Ironically, identifying superior managers in the relatively inefficiently priced private markets proves less challenging than identifying skillful players in the efficiently priced marketable securities markets." Ironic as it may be, this makes sense, given that those with skill, valuable understanding, and experience as active managers/investors should be able to spot better and take advantage of inefficiencies when they arise, far more so than those who do not possess the same level of expertise.

It so happens that private markets tend to offer more inefficiencies, while public markets provide few, if any, that are also nearly impossible to time.

In terms of long-run returns, the active "skilled" manager is practically irrelevant when operating in efficiently priced markets, yet utterly essential when navigating less efficient ones.

Discouragement or Encouragement?

Whether the irrelevance and paradoxical necessity of a skilled portfolio manager should be encouraging or discouraging is up to the reader's interpretation of the information above.

However, one must ask whether it discourages those unable or unwilling to participate in private markets from being enterprising investors in the public markets. One could argue that this is far more encouraging for engaging in public markets than for disengaging from them.

Take the perspective of someone who aspires to be a skilled, top-performing portfolio manager/investor, one who seeks to reap the rewards of such a role. Initially, without experience or connections, it is difficult to break into the private markets. Not impossible, but difficult. However, if one seeks out empathy over the public markets first, the understanding of efficient markets will serve as a solid foundation for bridging the gap into the private sector. It is reasonable to assume that if one truly understands what is efficient, then one also understands what is inefficient. Therefore, whatever is inefficient, as highlighted by the evidence laid out, indicates an opportunity for the top performers, the most skilled active managers, to identify, acknowledge and reap the rewards.

This can be incredibly encouraging, rather than discouraging, as effort rarely seems to be forsaken. Even an attempt that results in failure gives one a sense of what was done poorly, and in that, they gain some small insight into what is to be done successfully. As understanding of efficiency grows, so does the skilled perception of inefficiency, just as each failure brings one closer to success.

Is this a glass-half-full take on this evidence? An optimistic view on the data? Of course, but as Richard Wiseman famously indicated, those who truly believe they will be lucky tend to be lucky. Those who believe in the value of making mistakes tend to learn the most from them. Those who believe in the experience of what is not tend to find experience in what is.

Private Equity's Impact on Youth Sports

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Youth sports in North America have quietly become a big business. What was once the domain of community leagues and volunteer coaches has evolved into a $40-$50 billion industry, surpassing the U.S. movie box office. Families are spending more than ever on registration, equipment, travel, and training, and Wall Street has taken notice. Over the past decade, private equity firms have made major moves into youth sports, buying up everything from tournaments and academies to management apps and streaming services.

The scale of investment is striking. KKR acquired Varsity Brands, a powerhouse in cheerleading uniforms and competitions, for nearly $4.5 billion. EQT acquired IMG Academy, one of the most prestigious sports boarding schools, for $1.25 billion. Josh Harris and David Blitzer, owners of pro sports franchises, launched "Unrivaled Sports", a roll-up consolidating youth leagues and camps across the country. Meanwhile, firms are backing operators like 3STEP Sports, which now oversees more than 1,800 teams and tournaments, serving over a million athletes. Tech platforms haven't been overlooked either; TeamSnap, PlayOn Sports, and other digital tools for organizing and broadcasting youth sports have attracted significant capital.

Private equity's interest isn't hard to explain; youth sports are disconnected but growing, offering the classic conditions for a roll-up strategy. Parents are treating their kids' athletics as necessities, often cutting elsewhere in the household budget before dropping a team or tournament. This makes the market look "recession-proof" to investors. Beyond reliable cash flow, youth sports also hold strategic value; they build lifelong consumer habits, feed professional pipelines, and generate media rights that can be monetized. In short, it's a sector with sticky customers, steady growth, and untapped potential.

Impacts

While investors see opportunity, families are feeling the pinch. The business model of youth sports has shifted toward maximizing revenue, resulting in sharp cost increases. According to surveys, parents now spend an average of $1,016 per child annually on their primary sport, a 46% jump since 2019.

Elite tournaments charge thousands just for entry. At Ripken Experience baseball in Maryland, a four-day event costs more than $3,000 per team, before factoring in hotels, meals, and travel. Boarding schools like IMG charge tuition upward of $85,000 per year.

