Zen and the art of investment management

Exploring mindfulness as a vehicle for truly responsible investing

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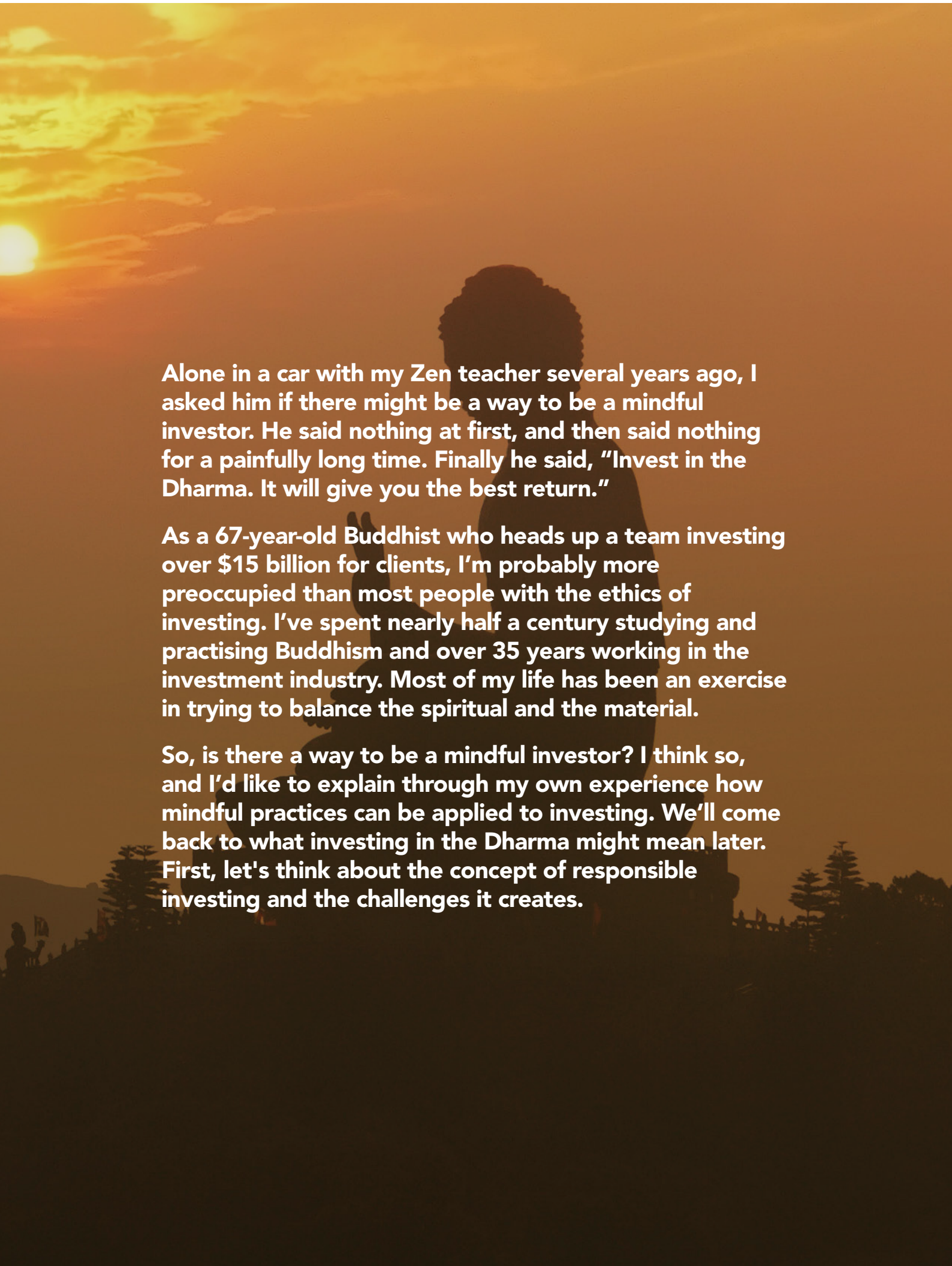
In a complex and highly interconnected world, how can we as investors and intermediaries be sure that our actions serve both ourselves and the planet? I believe that a mindful approach could take us a step closer towards the goal of truly responsible investing, and that the benefits would be material as well as spiritual.



Alone in a car with my Zen teacher several years ago, I asked him if there might be a way to be a mindful investor. He said nothing at first, and then said nothing for a painfully long time. Finally he said, "Invest in the Dharma. It will give you the best return."

As a 67-year-old Buddhist who heads up a team investing over $15 billion for clients, I'm probably more preoccupied than most people with the ethics of investing. I've spent nearly half a century studying and practising Buddhism and over 35 years working in the investment industry. Most of my life has been an exercise in trying to balance the spiritual and the material.

So, is there a way to be a mindful investor? I think so, and I'd like to explain through my own experience how mindful practices can be applied to investing. We'll come back to what investing in the Dharma might mean later. First, let's think about the concept of responsible investing and the challenges it creates.

Part One: Investing Responsibly

Ethics and responsibility in investing

Like value and passive styles before it, responsible investing initially emerged as a niche approach but has been rapidly moving towards the mainstream. The entry of the term ESG into standard investment vocabulary is to be welcomed, even if as practised by some it remains more window dressing than investment philosophy.

For many years the ethics of investing were simple: an investor's responsibility was to their client, and it was a fiduciary one. Absent further ethical instructions, the professional investor discharged their duty by investing in those securities which promised the greatest risk-adjusted returns over the required timeframe.

