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From Centre Court to the Trading Floor: Why Investing Isn't Tennis:

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So I was talking to my teenage Son the other day, you know, one of the ones who eats all my food and still somehow has the confidence of a hedge fund manager after a 300% up-year. He casually tells me, 'Dad, you don't really need skill for your job, do you?'

Whilst thinking of an appropriate response, I took a moment to agree with his razor-sharp insight. I was debating upon the merits of bringing up with him the integration of currency-hedged overlay strategies with basis point-level sensitivity to cross-asset correlations, or dynamically tilt exposures based on factor decomposition of idiosyncratic versus systemic risk. Managing multi-jurisdictional tax implications across illiquid lock-up structures while mitigating duration convexity blowups in a rising-rate environment.

I could have responded how my role is basically sipping coffee while letting the efficient frontier sort itself out. Calibrating our strategic asset allocation using mean-variance optimization under non-normal return distributions, running Monte Carlo simulations across stochastic interest rate models, or stress-testing for fat-tail events under both Black-Litterman and Bayesian shrinkage frameworks.

I could also have leaned into hedging our long gamma exposure before rebalancing the capital stack between mezzanine debt tranches and opportunistic distressed asset plays.

But I dutifully refrained, as I pondered, and ultimately conceded, that in a somewhat double bluff vantage viewpoint, he does have a point to an extent.

50 and 100 years ago, the investing marketplace was highly fragmented. Information passed through the supply food chain ever so slowly, far fewer people had timely access to company reports and there were far fewer trained professionals who were able to analyze companies. Today, information travels instantaneously and everyone is privy to the same news, filings and data after mere milliseconds. There is a myriad of trained participants- PhD's, MBA's, CFA's, quants and now AI models that means that any "alpha" is arbitrated away and wiped out almost as quickly as it appeared.

In absolute terms, the level of skill in the market has never been higher. By contrast, and as a result, the difference between a top Manager and an average Manager has never been smaller. And with cheap, low cost ETF's providing nigh on identical access for the retail investor, the playing field has never been leveler, and as a result, precisely because the overall skill level is so high, together with the ease of access via ETF's, the skill necessary to partake is far lower.

I think Tennis is a very good analogy for modern day investing.



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- In professional Tennis, anyone ranked say in the top 100 has world class technique, fitness and access to elite coaching.
- In investing, every major Investment firm has highly educated analysts, lightning-fast data and sophisticated models.
- In absolute terms, the overall level of skill is high, with a small difference between the players/firms
- Short term results will often come down to tiny moments – in tennis to a couple of break points over hundreds played out. In investing, a single macro event or stock pick could be the difference between 2 funds.
- Luck plays a big role in the short term- whether that's a lucky cord winner, or an easier draw in tennis, or a sudden unexpected geopolitical event for the market.
- Over the long term, the most skilled tennis players rise in the rankings- their small percentage edges compounds over many matches. In investing, the few managers with a true edge (typically in markets that are inefficient) should outperform over the long term, despite shorter term periods of underperformance.

So perhaps my Son was onto something after-all. Perhaps you don't need that much skill in order to invest. In tennis, you can't step onto Centre Court at Wimbledon as an amateur and have any chance against the pros. In investing, however, *retail investors* **can** buy cheap, broad-based ETFs and get a return **very close to the market's top tier** without having to compete shot-for-shot with the professionals. Accordingly, in those segments of the market we consider to be highly efficient — particularly developed-market large-cap equities — our strategy is to allocate the vast majority of our public equity exposure through passive index ETFs. This approach ensures broad diversification, minimizes cost, and avoids the structural challenges of consistently generating alpha in an environment where the dispersion between skilled managers is narrow. By owning the market as a whole, we capture its long-term growth while maintaining disciplined, cost-effective exposure. It's in markets that are inefficient, typically in the private markets, though also in a select few public markets, where we can make outsized returns through manager picks.

Dani Schijveschuurder is an investment advisor that provides advice regarding the financial vehicles mentioned in the article. The views and opinions of the writer are his own and do not represent the views or opinions of the Goldrock Partners or its affiliates.