For many families, especially those outside the top income brackets, these numbers are prohibitive. Studies show that 70% of 10th graders from high-income households play sports, compared to just 43% from low-income households. That gap has widened as costs climb. Critics argue the rise of for-profit operators deepens inequality, turning youth sports into a luxury good. As one researcher noted, success today may depend less on talent and effort than on a family's ability to pay.

The risks are also visible. Varsity Brands, owned by Bain Capital and other investors, was accused of leveraging its near monopoly in cheerleading to overcharge families. The company settled an antitrust lawsuit for $82.5 million, underscoring fears that PE-backed firms may prioritize profit over fairness. Similar concerns have emerged in soccer, baseball, and basketball, where local clubs are absorbed into national networks that command higher fees.

While parents feel squeezed, investors and some sports organizations argue that private capital has improved the experience. New complexes have professional-grade turf, indoor courts, and sports science facilities. National operators can offer more structured programming, professional management, and expanded access to tournaments. From this perspective, families are paying for higher quality and broader opportunities.

Outlook

If current trends continue, the next decade could see a handful of large firms dominating youth sports in North America. Analysts expect multi-billion-dollar platforms, possibly even public companies, to emerge from today's consolidation wave. Media coverage of youth tournaments will expand, performance data will be tracked and sold, and elite training packages will become increasingly expensive. For families with resources, the experience will be more polished than ever. For others, it may be out of reach.

At the same time, alternatives are emerging. Nonprofits, community leagues, and schools are experimenting with ways to make sports affordable again.

National initiatives, such as the Aspen Institute's Project Play, push for policies and practices that prioritize access and fun over commercialization. Even major brands and athletes are backing "take back sports" efforts, promoting free play and multi-sport participation as healthier models. Policy could also play a role. The Varsity Brands settlement demonstrates that regulators are willing to step in when competition is stifled.

Ultimately, youth sports face a crossroad. One path leads towards further commercialization, polished experiences for the few, and growing inequality. The other points to reform involve communities, nonprofits, and policymakers working together to preserve broad participation. The stakes go beyond games and trophies; youth sports deliver lifelong benefits in health, teamwork, and resilience. Ensuring that all children can play, not just those whose parents have some extra money to spend, may be the most important win of all.

Rick's Rant

Plans

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We plan; God laughs.I believe that most people at Dal can relate to this well-known saying this semester. It certainly has been a little different from what the plan was just a month or so ago. The lock-out and the chaos it brought changed things in many ways, and we still do not really know what some of the longer-term implications are. In any case, we finally got the semester started, and with it, a new year of DALIS and the Schooner.

The start of the school year is always my favourite time of the year. Meeting the new Executive of DALIS is always special, and this year is no different. I believe, as in most years, we will see some exciting changes and perhaps a few CFL-like tweaks (Yes, we have already had to increase the size of our playing field based on the popularity of DALIS. We moved to a much larger meeting space. That was not in the plan way back when DALIS had its original 7:30 am meetings in the Bloomberg lab.) Like other Executive teams before them, the incoming DALIS Executives and Portfolio Managers are bringing a ton of energy and lots of new ideas. This constant renewal is what keeps DALIS fresh and growing.

Making plans, and especially those that involve change, can be intimidating. I was a guest on a podcast recently that was hosted by an organizational change consultant. The podcast host was asking how complexity science can help alleviate the anxiety that often accompanies changes to an organizational plan or structure. People want the new plan to look very much like the old plan. Comfortable old ratty slippers rather than shiny new leather shoes that need to be broken in.

Investment planning is a lot like that. Investment plans should emerge and develop as our investment goals and objectives emerge through time. I think that investment principle is well known, but in reality, I suspect few people really implement it as thoroughly as they should (I will not be the person in a glass house throwing rocks on this issue). We get into investment patterns and styles and tend to stick with them. In some cases, that can be a good thing; having an investment plan that you are comfortable with and one that you understand.

However, that does not lead to growth or increase your level of investment knowledge. It also limits the fun of growth and learning.

One thing that DALIS excels at is challenging students to think differently about investments. One of the primary ways to accomplish this is through the use of multiple asset classes, as well as multiple investment instruments such as derivatives. Many students (and most of the general public) think that stocks and bonds are the only reality, and going long, and occasionally short, is the only investment methodology. When other investment assets, such as currencies, commodities, structured products, or the use of derivatives, arise, skepticism comes to the fore. Those "exotics" are only for those who want to take unnecessary risks. It is almost as if alternative investments are for those who want to make the news, but for all the wrong reasons.