But what if investing in this way caused negative societal outcomes? Had there been an investment management industry before slavery was outlawed, when societal norms were so different, would putting money into slave trading journeys have seemed a canny move? In the same way today, investing in companies which exploit various addictions – whether to nicotine, alcohol, gambling, online gaming, social media or adult entertainment – can offer strong returns in the short term. As can taking advantage of legislative forbearance to degrade the global commons by polluting the air, contaminating oceans, destroying biomes and contributing to global warming, while passing the cost of remediation on to future generations. If the government doesn't care, and the client doesn't mind, should their fund manager? And what recourse does the fund manager have if they invest virtuously but get fired for underperformance, while their amoral competitor's fund is burgeoning with fresh inflows?

Fortunately attitudes are changing, both in wider society and in investment circles. There is a growing understanding that responsible investing is sustainable investing, not only in terms of social and environmental impact but in terms of long-term returns. As a result, virtuous managers are enjoying inflows as investors increasingly turn to sustainable investing to meet their needs.

The challenges of responsible investing

The growing focus on investing more responsibly is good news for everyone. However, it requires a new skill set and makes considerable demands on resources. Even experienced ESG/engagement investment teams like mine face a steep learning curve as we discover and try to address freshly identified imbalances in today's world. From global warming to surveillance capitalism, from biodiversity to workforce diversity, from scientific ethics to circular economics, a growing range of issues require our knowledge, consideration, debate and reflection. How companies are expected to navigate this onslaught of considerations is truly a question for our time. To highlight that many are interrelated does not diminish the urgency of addressing each of them effectively.

At the same time, we live in a world in which information is freely available but ever more difficult to parse. Investors are no strangers to the information overload afflicting modern society; indeed, we stand directly under the waterfall. Every day a deluge of news both good and bad has the potential to impact our investments, whether it be the announcement of a foreign policy reboot from the White House, the emergence of a new vaccine-resistant strain of COVID-19 or a military coup in an emerging market country. And so the world turns: the same sun dawns on Uighurs in camps and health professionals working to rid another country of malaria.

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It's hard enough these days just understanding how to be a responsible citizen, but to manage other people's savings while genuinely taking all this into account is an immense task, especially when investing at a global level. Theoretically we have access to the information, but how can we identify, prioritise, evaluate and then respond responsibly to change everywhere, every day?

Creating teams with specific geographic, industry and engagement expertise can help to divide the workload into manageable parts. However, the problem remains how to prioritise issues, both in relation to one another and to financial performance.

Who's keeping score?

Many investment businesses rely on third party scoring in relation to ESG issues. Measurement is clearly important, but progress needs to be made both on ensuring scoring systems have coherent weighting and on considering context when applying them. For example, a Danish manufacturer of auto parts will find it far easier to source renewable energy than a counterpart in India or Indonesia.

Engaging directly with businesses can help, but it can still be a challenge persuading management to spend time in a one-hour meeting on such non-operational matters – and to be fair, operational matters are a significant part of what we need to monitor as shareholders.

Faced with numerous existential dilemmas, the responsible stance for us both as global citizens and as investors is clear: we need to work towards solutions to these problems.

Part Two: Investing Mindfully

While responsible investing is still a work in progress, mindful investing is a new vision which can potentially help to solve many of the challenges a desire to invest responsibly creates. Like most visions, it is going to take time and nurture to flesh out. But in my somewhat unusual position as a long term mindfulness practitioner and veteran investment professional, I am probably as good a person as any to start exploring what it could mean.

A spiritual quest: learning to be mindful

While a Buddhist, I don't come from a spiritual mecca but from Chicago, known as 'the windy city' due to the hot air blown by its politicians (rather than the strength of the breeze coming off Lake Michigan). It's a down-to-earth place, known for some great sports teams and for its pragmatism, so not particularly spiritual at all.

And yet at age 17, this Chicagoan had his first spiritual experience. As a result, I pivoted from English Literature to studying eastern religion (some textbooks called it eastern mythology) in university, graduating in 1974 with a degree my parents despaired of. At the time the world was in the midst of a recession; good jobs were scarce, especially for a Comparative Religion major who didn't want to become a rabbi or a minister. And, indeed, all I wanted to become was enlightened, so I joined a monastic order based on an Indian meditation tradition, living in Minneapolis, then San Antonio, Texas and later Boston. I spent the next eight years seeking spiritual truth, learning, and practicing meditation and mindfulness.

As is the case for many mystical traditions, our goal was to induce the mind to slow down enough to be able to witness, investigate, and understand it from within. The three hours of daily meditation required was achievable, but the task of following all 20,000 breaths I took each day felt Sisyphean. The only hope was to do manual, repetitive jobs which would allow the mind to concentrate. I never got good at monitoring the breathing, or for that matter the manual work.

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Material issues: into the world of investment

Some years, teachers, and adventures later, in 1982 I decided it was time to make use of (what I considered to be) my finely honed spiritual energy to engage pragmatically with the world. I completed an MBA in 1985, and decided that the prospect of moving money to people and places that needed it seemed like fun, paid well and promised to use my skills for the greater good. With that in mind, I looked for a position in international portfolio management.

For while employers are fond of talking about the importance of 'bringing yourself to work', the reality is that most of us have to leave something of our selves at the door when we enter the work environment.

