# IMpact: An investment management podcast series
## Summer collection: Revisiting vujà dé moments

**Host:**
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***Reese Blair:*** *Hello, everyone. I'm Reese Blair, your host of IMpact, the investment management podcast series from Deloitte. In every episode, we come together to explore the issue shaping the industry, whether it's regulation, recession, or resiliency. By diving deep into the latest news, trends, and challenges, we'll discover how collaboration and shared insights can drive progress for professionals across investment management. So, tune in, learn something new, and walk away with insights that can help you make an impact on the IM industry and the world around you.*

**Reese Blair:** Welcome back to IMpact, a podcast series from Deloitte's Investment Management practice, where we explore rising trends, common concerns, and effective solutions one conversation at a time. I'm your host, Reese Blair, and today, we're doing something completely different. We are going to revisit highlights from our own show, but with a twist.

What I've discovered after nearly a dozen of these conversations, some of the most profound insights aren't buried in presentation decks, they're not in any hidden research reports—they're sitting right there in throwaway comments, casual observations, and those moments when our guests go off script and reveal something that completely flips conventional wisdom on its head. In IMpact parlance, we call those "vujà dé" moments, and today, we're diving into the vault of those moments.

My goal is to revisit and redefine what we heard in conversations from some of those who've graced this show. So, grab your coffee, settle in during your commute, or however you're consuming this content, and let's invest the time today to deconstruct and rebuild different ways to think about IMpact in investment management. Hopefully, by the time we're done here, you'll see this industry through an entirely different lens.

Let's kick things off with a discussion on the landscape between traditional mergers and acquisitions versus the approach adopted by several buyout firms with regards to vetting M&A deals.

John Dionne, a Harvard University professor, joined us in our inaugural episode to discuss how the investment management landscape is evolving. And buried in our conversation, was this absolute gem that I haven't stopped thinking about.

***John Dionne:*** *"So, let's break that into two pieces: traditional corporate M&A, and then what a buyout firm would do. Two different things. So, traditional M&A, traditional company right now, I think is very much on pause, and there's a couple reasons for that. We're seeing that in the cases. People are waiting for the cost of capital to come back down. Why hurry? You can get the capital structure right later and still have those same companies waiting for you. And I think also, because of technology and AI, acquisitions are no longer the priority for growth. Growth is coming from within, from embracing technology. So, the only way certain companies used to be able to grow was every year and a half, do another deal, do another deal, get synergies, try and get that earnings per share up by having the acquisition machine growing. That's really taken a deep, deep pause. So, it'll come back. But for the moment, with the credit markets being what they are on certain economy and higher IRRs from technology than a deal, you're going to do the technology. So, there'll always be some, and then you have special situations. On the buyout side, it's really changed. I teach my class to make it very clear there's no such thing as a proprietary deal, where you bought something no one else looked at. They just don't exist. If someone tells you that, they're not telling you the truth to themselves. And you always pay more than full price. It's not buying at a low multiple and selling at a high multiple. It's not leveraging as much as possible—it's transforming businesses."*

**Reese Blair:** John mentioned there's no such thing as a proprietary deal, which of course, sparked my thoughts around the increasing interest in alternative investments, not necessarily being driven by a need for diversification or higher returns. That's just the story we tell ourselves. The vujà dé idea, or the potentially alternative driver? Let's call it narrative arbitrage.

Think about it. Public markets can be narrative efficient. Stories get told, retold, and priced in at the speed of social media. But alternatives, they may be narrative inefficient markets. The stories often take longer to spread, longer to be believed, and longer to be priced in. That being said, a challenging economic environment may not create demand for alternatives, but rather, demand for patience.

And patience, it turns out, can be a generator in a world that's often focused on quarterly earnings. But here's the kicker: Firms winning in alternatives may not only be the ones with the best deal flow. They could be the ones with the best narrative discipline. They can resist the urge to explain their positions until the market is ready to hear their story.

Now, let's talk about the elephant in the room or, should I say, the robot in the room: Generative AI. Mike Bechtel, Deloitte's chief futurist, joined us for what became one of our most downloaded episodes and for good reason.

Mike said something that shifted my perspective, and I quote, "This technology is not just a revolution, but an evolution."