The reality is much more nuanced than that. A career in the capital markets is so much more than the traditional stocks and bonds of old. DALIS has allowed our alumni to seek careers in the capital markets that are generally not associated with new graduates. Once students learn that finance is about so much more than stocks and bonds, their world of possibilities and their plans change to a new set of challenges.

This year, for instance, I have had a whiff of some exciting plans for utilizing Artificial Intelligence in novel ways to generate investment ideas. And that is just one idea. The fun part of being associated with DALIS is the students who come to me with what, at first, may be the wackiest of ideas and seeing if I have some clue about how to get it implemented in DALIS. Not that it was a crazy idea (it was an awesome idea that was long overdue), but Neve and Lucas came up with just such an idea for a summer DALIS and a summer Schooner (I hope you had a chance to look at it – it is really good)!

So, what are your plans for the coming academic year? What new plans are you going to try out for your own investments? What areas of learning and growth are you planning to explore?

Yes, God may laugh while we make plans, but that is just God enjoying the ride with us as we all muddle along to make the best that we can of our plans.

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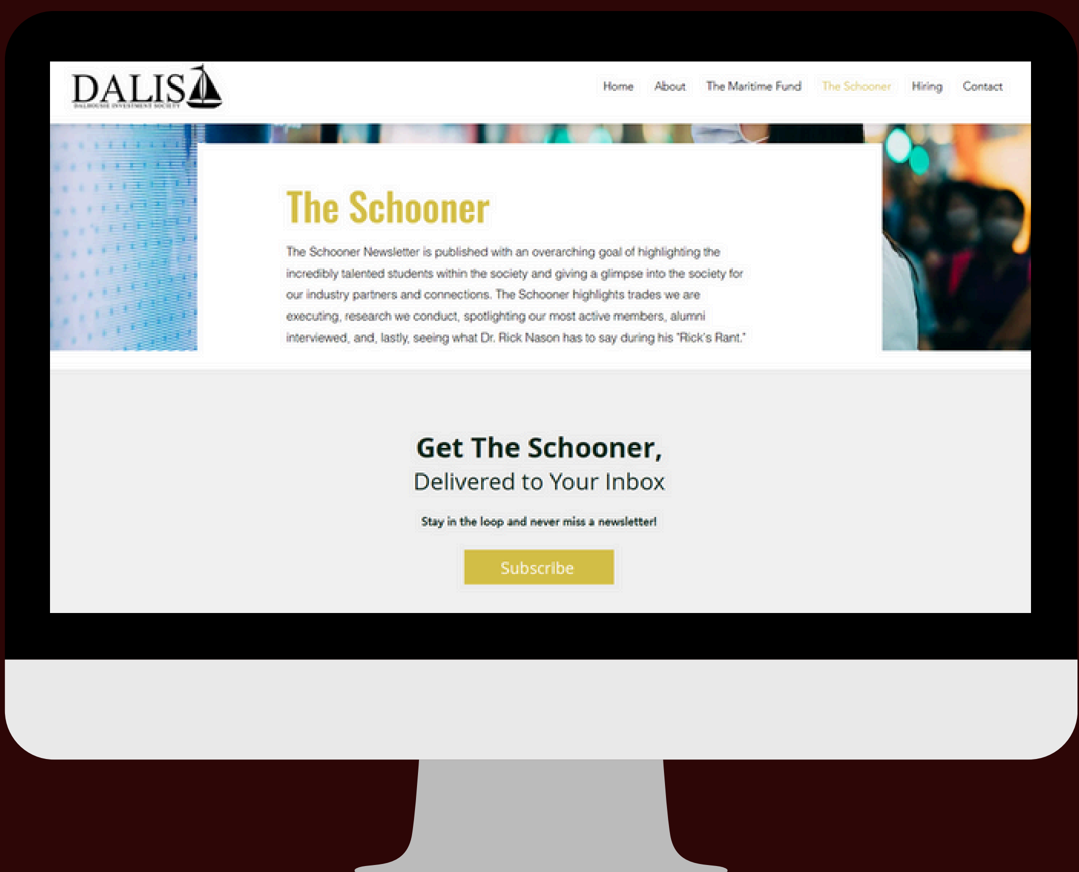

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