However, while I had the soul of a responsible, and indeed mindful, investor, I soon found out that in 1985 very few investment firms felt the same way. As I moved from corporate valuation work at a bank to equity sales and then on to working as a buy-side analyst, my job was always fundamentally the same: to make as much money as possible within certain constraints, which did not include environmental, social or ethical elements to any significant degree. Investment was largely divorced from the wider world and its concerns. Indeed, an individual company's responsibility was to make as much money as possible for its shareholders while staying within the law, largely regardless of any other factor.

It's my experience that many people in finance suffer from something of a split personality, at least internally. This is not just impostor syndrome (although that can be an issue), it's the consequence of suppressing a large part of who you are, or perhaps more accurately who you would like to be, in order to fit in. For while employers are fond of talking about the importance of 'bringing yourself to work', the reality is that most of us have to leave something of our selves at the door when we enter the work environment. As you start your first job you might have wonderful ideals gleaned from Plato and St Francis, but you quickly find nobody cares (then again, if your ideals are gleaned from Ayn Rand, you may fit right in!). At best you are seen in light of your potential, but most often as a square peg that needs sanding into a round shape. It can come as a shock to find that most of who you are is irrelevant to your new environment, but most eventually acquiesce in order to succeed.

For me, it was only after 20 years of working for firms for whom the concept of responsible investing in the contemporary sense was an absurdity that I found a like-minded employer. Finally it became possible to bring the two parts of my self together and to be a whole person as an investor. And I've spent the last ten years investing as responsibly and mindfully as I could. But that's jumping ahead a little…

Investing in the Dharma

In 1997 my elderly uncle sent me a book by a Vietnamese Zen master named Thich Nhat Hanh, from whom the so-called 'Father of Mindfulness', Professor Jon Kabat-Zinn, had learned meditation and mindfulness. Inspired by the book, in 2003 I started practicing meditation and facilitating mindfulness groups in this tradition, something I have continued ever since. Remember the teacher who instructed me to 'invest in the Dharma'? That was Thich Nhat Hanh. So, what did he mean, exactly?

Dharma is a term the Buddhists adapted from the Hindus, who got it from the Aryans, for whom it meant 'support' or 'firmness'. The Hindus adapted it to mean statute or law, and eventually it came to mean the cosmic law which assigned each person to a caste and each caste to a role or duty.

For the Buddhists however, who rejected castes, Dharma became something more democratic. As the cosmic law extending to all living beings, it could be summed up by four linked ideas (the Buddha's Four Noble Truths): all beings experience dissatisfaction or suffering; there are definite causes for this; the potential for wellbeing exists, for humans at least; and there is a path to follow to achieve wellbeing.

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As a Buddhist therefore, 'investing in the Dharma' means applying oneself to the path the Buddha laid out in the cosmic law: investigating why you feel dissatisfied, understanding what's causing your suffering and doing something about it. Rather than, to use Pink Floyd's timeless phrase, becoming 'comfortably numb', you should find out how your mind works at a profound level, thereby achieving an aliveness beyond mere psychological balance.

Thich Nhat Hanh's answer was not one I particularly wanted to hear, as it forced me to confront the essential duality of my livelihood and aspirations. But in my late 50s, with kids in school and not enough to retire on, I was in no position to change career. So, rather than bringing the mountain to Mohammed, I would have to bring Mohammed to the mountain. But where to start?

The application of mindfulness to investing: starting from the inside

Tibetan lamas (spiritual guides) use the term 'nang chos' when referring to themselves. This literally means 'the Dharma of the insiders', where the term 'insider' describes someone who seeks the truth not outside but within the nature of mind. This living of life from the 'inside' is the essence of mindfulness: watching the complex interplay of thoughts and emotions which arise within us in response to stimuli.

To start on my path to mindful investing I therefore committed to regular mindfulness sessions aimed at dissolving any afflictive emotions. Essentially, I was training my mind to objectify my feelings, whether frustration, irritation, anger, or simply fear (my investigations have led me to conclude that fear tends to underly most negative emotional states). Normally, we focus on objects of mind: people we like or dislike, positive or negative scenarios, things we want or fear. Our focus is on the object, but that awareness is coloured by a feeling or emotion of which we are only tangentially aware. With mindfulness one can become aware of the emotion itself, rather than being consumed by it while focusing on its object, and one can give it the gentle attention it needs and allow it to dissolve.

This sounds good, but when we're angry, for example, letting go is hard. We think: "But if I let this anger go, who will avenge the injustice I've suffered?". While understandable, this is akin to realising your house is on fire and reacting by chasing the arsonist down the street. The wiser choice is to focus on putting out the fire, after which the situation generally looks different to how it did while the fire was raging. The tunnel vision generated by stress has been shown to lower intelligence while the psyche is in turmoil (a state sometimes called the 'chimp mind'). Ultimately, a calm mind is more rational and insightful.

Enhanced awareness of one's internal state enables one to investigate the roots of potential biases in one's own mental topography. When applied to finance, these biases can have important consequences (hence the whole field of behavioural finance). They come in many forms, from self-deception and oversimplification to social influence and the impact of emotions. For example, should I be taking more risks to advance in my career? Can our portfolio weather a 20% drop? Do I trust the objectivity of this analyst, or are they overly bullish? Will our clients be forgiving of a short-term loss on the expectation of potential long-term gain?

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Perhaps as important as recognising your biases is understanding what really motivates you. Is it the satisfaction you get from a stock idea working out? Is it the interaction with your colleagues or with the management of companies you own? Is it the sense of empowerment that comes with making decisions? Is it recognition or money? And if so, how much is enough? And how deep is the satisfaction achieved by meeting these goals?

