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A "Positive" Influencer

Five Things I Wish Someone Told Me When I First Became an Investment Fund Manager: Talbot Babineau, President and CEO, IBV Capital

10/27/2017 01:20 pm ET

"I think you have a responsibility to do good if you've done well. We've all been very fortunate, and therefore have committed, as a firm and individuals, to giving back to the many different organizations that mean so much to us. We've literally run for countless good causes as well."

I had the pleasure to interview Talbot Babineau. Talbot founded IBV Capital and is responsible for investment research activities, portfolio management and setting the firm's strategic vision. Prior to IBV Capital, Talbot formed and oversaw a Family Office for two well established Canadian families. During his tenure, Talbot managed a global investment portfolio and was responsible for the Family Office's operational activities.

Thank you so much for doing this with us! What is your "backstory"?

Well, I've been investing since I was 12, but my career actually started literally on the field: I was a professional umpire for Minor League Baseball for a time. While I was great at making calls, I found myself always gravitating back to finding and analyzing company and financial market information – and making calls on how to invest based on my findings. I really enjoyed getting into the details and understanding the nuances of investing.

Along the way, I noticed a lot of trends in the industry that I didn't agree with – such as overly complex and/or poorly designed investment strategies, a strong focus on short-term returns rather than long-term wealth creation, and manager interests that weren't aligned with their investors.

After working in institutional real estate for a time, I managed the assets of two Canadian families where I began to execute a simple strategy well-grounded in business fundamentals – a strategy that could be effective indefinitely. After seeing its success, the patriarchs of the two Canadian families and I decided to open up the approach to individual and institutional investors. So, we co-founded IBV Capital in 2014. Our name, IBV Capital, stems from 'Investment By Value,' and represents the firm's aim to produce attractive long-term rates of return while preserving our investors' capital.

Can you share the funniest or most interesting story that happened to you in the course of your finance career?

One afternoon I was out for an lunch with a well regarded institutional investor. My lunch guest and I had a great discussion, really connecting on a few levels – including our passion for baseball. We had finished our lunch and, as we were leaving the restaurant, I noticed someone at a table across the room that looked very familiar – in a celebrity type way. As I was looking at this "celebrity," trying to recall who it might be, I walked directly into a decorative wall cabinet, stopping me dead in my tracks.

That's when it hit me: it was Deion Sanders, a favorite NFL/MLB player of mine from yesteryear. While this was a potentially embarrassing moment, my lunch guest was looking at Deion as well - presumably doing the same thing - and didn't notice my run-in with the cabinet.

What is your basic recipe for “choosing winning investments”?

For our core holdings, we take a broad global investment universe and eliminate industries with unattractive dynamics – sectors and business lines that are unpredictable, disruptive or just plain opaque. We then focus on the remaining quality industries and look for excellent business models within them. Lastly, we look for outstanding management teams that run their business in an intelligent manner with a focus on accretive growth. When we find something that suits our criteria we wait, and wait, and wait some more, until we can purchase it for an attractive price that is at least 30% below the conservative intrinsic value we’ve determined the security is worth. We can and have done this repetitively because our versatile mandate has removed artificial constraints, thereby allowing us to search far and wide for unique pockets of value.

What are your "5 things I wish someone told me when I first started" and why.

1) Embrace Being Different

We are exceptionally disciplined value investors that scour the world for pockets of value. The level of due diligence we perform on each investment gives us comfort that we can maintain a portfolio of 10-20 investments. We invest like owners, but do it in the public markets and throughout the capital structure. In many ways, we’re a lot like private equity – liquid private equity. In the world of hedge funds, which we are a part of due to how we are structured and operate, we are an outlier; being an infrequent trader with a long bias and a concentrated portfolio is wildly different from most of our peers. That said, sticking with our approach and conviction has actually helped differentiate us.

2) Welcome Transparency

The notion of investing into a "black box" isn't palatable for investors anymore. There is definitely a broader trend among investors to have and be able to maintain visibility of their money and what it is being invested in. We learned pretty quickly that more is always better when it comes to not only explaining what you are or are not investing in, but why and how. If an investor or frankly anyone cannot understand the strategy and therefore can't explain it or the performance to their own stakeholders (everyone from Trustees, Boards and Clients to Significant Others), then there's a problem.

3) Remain Focused

We wanted everyone to like us, and we still very much do. But it probably would have helped us to hear that we can't be liked by everybody, and shouldn't expect it. You really can't be all things to all investors, and compromising your investment strategy and approach just to raise more assets is not the way to go. Another thing that in hindsight would have been nice to hear: Invest all your time, energy, and financial resources in your business and your people; to use another baseball analogy, build it and they will come – not necessarily the other way around.

4) You're Starting Two Businesses Not One

We recognized early in our formation that we were managing a fund but at the same time running a financial services company – the key word being "services." Having excellent returns is obviously good, but you also need to invest heavily in your firm's infrastructure – from reporting to compliance to client services. The goal must be to delight your customers at every stage of their investment with you – and to treat them like partners and not necessarily investors.

5) It's Harder Than You Think

When someone tells you it's hard to start a fund, don't listen to them. It's easy to start one, but it takes an incredible amount of time, effort, skill, and a bit of luck to be successful. We are fortunate to have a growing firm and a great team, which makes coming into work each day a thrill. In this business being successful shouldn't be about fancy offices, luxury cars and champagne private jets. It should be about maintaining discipline and focus and keeping your entrepreneurial spirit going – all while sticking to your investing convictions – for your entire career.

How have you used your success to bring goodness to the world?

Our approach to investing – which includes encouraging management teams to approach their business with a long-term outlook – has in many ways brought about change for the better. We are very attuned to working with companies that invest heavily in their products and people. When they do this well, it usually increases efficiency, creates jobs and has the possibility of creating entirely new industries. When management teams think in terms of years or even decades as opposed to the next quarter or two, they are able to accomplish so much more for their company's and

On a personal level, I think you have a responsibility to do good if you've done well. We've all been very fortunate, and therefore have committed, as a firm and individuals, to giving back to the many different organizations that mean so much to us. We've literally run for countless good causes as well as participate in programs that improve financial literacy and children's mental health. We look forward to doing a lot more.

Is there a person in the world, or in the U.S. whom you would love to have a private breakfast or lunch with, and why? He or she might see this.

It's a bit of a cliché at this point, but I am definitely one of those individuals who would love to share some eggs and conversation with Warren Buffett. At the end of the day, we both took to Benjamin Graham's investment approach with the same vigor; for me it would be a treat to pick his brain and see what kinds of things he is looking at from a long-term investing approach, and equally what he is avoiding. If Warren and I couldn't coordinate our schedules it would be neat to break bread with Prince Alwaleed Bin Talal – I am equally fascinated by the way he invests as well as his philanthropic efforts, and how he combines the two.