



# INVESTING LESSONS FROM THE ITALIAN RENAISSANCE

Out of the Dark Ages

# Brunelleschi's Dome



# Lesson 1: The essence of faith

- The original plans for the church included a free standing dome of unparalleled size (at the time).
- The church construction was started in 1296 and suspended a few decades later, with the dome undone, since the know-how for building the dome did not exist. For a century, the church waited for someone to come along until Brunelleschi came along.
- If you are an investor, you are operating as much on faith as you are in your analysis, and when your faith gets tested because a stock does not move towards a value that you have estimated, remember that it takes time for faith to be rewarded.

## Lesson 2: There are no new lessons, just old lessons to be relearned

- With our access to data and powerful models, we tend to think that we are not only better than investors in the past but that we are immune from their mistakes.
- To build his dome, Brunelleschi spent time in the Pantheon in Rome, a free standing dome built more than a thousand years prior, and used it to come up with his dome construction.
- Notwithstanding our sophisticated models, we as investors tend to make the same mistakes over and over again. Even as we repeat these mistakes, we keep telling ourselves “This time is different”..

# Lesson 3: Art + Science = Genius

- Brunelleschi was a superb artist, well versed in all its forms but his biggest challenge in building the dome was grappling with science.
- His solution is both an artistic and scientific triumph, and like other artists from the Renaissance, Brunelleschi believed that art and science go hand in hand.
- Drawing an analogy to investing, a blending of art (story telling) with science (number crunching) will deliver more long-standing investment triumphs.

# Time for a Renaissance

- We live in a world of specialists, where experts operate in silos unaware of the world outside their zones of expertise and unwilling to acknowledge their existence.
- If the essence of the Renaissance man (or woman) was the capacity to work across different disciplines, investing needs some Renaissance thinking, people who are capable of
  - ▣ Seeing the big picture
  - ▣ Understanding the links across markets
  - ▣ Talking to those in the trenches in different markets