Asking yourself these kinds of questions (and being honest enough with yourself to accept the answers, whether comfortable or not) is important. Knowing who you are and what makes you tick really matters since it underlies your experience and can unravel a lot of unproductive behaviours, not just at work but in all aspects of your life.

What does mindfulness through meditation feel like?

As a mindful investor, living life from the inside starts upon awakening in the morning. One keeps an eye on one's internal state while showering, brushing teeth and dressing. Before heading to breakfast, one meditates.

With closed eyes but awake and attentive, one practices a routine designed to achieve inner stability, peace and clarity. The ultimate aim of the practice will vary according to the motivation of the practitioner. It could be as simple as psychological maintenance, honing one's focus or accessing an inner source of creativity. Or it could be more complex, for example, truly understanding the nature of one's own mind in order to relieve one's own suffering, or seeking enlightenment in order to be able to better serve others. It's also worth noting that, though not usually a direct aim, there is ample empirical evidence that accomplished meditators enjoy heightened levels of happiness.

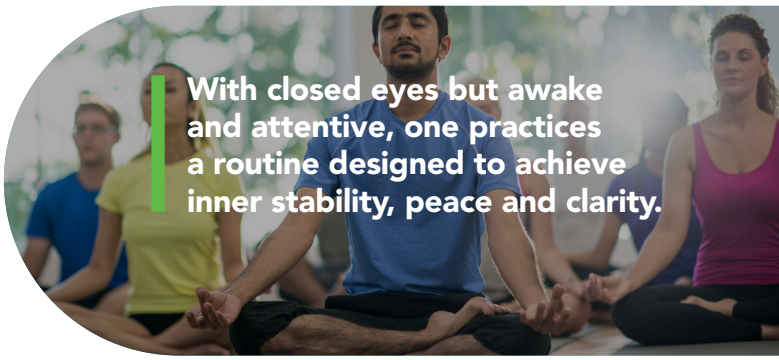
Resources to learn meditation abound, but as with anything else worth learning the pay-off takes time and effort to arrive (as one of my first teachers told me when I complained that nothing was happening after meditating for all of ten minutes: "You've been ignoring the inner quiet your whole life; it might take a little while to learn how to listen"). Having put in years of practice, these days my mind starts to quieten after 15 minutes or so, like a snow globe that settles after it has been shaken. If I remain both relaxed and alert some inner clarity begins to appear: little by little I start to see thoughts and feelings as things that arise, persist for a short while and go away.

When learning to meditate, over the course of months one begins to identify with the spacious consciousness in which thoughts arise and depart, rather than boarding each 'train of thought' that passes by. Eventually, with proper instruction, one gains the ability to recognise emotions as they arise, and to loosen one's identification with them until it's possible to choose whether to engage with or heal them. With careful cultivation, this skill gives rise to true self-awareness and the power to heal one's relationship with oneself, with family members, with work colleagues, and even with the market.

Taking mindfulness to work

Ideally, one would rise from meditation in the morning with a cool head which one would maintain throughout the work day. After treating everyone you met with warmth and respect and making a series of calm, rational decisions, you would return home ready to treat your own family with the same openness and appreciation. Unfortunately, even as a long term practitioner, the reality for me was more mixed.

Managing other people's expectations as well as my own emotions, combined with the demands of extensive travel, often left me exhausted. One's own uncertainties, insecurities, hopes and fears can feed into all aspects of the job. Even the most hermit-like fund manager will have dozens of interactions each day, with team members, with senior management, with clients and with the management of firms they are investing in. These interactions constitute a large part of the emotional fabric of the day, and over time define the emotional tone of one's work life, which in every case I am aware of, spills over into one's home life (and of course vice versa). But despite and even because of these challenges, I persisted in pursuing a mindful approach.

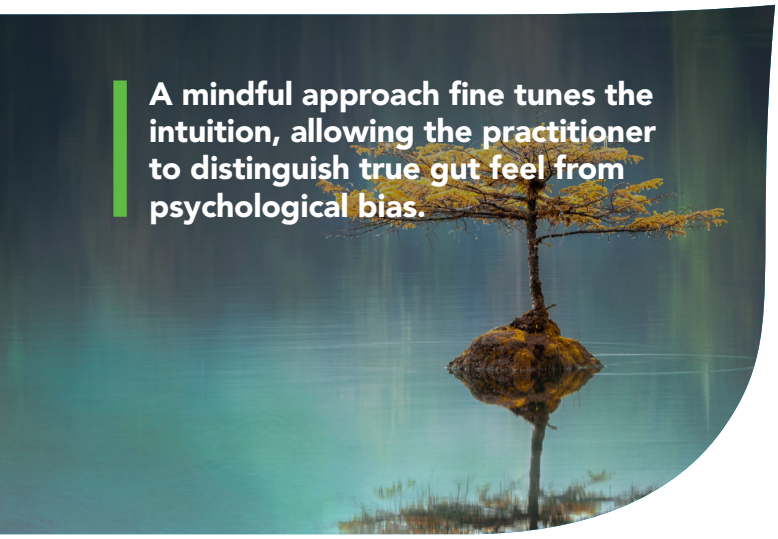


Tuning in to intuition

Meditation helped me 'see' my strengths and weaknesses as an investor, even if I wasn't able to overcome all the weaknesses all the time. I built a rigorous investment process that married top down work with intensive bottom up analysis but still left room for intuition. Leaving room for intuition was important because one does learn something over the decades. The self awareness I gained through meditation enabled me to devise strategies to overcome weaknesses in my "game".