***Mike Bechtel:*** *"And so, Generative AI, it's really not a revolution, in my opinion, as much as an evolution of machine intelligence we've been cooking for 55, 75 years."*

**Reese Blair:** After dropping that gem, he goes on to share some ideas of what's around the corner for Generative AI.

***Mike Bechtel:*** *"And so, AI, the kind we've been dealing with lately—cognitive automation, robotic process automation—that's really all about the kind of clickin' and clackin' and pattern and pickin' that maybe a young STEM graduate would do in an organization. We've gotten gradually comfortable with that sort of automation. The corner we're turning with GenAI says, "OK, these are the families of activities that say a junior humanities, arts and sciences, liberal arts major might be doing."*

*That generative, not in the techie term, but in the creative sense. And so, with that lens, from math to structured math, to descriptive, to predictive, to generative, what our team has seen, Reese, is that machines have different forms of intelligence like our children do."*

**Reese Blair:** It's those different forms of intelligence that represent a shift in ways to consider approaching business and investment management in particular.

Mike dropped so many gems in this episode, and something that really stood out for me was this notion of GenAI as a creativity-boosting power tool; I love that. The art of the possible—and as Mike coined, "the art of the profitable"—can be unlocked as both front- and back-office processes are revisited.

The realization for me set in that Mike wasn't just talking about efficiency, he was talking about what I would call cognitive liberation. My unconventional take coming out of my discussion with Mike is that AI can do more than make you faster; it can make you braver. When the cost of testing ideas becomes less, you can start having ideas you may not have risked having before.

Now, let's dive into private markets with Tim Braude, global head of multi-asset solutions at Goldman Sachs, who joined us to discuss the democratization of private markets. Now, democratization may sound warm and fuzzy, but Tim's insights revealed something more intriguing.

Tim highlighted the growing popularity of private investments and their unique opportunities, but he also emphasized, and I quote, "The importance of illiquidity and strategic planning in private markets." Here's a twist folks: Illiquidity, and by default, patience, isn't just a virtue in private markets; it can actually be a competitive advantage.

***Timothy Braude:*** *"When we think about what are the different risk premia that exist in markets, and when I say 'risk premia,' these are the things that allow you to generate positive returns because you're taking some risk. The most consistent one is the equity risk premia. So, just investing in stock, be it public or private, is going to be the thing that most consistently allows you to earn returns over time. Now, oftentimes people talk a lot about the illiquidity risk premia. So, the fact that I can't sell something when I may want to means that I've got a lockup. And so, I've got to be compensated more for that lockup than if I could sell it readily on the market. Historically, a lot of people think about parts of private investing as also getting this illiquidity risk premia. I actually like to think about illiquidity as providing a different benefit, in so far as that illiquidity can save you from yourself. Now, Reese, you and the listeners may be thinking what's Tim talking about? Illiquidity ultimately can create discipline because there are not as many opportunities to liquidate a position investors are required to hold. We are oftentimes subject to our behavioral tendencies that we see across the world. And you see markets go down and it's human nature to want to sort of react to that, or markets go up and it's human nature to want to react to that. And so, especially retail investors, liquidate and buy at precisely the wrong times. So, talk about buy low and sell high. A lot of people buy high and sell low. That discipline that I just talked about can be incredibly beneficial in the context of your portfolio. And I'm going to give you two stats to put that into perspective. If we looked at the S&P 500 over the last 15 years, if you missed the 10 best days, that's just 10 individual days with the best returns, that impacted your annualized return over that 15-year period by 5%. If you missed the 25 best days, that impacted your annualized return over that 15-year period by 9%. I mean, these are huge, huge numbers because the value and impact of compounding is so high. And so, not being able to time the market perfectly can really have a huge impact on your nest egg, on your savings. And so, the whole idea of people exiting the markets during periods of volatility, they oftentimes don't get back in the market when things have their upswing. And so, privates can actually, because of this illiquidity, create a huge benefit for investors."*

**Reese Blair:** In public markets, individuals have access to the same exit button. But in private markets, the ability to be patient can become an advantage. Tim's point about understanding risks and benefits hit me differently, especially when I realized he wasn't just talking about due diligence; he was actually talking about emotional due diligence.

