

The Useful Idiot

"The wise man knows that he knows nothing." -Socrates

Key Takeaways

- **Momentum is built on humility, not prediction.** Rather than claiming superior insight, momentum investors acknowledge the limits of forecasting and use market prices as a source of information about changing realities.
- **The market often knows more than any individual investor.** Momentum seeks to learn from the collective wisdom embedded in price trends, responding to evidence rather than relying on forecasts, narratives, or convictions.
- **Adaptability is more valuable than certainty.** Momentum provides a disciplined framework for making decisions under uncertainty and avoiding the pitfalls of overconfidence.

In investing, nearly everyone believes their edge comes from knowing something that others do not.

Fundamental managers build models to estimate intrinsic value. Economists forecast growth, inflation, and interest rates. Strategists predict market regimes. Consultants construct narratives explaining where capital should be allocated and why. The common thread is the belief that superior outcomes come from superior insight - that investment success belongs to those who can see further, analyze deeper, and forecast more accurately than the crowd.

Momentum investors occupy a different place in this ecosystem.

If there is a philosophy underlying momentum, it is not that we know more than other investors. It is that we know less than we would like to believe.

From the outside, this can appear unsophisticated. Momentum investors do not claim to forecast interest rates, identify market bottoms, or determine the precise value of every security. Instead, they observe market behavior and respond systematically to the information embedded in prices. To some, that may look like outsourcing judgment to the market itself.

In a sense, it is.

Momentum rests on the belief that markets aggregate vast amounts of information, expectations, and insights from millions of participants. No individual investor, committee, or manager can fully possess that knowledge. Price trends often reflect changing realities long before a consensus narrative emerges. Momentum simply acknowledges this possibility and seeks to learn from it.

This is where the concept of the "useful idiot" becomes instructive.

Momentum investors willingly sacrifice the ego associated with prediction. We accept that we will not buy at the bottom or sell at the top. We accept that we might be late or early and occasionally wrong. Rather than attempting to outsmart the market, we seek to listen to it.

That humility may be one of momentum's greatest strengths.



Many investment mistakes arise not from insufficient intelligence, but from excessive confidence. Investors become attached to forecasts, narratives, and assumptions that are difficult to abandon when evidence changes. Momentum imposes a different discipline. It asks investors to follow evidence rather than defend opinions, and to adapt when markets communicate something new.

This perspective may also help explain why momentum has persisted across decades, geographies, and asset classes. Its success does not depend on superior forecasting ability. It depends on acknowledging the limits of forecasting itself.

For fiduciaries, there is an important lesson in that distinction. The objective of investing is not to demonstrate certainty. It is to make sound decisions under uncertainty. Momentum offers a framework that embraces this reality by replacing prediction with observation and conviction with adaptability.

In a profession that often rewards confidence, momentum reminds us of a simpler truth: some of the most effective investment processes begin not with what we know, but with an honest recognition of what we do not know.

That is not a weakness. It is a form of wisdom.

A handwritten signature in black ink, appearing to read "Travis Prentice".

Travis Prentice
Chief Investment Officer, Portfolio Manager

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