For example, I continually added to the factors considered in the investment process itself (sector analysis, early adoption of ESG investigations) which reduced the potential for decisions based on incomplete information.

There is an important difference between acting on impulse and tuning in to intuitive, instinctive reactions which we often refer to as 'gut feel'. Listening to and seeking to understand these intuitive reactions can be extremely useful and lead to positive outcomes; acting on impulse almost never does. The trouble is that it can be hard to know the difference between psychological factors (fear of missing out, trophy collecting, short termism), and genuine intuition (a subconscious



A mindful approach fine tunes the intuition, allowing the practitioner to distinguish true gut feel from psychological bias.

weighing of factors contributing to a correct conclusion). Gut feel is a complex response, and although we all have it, few of us study it, either experientially or experimentally.

Early in my career, for example, I visited the CFO of a semiconductor company in Thailand with some colleagues. The meeting started smoothly enough with an overview of operations. Then we started digging into the financials to get a better understanding of the relationship between working capital and sales. The CFO started to get more and more defensive, suggesting we had no right to ask these kinds of questions. When I asked him why it was a problem, he trotted out the time-worn excuse of commercial secrets. My gut feeling was that something was amiss. Soon after, I left the room and waited in the reception area for the rest of the group to finish the meeting. The company went belly up two years later.

On a more positive note, in 2012 we took an interest in a China-based power tool manufacturer. At the time they were relatively unknown in the global market, with a small market cap and a low price-earnings multiple. But after several meetings with the management I came away with a strong sense of confidence in their knowledge of the marketplace and their ability to innovate, specifically in battery technology. This was a company with production facilities in China but with a First World understanding of their business. Having invested in the firm, we've seen the value of our stock rise considerably over the past decade as it has gone from being an outsourcer for US power tool brands to acquiring many of these brands, and then innovating further.

One of the benefits of a mindful approach is that it makes it possible to identify and 'tune out' psychological biases while 'tuning in' to factors which you might otherwise not be conscious of.

The importance of being fully present

Is there any reason why finding joy and fulfilment at work should be reserved for sports icons, rock stars and great artists? Or might it be possible even for people in business to be fully present, with their whole being, enjoying deep relationships, loving their work and creating results that actually amaze people, including themselves? To answer that question, perhaps first we need to consider the concept of the 'true self', so we can then understand what it means to be 'fully present'.

The 'true self' and 'false self' are psychological concepts originally introduced into psychoanalysis by Donald Winnicott. Winnicott used true self to describe a sense of self derived from spontaneous, authentic engagement with reality and a feeling of being alive. He saw the true self as rooted in infancy, when we experience most intensely the simple sensations of being alive. We are completely focused on the present moment, and all sensations are raw, real, intense. On balance positive, we derive from these sensations a sense that life is worth living, which if expressed and responded to by parents becomes the basis of the continuing development of the true self.

The false self, by contrast, is a defensive façade which emerges when the expectations of others become of overriding importance. It can overlay or contradict an individual's original sense of true self, and in extreme cases can leave them with a feeling of emptiness and unreality.

A precursor to Winnicott, Karen Horney, expressed a related idea in her 1950 book *Neurosis and Human Growth*. Horney called her concepts 'real self' (who one actually is) and 'ideal self' (who one would like to be). In a mentally healthy person, the real self has willpower and achieves growth and hence happiness. A neurotic person, on the other hand, feels that they have a flaw in the real self which makes them unable to live up to the ideal self.

Transporting these concepts to the world of work, the infantilising effect of joining an organisation at the bottom is quite powerful, at least in my own experience. The need to conform to the new culture is overwhelming, and in order to fit in many unique attributes of the personality may be suppressed. In cases where inner resilience is weak, that can set patterns of behaviour which become deeply ingrained over time and are inherently damaging to the self.

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Bringing one's true self to work, then, is fundamental to mindful investing. Starting from a base of radical authenticity removes the biggest obstacles to mindfulness, for it is difficult to calm a mind which is pretending to be something other than what it truly is. We may choose to believe that the vision of ourselves we perceive in another's eyes is really us. But these house of mirror images ultimately have nothing to do with our own lived experience.

In truth we each activate many different identities to navigate our different relationships at work, at home, with friends and with acquaintances. Which is the authentic person? Well, all of them. We are a slightly different person with each person we meet, because our interaction with that person forms part of our self. Hence the Zen expression: 'This is, because that is.

I am, because you are'. When accomplished meditators who can sit motionless for hours turn their gaze to search for a discrete, unchanging self, they don't find one. What we call the 'self' turns out to be impermanent, a fluid construct.

Developing mindful relationships

If our relationships with others form an essential part of who we are, then clearly all our relationships, including professional ones, are extremely important. The secrets to experiencing fullness, joy and self-actualisation at work are essentially the same as the secrets to a good marriage, a happy family or a strong friendship group. Self-awareness, flexibility, empathy, sympathy and not taking oneself too seriously are all important, as is, ultimately, faith: faith in oneself, faith in others, and faith in a natural or even higher order that will ultimately work things out.

Mindfulness is particularly relevant in this arena. The Buddha taught five basic precepts to live by: non-violence, generosity, sexual responsibility, truthful but kind speech, and mindful consumption (avoiding toxins). Interpreted in today's language, mindful behaviour involves treating others, and oneself, with kindness and understanding; learning the joy of giving and the pain of grasping; respecting one's own and others' sexual commitments and understanding the damage that breaking them can wreak; refraining from misrepresenting the truth, but also refraining from saying things that cause damage; and finally understanding the effect of toxins on the body, emotions and the mind, whether they be in the form of food, drink, conversations or media.