Another insight that Tim shared is that democratization of private markets doesn't mean making them accessible to everyone. It means making them understandable to everyone who can access them. That's a difference between lowering barriers to entry and lowering barriers to comprehension.

Leading firms in democratized private markets may not be the ones with the lowest minimums. They could be the ones with the highest education. They may be selling more than access to deals. True democratization means democratizing sophistication, not just access.

Now, IMpact listeners, let's dive into our conversation with our very own Jim Kearney, Deloitte Consulting LLP managing director, about insourcing versus outsourcing.

Over the years, I've learned that people tend to value things more when they've had a hand in creating them. But Jim flipped this on its head with an insight that's truly been a vujà dé moment for me.

***James Kearney:*** *"Before an organization really looks at the insourcing-outsourcing question, I always try and get people to look internally first. Consider your broader business strategies. What core capabilities do you have that support that strategy, and what can you be great at? What can you excel at? What can you be world class at, and what do you do that sets you apart from everybody else? Once you know what's most important and what you can be great at, you start to realize what you want to retain (i.e., insource), what you want to make sure you invest more on, but also that starts to give you a line of sight into what can be distractive—what you really don't want to do, what you're not going to be able to be great at."*

**Reese Blair:** I love the question of "What can you be world class at?" as a starting point of the insourcing versus outsourcing conversation. My biggest takeaway in my discussion with Jim is that clearly there's no one-size-fits-all approach here. So, it's crucial to evaluate your organization's strengths and decide whether to retain functions in-house or leverage external specialty.

However, buried in that conversation with Jim was this nugget: "Many successful firms don't ask: can we do this ourselves? Instead, they ask: should we want to do this ourselves?"

Here's a paradox; companies that may be capable of doing everything in-house may be the ones that benefit the most from selective outsourcing. Why? Because they often have the confidence and competence to outsource strategically rather than desperately.

Jim's point about cost efficiencies also inspired me to adopt a different perspective, and that he wasn't just focused on cost, he was actually talking about scalability and cognitive load. Every function you keep in-house isn't just a resource allocation decision; it's an attention allocation decision.

Another insight: Good outsourcing decisions can be about more than finding cheaper solutions. They can be about buying back your organization's capacity to obsess over what truly matters. Sometimes, an impactful decision is deciding what not to impact directly.

Last, but certainly not least, on this revisionist history trip into the IMpact podcast vault, Sandy Kaul of Franklin Templeton took us on a journey through technological evolution in financial services that was equal parts history lesson and crystal ball gazing. But the insight that stopped me in my tracks was about fear and innovation.

***Sandy Kaul:*** *"This is something that I've really spent a lot of time, Reese, thinking about, and what we've really seen is there is this repeating pattern that we see in the industry, which is that new technologies come to the forefront. Initially there's a lot of resistance to using these technologies because they feel very different than what the industry has been used to doing and feels comfortable doing. But then over time, they begin to get adoption. And as we start to adopt them, they really change our service and our delivery model, and they start to open up new pathways and new behaviors, and then we start to move into a period where the whole model has shifted. And we've really identified, up until now, three prior phases of this. It really started back in the late 1960s with the advent of commercial computers. Computers had been very much limited to the military and to academia prior to the late 1960s, but that's when commercial adoption of computers really began. And so, this whole age of automation kicked in, and that really completely foundationally changed our industry and many industries. About 20 years later, that shifted as all the network technologies and all the cryptographic technologies that had been kept as military secrets until the 1970s started being utilized, and we entered an age of digitalization. And then we're at the tail end of the third wave of what we call virtualization, as we've started to take all of these digital platforms we've built and allow people to directly participate with the platforms. So, we've all been living in the platform economy for the last, I'd say, 15 to 20 years,* *and we're coming to the end of this cycle as we start to see the next cycle, which is really about distribution and being able to use protocols. That's what we're coming to as the next wave of evolution. But we've been through these patterns already, and we're entering this new pattern—kind of as we speak—so, it's a very exciting time."*

**Reese Blair:** One of the takeaways that Sandy shared with me was how fear often accompanies innovation but can lead to transformative change. But here's the paradox: The fear isn't irrational. It's informationally rational. When you're truly innovating, you should be scared because you're operating beyond the boundary of your existing knowledge.

