



# We Don't Watch the Same Shows Anymore. We Don't Own the Same Stocks Either.

Why fragmentation is bringing active  
investing back into focus.

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Do you remember the early seasons of American Idol? I vividly remember coming to school the day after a finale and being asked what I thought about Kelly Clarkson's performance. I had not seen it, and the resulting silence on the playground ensured I tuned in the following seasons to avoid any further faux pas. How about Survivor? One of the world's most enduring shows, another example where you had to have watched the tribal council to be part of the conversation.

Movies, television, and music once acted as cultural glue. With limited distribution, audiences consumed the same stories at the same time, creating shared reference points across geography, class, and demographics.

For much of the 20th century, culture was shaped by scarcity. A handful of networks, studios, and labels determined what reached audiences. That constraint created a shared experience. Today, that monoculture has fragmented, replaced by personalised feeds, endless choice, and algorithms built for individuals rather than crowds.

The same forces are increasingly visible in markets.

There was a time when attention was more concentrated. Today, while markets may appear unified at the index level, the underlying reality is more complex. Performance beneath the surface has been far less uniform. From a distance, the market looks like a single story. Up close, it is thousands of different ones.

Passive investing thrives when markets move together, when correlations are high and outcomes cluster. In those environments, owning the average is enough. But we are no longer in that environment. When dispersion rises and outcomes diverge, averages become less useful, and selectivity starts to matter more.

## THINK TWICE

Jack Nicholson as Irish mob boss Frank Costello has a great line to open Martin Scorsese's *The Departed*: "I don't want to be a product of my environment. I want my environment to be a product of me."

There is a useful framework developed by Michael Mauboussin in *Think Twice*, originally introduced by Daniel Kahneman in *Thinking Fast and Slow*. It is called the inside view vs. the outside view. Mauboussin describes it like this:

"An **inside view** considers a problem by focusing on the specific task and by using information that is close at hand and makes predictions based on that narrow and unique set of inputs. These inputs may include anecdotal evidence and fallacious perceptions. This is the approach that most people use in building models of the future and is indeed common for all forms of planning."

"The **outside view** asks if there are similar situations that can provide a statistical basis for making a decision. Rather than seeing a problem as unique, the outside view wants to know if others have faced comparable problems and, if so, what happened. The outside view is an unnatural way to think, precisely because it forces people to set aside all the cherished information they have gathered."

In markets where outcomes feel like monoculture, indices rising together, a few names dominating, most getting ignored, it is easy to default entirely to the outside view. Mauboussin is right that in many domains, the outside view is more reliable than intuition. Most strategies do not outperform. Most companies do not become exceptional. The average is genuinely hard to beat. That is exactly why passive investing has worked so well.

But that logic assumes a world where outcomes cluster tightly around the average. As we move through 2026 it is starting to feel like that is no longer the world we are in. The outside view is still the starting point. But it is no longer the full answer. Today, the inside view matters more. Not instead of the outside view, but in addition to it. Because in a fragmented market, the average stops describing reality. It starts hiding it.

The inside view is not intuition. It is earned. And no one illustrates that better than an art dealer from early 20th-century Paris.

## LEARNING THROUGH ART

There is a parallel in art history.

Daniel-Henry Kahnweiler, was an art dealer who signed exclusive contracts with unknown artists (Picasso, Braque, Léger) and agreed to buy their entire output. The common reading of this strategy is that it was diversification: buy a lot of paintings, accept that most will be forgettable, and rely on a few extraordinary successes to drive returns.

That interpretation misses the point.

Kahnweiler was not betting on paintings. He was betting on people. The asset was not the art; it was the artist. His real conviction was that if someone possessed exceptional creative capacity, discipline, and ambition, success was not a matter of if, but when. His job was not to identify masterpieces. It was to monopolize the output of people whose trajectory he believed in.

The results speak for themselves. Works he acquired for almost nothing later sold for tens of millions, Picasso's Buffalo Bill, Braque's L'église de Carrières-Saint-Denis, and Léger's Contraste de formes, which eventually set a record at \$70 million.

But none of this was luck. Kahnweiler could only see what others could not because he had spent years developing a deep, critical understanding of his domain. He had cultivated a genuine inside view, one built on expertise, not instinct.

The lesson is that talent is the true asset, but recognising it requires a genuine inside view, the ability to see what lies beneath the surface before it is visible to everyone else.

Which brings us, naturally, back to investing.

## ALL TOGETHER NOW

The same forces that replaced "must-see television" with personalised feeds are reshaping how value is created and distributed. In both cases, the average tells you less than it once did. What matters is what lies beneath the surface, the underlying talent and trajectory, not just the results already visible to everyone.

Passive investing is, by design, an outside view strategy. It owns the average. It scales exposure after success is already visible. By the time a company is large enough to matter in an index, most of the obvious upside has already been realized. That is the hidden cost of passive: it is systematically late.

It's the equivalent of only watching a show after everyone's already talking about it.

Active investing, at its best, is the opposite. It's Kahnweiler signing Picasso before the world knew who Picasso was. It's watching Arrested Development live when no one else is paying attention yet. It goes deep, into specific industries, specific businesses, specific people, before the world has caught on. It finds value before it's reflected in price.

In under-followed, structurally inefficient corners of the market, information gaps widen. And that's where opportunity tends to live.

We are all, in some sense, still searching for the shared experience, the thing that connects us, the story we're all part of. In markets, that instinct pulls capital toward the index, toward the consensus, toward the average. But the most interesting stories were never found in the average. They were found by someone paying close attention before everyone else caught on.

The outside view tells you what has worked.

The inside view is how you find what works next.

And that is where opportunity lives.





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Laura Baker is an Associate Client Portfolio Manager on the Equity team at PenderFund Capital Management. In her role, she acts as a bridge between the investment team and clients, translating portfolio strategy and market insights into engaging content while supporting client relationships.

Before joining Pender, Laura spent several years in institutional equity sales and equity research at major Canadian financial institutions. In these roles, she worked closely with a broad range of institutional investors, providing market insights, investment ideas and detailed company analysis. She covered multiple industries during her tenure, gaining deep exposure to both fundamental company drivers and broader market dynamics.

Laura holds a BCom from the Smith School of Business at Queen's University. She is also actively involved in industry mentorship and networking initiatives focused on fostering a more inclusive finance community. Laura is currently the co-chair of the BC chapter of the VersaFi Steering Committee.