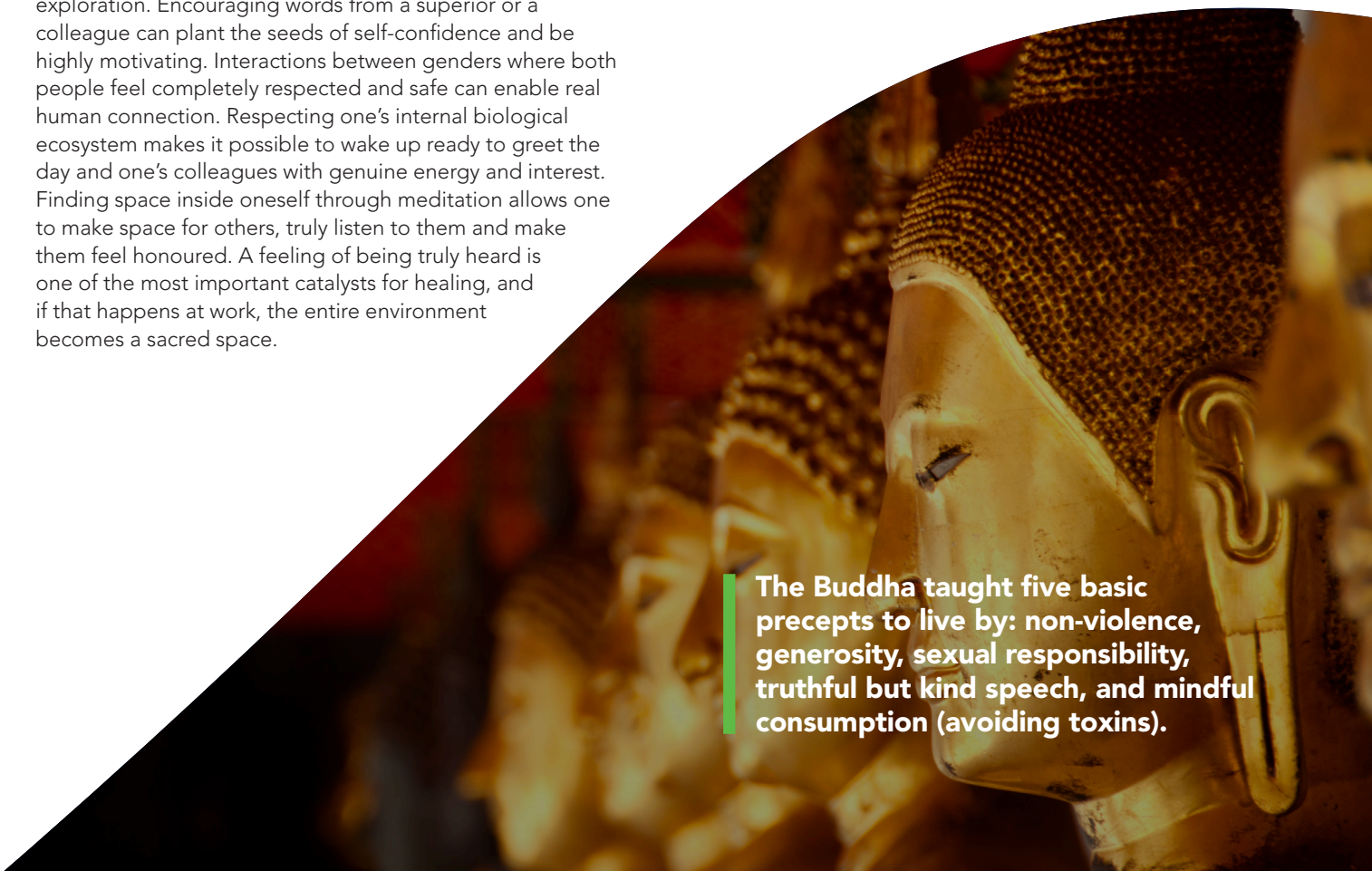
Practiced in conjunction with meditation, observing these precepts can transform the workplace from a potentially tense, fearful environment to a fun, creative place for exploration. Encouraging words from a superior or a colleague can plant the seeds of self-confidence and be highly motivating. Interactions between genders where both people feel completely respected and safe can enable real human connection. Respecting one's internal biological ecosystem makes it possible to wake up ready to greet the day and one's colleagues with genuine energy and interest. Finding space inside oneself through meditation allows one to make space for others, truly listen to them and make them feel honoured. A feeling of being truly heard is one of the most important catalysts for healing, and if that happens at work, the entire environment becomes a sacred space.

When I think of the colleagues who have inspired me most, one thing they have in common is being highly organised and allocating their time very carefully. They do the job at hand well, and when it's time for discussion they are fully present. They waste little time in fulfilling unconscious needs, so when it's time to relax they are also able to commit fully to that. I consider it no coincidence that they've all become very successful.

Working in an international environment can really bring the importance of self-awareness and empathy to the fore.

Working in an international environment can really bring the importance of self-awareness and empathy to the fore. For instance, styles of conflict resolution vary widely across cultures. Some are high touch, with heated arguments the norm and the personal very much up for discussion. Others are low touch, abstract, with subtle ad hominem attacks used to disqualify another in the eyes of the group. So when we elevate cultural diversity to a requirement in the quest for the real advantage, diversity of thought, we need to understand the cultures we are mixing together and how these different dynamics interact.