Sandy's reflections about embracing change reveal something about human psychology in financial services. The industry's conservatism can be more than a bug. It can be a feature.

The industry is trusted with other people's money. But that conservatism can be a liability when it prevents organizations from recognizing that not innovating is actually the riskier choice. The insight that really hit me was Sandy's point about overcoming fear to unlock new avenues for growth and diversification.

Technological adopters and financial services may not be fearless; rather, strategically afraid. They may be more afraid of being left behind than they are of making mistakes.

Here's the kicker: Sandy showed me that technological transformation can be about more than replacing human judgment. It's often about scaling human judgment. Technology doesn't make better decisions. It can make human decision-makers capable of processing more complexity while maintaining the same quality of judgment.

As we wrap up, I want to pull back and look at the patterns connecting all of these insights. What's the thread that runs through John's landscape evolution, Jim's strategic outsourcing, Mike's AI revolution, Tim's private market patience, and Sandy's innovation courage? It's this: These insights are about second-order thinking. Not just what should we do, but what should we think about what we should do.

Investment management firms looking to make an impact may be optimizing for more than conventional metrics. They're likely optimizing for meta metrics. They can measure their ability to measure what matters. They can build more than better portfolios; they can build better portfolio building processes.

This is the revolution happening in the investment management industry—moving from first-order optimization, which, i.e., would be better returns, lower fees, faster execution, to second-order optimization, i.e., better thinking, clearer communications, more adaptive systems. So, what's the ultimate meta insight from this greatest hits journey?

Making an impact in investment management isn't just about finding better answers; it's about asking different questions. Leading firms are likely not optimizing for what everyone else is measuring. They are likely optimizing for what everyone else is missing. They may not be playing the same game better. They may be playing a different game entirely.

A game where patience can beat speed, where uncertainty can beat false confidence, where second-order thinking can beat first-order optimization. That is some real impact folks. Not moving the needle on conventional metrics but moving the conversation to metrics that actually matter for the future they're building.

Before we close out, IMpact listeners, I have two highlights that I want to mention. We had a very, very special tax focus episode that was released shortly after the 2024 election results that discussed how changes in tax policy can influence the investment management landscape.

We were joined by Jillien Flores of Managed Funds Association, as well as Jeff Kummer, a managing director with our Deloitte Tax LLP in Deloitte Taxes Policy Group for a technically dense and timeless discussion of how shifts in corporate and individual tax policies may influence market behavior and potentially impact the financial decisions of investors here and abroad.

We also had some pretty interesting discussions around the regulatory environment as well as alternative data and other episodes. So, check those out when you get a chance.

The other highlight I wanted to call out is that our one return guest this season, Mike Bechtel, came back for a part two conversation about navigating the era of GenAI. And let me tell you, if you thought his first appearance was mind-bending, wait until you hear what he shared in our follow-up discussion.

Mike dove even deeper into the strategic implications of GenAI exploring topics such as the importance of ethical considerations and the potential for AI to elevate human capabilities. How do you thoughtfully integrate those technologies while preserving trust and human judgment?

If you're curious about the answer to that question, check that episode out. His insights into the second conversation that we had with him about navigating—not just adopting, but truly navigating—the GenAI era should be listened to by anyone serious about the future of this industry. Again, trust me, you don't want to miss it.

Well, folks, that is officially a wrap. Thank you for joining me on this deep dive through just some of our greatest hits and hidden gems. Each of these conversations changed how I personally think about the industry, and I hope they've sparked some new neural pathways for you too.

In a few weeks, we're back to regular programming with a conversation that's going to challenge everything you think you know about… well, you know what? You're just going to have to tune in to find out.

Until then, keep questioning everything. Keep looking for the unconventional wisdom hiding in plain sight and always keep making an impact, especially when no one's watching.

***Reese Blair:*** *Thanks for joining us for today's episode. Be sure to listen to IMpact each month. You can find us on Deloitte.com, Apple Podcasts, Stitcher, Spotify, or wherever you get your favorite podcast. Simply search I-M-P-A-C-T. For more insights on investment management, visit the investment management page at deloitte.com. You can also connect with me on social media. Just search Reese Blair on LinkedIn. Until we meet again, keep making an impact.*