

1.Q: Jim you have written a book called “Best Practices for Equity Research Analysts: Essentials for Buy-Side and Sell-Side Analysts”. Can you highlight some of these best practices for stock picking and earnings forecasts?

A:” Make sure you have some proprietary edge versus consensus. Make sure your research is differentiated and make sure you have differentiated sources, people who do not work for the company that could be challenging, such as consultants or retirees from the company.”

2.Q: In the past, for 10 consecutive years, Institutional Investor ranked you as one of the top three analysts within your sector. In 2006, Forbes named you one of the top three analysts among 2,000 U.S. sell-side analysts for that year. What is your advice on “what makes you differ” as an Equity Research Analyst and make a successful career in the demanding investment management industry?

A:” I strongly recommend analysts to conduct very detailed industry and company analysis and get their r own sources of information. It takes a lot of effort and time. “

3.Q: The CFA designation is well recognized as being the global benchmark in the investment management profession. Being a CFA charter holder for many years, what advice would you give to new and potential CFA charter holders pursuing a career in the areas of equities research and portfolio management? Could you describe how this designation has helped you in your career?

A:”I strongly encourage anyone who is going to work in the investment management field to get the CFA designation, because it is recognized throughout the industry, it has a very high reputation and whoever has earned the CFA designation has gone through a very rigorous process and understands the overall investment process. I earned my CFA designation in the early 90’s when I was already established in my career, so it didn’t necessarily open doors for me, but I’m proud of it and know I have been asked to speak at CFA events because I hold the CFA designation.”

4.Q: An Equity Research Analyst can be also a trader and a portfolio manager. How important is taking full responsibility for performance results, learn from mistakes and deal with psychology in volatile or uncertain financial markets?

A:”Being able to know your strengths and weaknesses is incredibly important for any field but especially for research because we do not have people looking over our shoulders telling us what we should be doing. It is about having a high level of self-awareness. Taking advice from other people, making sure you learn from bad stock calls, reading about behavioral finance and psychological biases can make you aware of them.”

5.Q: What are some key drivers for consistency in stock picking and generating excess alpha returns over time?

A:” Make sure you have a process that you follow for stock picking, a methodology for generating unique insights, unique validated insights, a process for forecasting your earnings and a process for thinking about valuation in a rigorous method that works.”

6.Q: Time and prioritization of daily tasks are essential in the routine of a financial analyst. Can you share with us some practical tips to align priorities with tactics to achieve results during your professional time?

A: "It is very important to continually remind yourself of your goals, which is usually to generate alpha. Whichever the goal, it must be centered in your mind all-day long. There are many daily distractions, ask where I should be spending my time as unfortunately, we have a high unstructured job and can waste time on things that do not achieve our goal. Think about what my goal is every hour or every thirty minutes on various activities. If these activities do not help you get closer to your goals, you should probably stop doing them."

7.Q: In one of the assessments during the workshops you mention and emphasize productivity and individual characteristics to measure success as an analyst. Could you provide some tips on these characteristics?

A: "Self-awareness to where you stand for many of these areas like your tolerance for risk and the ability to focus and take responsibility. I would recommend that you need to know where your individual characteristics extend and if you see a deficit simply go to the internet and search. You can better focus on the characteristics that concern you."

8.Q: Behavioral finance and mainly behavioral biases can be an obstacle to daily financial analysis during periods of low and high volatility in the capital markets. What advice would you give to moderate the most common behavioral biases in making stock picks and which behavioral bias is the most important one to focus on?

A: "Probably the biggest one in Equity Research is confirmation bias. In stock picking we often start to build our data points around our stock call when we like the management or the company's product. Instead, best analysts try to disprove their thesis. The analyst who takes the extra time to think about the other side of the trade, trying to work against a confirmation usually is more open-minded and has a more objective view of what the outcome might be for that stock."

9.Q: We live in an era of technological evolution with the trend of robo-advisors. Should analysts be worried about this threat replacing their jobs now and soon and how can they get prepared for this scenario?

A: "Quantitative investments styles are clearly growing faster than fundamental research driven investment strategies. The reality is that probably in the future we will settle having a blend of the two. There are certain things computers are better at forecasting such as using relationships found in historical data, whereas analysts can focus on areas where they can add value."

10.Q: There are many valuation models which often present a contradictory investment thesis, such as DCF, DDM, relative valuation. Which one based on your experience would you recommend focusing for performing reasonable and adequate financial analysis as CFAI suggests?

A: "I would say that you want to go towards a method that will ultimately capture the long-term growth of the company's cash flows. DCF models have a lot of limitations, they are very complicated and very sensitive to minor changes in the numbers. I personally, only used DCF in specific cases during my career; it is not bad just it has its limitations. I tend to lean towards using a P/E ratio, in fact I prefer relative P/E ratios because you can use historical data to get a snapshot of the market psychology around that stock, compare the relative premium or discount for that stock, and understand the market psychology going forward. That is why I like relative P/E ratios, they are not the best method, they have flaws as well,

but they provide information about market expectations for a particular stock or a particular sector.”

11.Q: What do you think about technical analysis as a strategy to enhance the timing of stock picks? Is its inclusion in a stock pitch an element of extra financial analysis value added?

A:” About technical analysis, I have respect because I dedicated a chapter in my book for it by asking another author to write about it because I do not know much about it. It can be very beneficial to add and supplement fundamental research. I would start with the fundamental research and then supplement it with technical analysis. One thing to keep in mind is that technical analysis will not spot an inflection point. So, if you are searching to spot inflection points for stocks, relative to some other index especially searching when it is going to happen, you probably won’t find it with technical analysis. It does have benefits in capturing all the market’s participants buying and selling a particular stock in terms of volume and prices which can give you a lot of good insight in terms of the overall market psychology towards a particular stock.”

12.Q: What is your advice on the maximum number of stocks to focus on as an Equity Research Analyst from the universe of global equities? Is specialization in a specific business sector a good idea?

A:” I did research on it when interviewing analysts for the book and the answers were that for the buy-side they focus on 30-50 stocks as long as the sector is relative homogeneous and, on the sell-side it turned out to be 7-11 stocks per team member in a developed market. In my experience they seem good and realistic numbers.”

13. Q: Continuous education is strongly supported by CFA Institute. What are some aspects for an Equity Research Analyst to focus on as financial conditions form part of a dynamic environment?

A:”Stay on top of it. I strongly encourage analysts to be very good at valuation, to understand all the methodologies out there, to have strong Excel skills, and these are two areas where you can get good training from Universities or third-party training companies that focus on these skills.”

14.Q: Finally, what are the key features that characterize a top Equity Research Analyst, a good one and a bad one based on your experience all these years and having trained many of them?

A: “The top skills or traits for top Analysts are:

1. Above average intelligence
2. Intellectual curiosity about things
3. They are critical or cynical on information. They don’t just get things at face value
4. They tend to be very good time managers
5. They are good at influencing other people. The key to be a successful Analyst is to have differentiated insights and influence people to give you these differentiated insights.”