For example, my own team includes males and females of American, Bangladeshi, British, Chinese, Indian, Italian and Ukrainian descent, with religious backgrounds which are equally diverse. The team dynamic is good and we tend to have very courteous yet incisive team meetings, but you are much less likely to spot us at the pub after work than some of the more homogenous teams. For an emerging market team cultural diversity is clearly a benefit, but if our team were focused on, say, UK mid-cap equities, more of a shared culture might provide an advantage.



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Mindful client communication

As the head of an investment team, interacting with clients forms a big part of the job and is another area where a mindful approach can be extremely helpful. While the client relationship is often managed by others, the way in which past performance is reviewed and the future outlook is presented to them can have a strong effect on a client's perception of an investment manager.

The headspace required for a client meeting is radically different from that required for investment work. Effective communication is key: tailoring your narrative to the audience; keeping vigilant for cues suggesting they've lost the thread or are getting bored; not straying into areas which are the preserve of specific members of your team but are not your area of expertise; and avoiding the appearance of uncertainty.

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Knowing what you don't know

The point about uncertainty is an interesting one. Clients, especially intermediaries, crave certainty (hence so does the sales team). It takes a brave fund manager to admit to a prospective client how much they don't, and can't, know about the investment arena they cover. And it takes a wise prospect to appreciate that honesty and accept it for the realism and humility it implies. Yet investing is the business of managing uncertainty, and no matter how great your experience you never know for sure how a stock is going to perform until it has already done so. You may have a thorough, carefully calibrated process, highly skilled analysts, experienced supervisors and conduct rigorous debate; but so do others, and you can't be sure the market hasn't already discounted what you know. Added to that the macro environment is always uncertain, especially when it seems not to be (as the last year has amply shown), and that can upend the most carefully considered investment thesis.

Asset managers who purvey overarching confidence do a disservice to their clients because they communicate certainty even as the ground shifts under their feet. For me, being completely honest goes without saying; it makes life, and future meetings, much easier. The right approach is to educate clients so they become more comfortable with uncertainty, as it's the true situation all investors continually face. As clients develop their own mindfulness and a holistic perspective, their insight into both portfolios and fund managers can grow, free from illusions.

Knowing what you do know

Working in emerging markets, my clients generally have far less knowledge of the companies than I have and are often hearing about them for the first time. Challenges on investment theses are therefore relatively rare. However, this has not always been the case. For example in the past, when running a long/short global equity hedge fund, I was challenged continually by clients and prospects alike for shorting General Motors. At that time it seemed everyone was an expert on GM, just as today everyone is an expert on Apple. For my part, I had done my homework and felt a high level of conviction in the position. But after the fourth meeting where a client told me I was wrong, I began to doubt myself.

Of course, client's opinions are important. But investment professionals need to be wary of the influence of debates which are based on an unequal level of insight and understanding. Even the best-informed and most clear sighted expert's conviction can start to waver when constantly challenged. Investors need to keep cognitively clean.

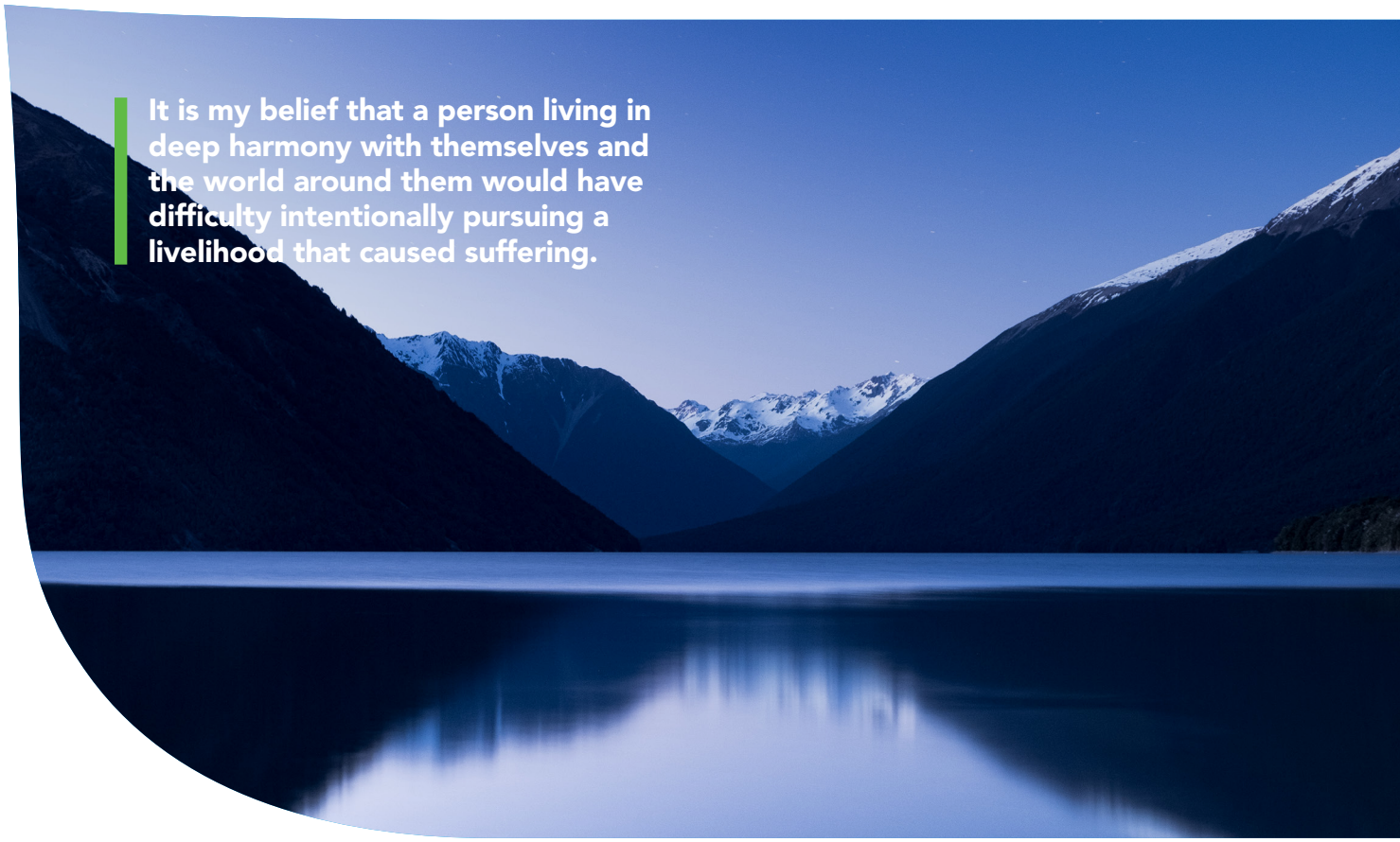
Difficulties with a fluid self construct

