From Bacon to Graham to Simons: The Evolution of Scientific Investing

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The Need for Science in Investing

Benjamin Graham is widely regarded as the father of value investing, yet investing has evolved far beyond his methods. The world's most successful investor, James Simons, took financial analysis to a new level with data science and AI, proving that systematic, empirical approaches lead to superior results.

To understand this shift, we must start with **Francis Bacon**, the father of the scientific method, whose principles laid the foundation for modern investing.

Francis Bacon: The Birth of Systematic Thinking

Bacon revolutionized thought by emphasizing **observation, hypothesis testing, and rejecting biases**. His work remains highly relevant today—investors who fail to test their assumptions and adapt to new data are doomed to repeat the mistakes of the past. However, Bacon's principles remained largely theoretical until applied to investing centuries later.

Benjamin Graham: The First Systematic Investor

Graham brought structure to investing by introducing fundamental analysis, intrinsic value, and the margin of safety. His approach provided a rational framework, replacing speculation with data-driven security selection. However, Graham operated in a world with limited computational power.

Had he applied Bacon's full methodology—continuous testing, adapting to new data, and embracing statistical modeling—his strategies might have evolved further.

James Simons: The Ultimate Scientific Investor

James Simons and Renaissance Technologies perfected the application of science to investing. Their methods reflect Bacon's principles better than any investor before them:

- **Observation** – Collecting vast amounts of market data.
- **Data-Driven Models** – Inductive reasoning, uncovering patterns without preconceived theories.
- **Testing and Refinement** – Constantly adjusting strategies based on statistical probabilities.
- **Eliminating Bias** – AI models remove emotion, making decisions based purely on data.

With an annualized return exceeding 66% before fees, Simons' approach outperformed every traditional investor, proving the power of a scientific investing model.

Why RIAs Must Embrace Scientific Investing

The world is flooded with real-time data, and those who fail to integrate AI-driven risk analysis, pattern recognition, and empirical testing are at a disadvantage. RIAs can no longer afford to rely solely on traditional fundamental analysis.

The Future Belongs to Science-Driven Advisors

Bacon laid the groundwork for systematic analysis. Graham introduced discipline to investing. Simons perfected empirical, AI-driven strategies.

Today, **advisors must follow in their footsteps** by adopting **data science, statistical modeling, and AI-driven decision-making**. The investment landscape has changed—those who embrace scientific investing will thrive, while those who ignore it will be left behind.

The time to adapt is now.