A final aspect of interacting with clients is the difficulty of subsequently getting back into an investment-oriented headspace. As a presenter one is active, outwardly focused and engaged in using one's mental processing power to put the right words in the right order with the right tone, volume, level of detail and humour to educate and persuade. Heading downstairs to my desk afterwards, I am charged up, activated, ready to interact; I am not ready to plunge into page 69 of an annual report or analyse line 240 of an analyst's model.

Unfortunately it often isn't possible to schedule all client contact on the same day, so these changes of gear, though tricky, are often necessary. Employing a mindful approach to help yourself focus and be truly present in each scenario can help. Shielding analysts (and maybe portfolio managers too!) from client contact as much as possible can also be helpful, enabling them at least to keep their mental flow uninterrupted.

Unfortunately it often isn't possible to schedule all client contact on the same day, so these changes of gear, though tricky, are often necessary.

As I settled into my role at the international business of Federated Hermes (formerly Hermes Investment Management) I decided to create a process which ensured thorough analysis of fundamentals while also leveraging my intuition, which, as noted, at that point drew on over two decades of investment experience. The process involved screening to identify stock candidates for study, but also included scope for me to suggest ideas to the skilled, but relatively inexperienced, analyst team. Depending on their initial analysis, deeper study would then flesh out the various factors underlying the investment hypothesis. This approach allowed us to marry analytical left brain thinking with my intuitive right brain: the result has been nine years of strong, reasonably consistent performance.



Conclusion: Towards a mindful investment process

We have explored in some depth the internal and external behaviours of an investor practising mindfulness, but what might constitute mindful investing itself?

Disciplining the mind in order to make the best decisions is of course no guarantee of investment success. The investment process itself must be unbiased, thorough and incisive. It should include a fair assessment of the business, management, culture and valuation. At the same time, a mindful investment process should be in accord with the inner realities of *all stakeholders*, reflecting the needs of their true selves. By all *stakeholders*, I mean anyone linked to the company's effect on the world, including investors, intermediaries and shareholders as well as employees, the communities in which it operates and the wider world it can also effect. Investing as part of the Dharma, or cosmic order.

It is my belief that a person living in deep harmony with themselves and the world around them would have difficulty intentionally pursuing a livelihood that caused suffering. As we have seen, there can be cognitive dissonance in modern business, where one's ideals and sometimes one's ethics get left at the entrance of the building.

Mindful investing would seek a synthesis between maximising returns and creating maximum social benefit. It would do so through truly in-depth analysis of companies. An ocean of data is becoming available for that purpose, while fund managers increasingly have access to the same kind of analytical power used by big tech to research our individual inclinations. That makes it possible to analyse cultures and impact in addition to balance sheets. In this brave new world, it will be possible to construct a holistic picture of the investee company in its 'natural habitat', evaluating not only its financial prospects but also the effects it is likely to have on its staff, suppliers, customers, local and non-local communities and the environment. Our analysis of the real impact companies have on these groups is still in its infancy but developing rapidly.

Of course, what a fund manager makes of this information will depend not just on their own internal compass, which will reorient as their own self-awareness grows. It also depends on the stance of the company which sets the fund manager's financial incentives, and perhaps most significantly, the wishes of their clients.

Truly mindful investing has the power to heal not only the planet (as responsible investing aims to do) but the individual investor as well. Whole individuals doing wholesome work in a holistic way can bring healthy outcomes for all involved. Getting there will take a reevaluation of what matters at the individual and societal level, and will require the participation of us all.

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Federated Hermes is a global leader in active, responsible investing.

Guided by our conviction that responsible investing is the best way to create long-term wealth, we provide specialised capabilities across equity, fixed income and private markets, multi-asset and liquidity management strategies, and world-leading stewardship.

Our goals are to help people invest and retire better, to help clients achieve better risk-adjusted returns, and to contribute to positive outcomes that benefit the wider world.

All activities previously carried out by Hermes now form the international business of Federated Hermes. Our brand has evolved, but we still offer the same distinct investment propositions and pioneering responsible investment and stewardship services for which we are renowned – in addition to important new strategies from the entire group.

Our investment and stewardship capabilities:

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