

Meditation for investment professionals: A game changer?

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The investment industry is constantly searching for ways to improve its decision-making processes. Some firms increase their research teams while others move into quantitative fields such as machine learning.

Amid this constant search, the CFA Institute has started to promote an alternative way to enhance the quality of decisions: meditation for investment professionals. After a survey of its membership the CFA Institute saw an increased interest in the topic and launched a meditation guide for investment professionals. The growing awareness towards this topic comes from the fact that investors have to deal with a constant deluge of information while filtering out only the most essential parts to “hopefully” make the most rational investment decisions. Jason Voss, a researcher working for the CFA Institute, recently pointed out that meditation can significantly help an investor make clear and unbiased decisions by re-developing two critical skills: top-down-control and metacognition. The first skill is defined as the ability to decide what to think and when to think, and the second is described as the awareness of awareness itself. Both skills help us see the world for what it is and not what we prefer it to be. According to Voss, investors who can master these challenges are best positioned to avoid bias, preferences and prejudice when making investment decisions.



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The importance of meditation for investment professionals has been recognized by some well-known investors, including Ray Dalio of Bridgewater Associates, Paul Tudor Jones of Tudor Investment and Peter Ng, the former CIO of Singapore’s sovereign wealth fund. For us at Nikko Asset Management Europe, we felt meditation could help everyone in the firm so our employees have been provided with the innovative meditation app Headspace.

However, learning meditation is not an easy task. Like a toddler first learning to walk, early attempts often result in falls. Nevertheless, through consistent effort one does eventually learn to walk. What is important is to consistently try while also finding the right form of meditation for yourself. The four most common forms are: focused awareness, open monitoring, visualization and compassion.

As a starting point it is beneficial to work with a qualified instructor or an online application—for us it was Headspace. Starting with very simple methods of meditation helps improve one's focus and decision making. Playing the game of memory with a child or even doodling on a piece of paper could suffice. When they play memory, five or six-year-olds are fully focused on the game. In contrast, we adults struggle to maintain focus as various thoughts flutter through our mind. However, to win the game and avoid losing we need to fully focus, and we believe the same is true for investing.

Regardless of the method chosen, the long-term benefit of meditation is significant. Meditation even alters our brain and helps us create a “one-second-mental space”, as Rasmus Hougaard, Jacqueline Carter, and Gitte Dybkjaer describe in their *Harvard Business Review* article “Spending 10 Minutes a Day on Mindfulness Subtly Changes the Way You React to Everything”.¹



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A single second does not seem significant but it can make the difference between a rushed, emotional decision and a thoughtful, rational conclusion. The latter is crucial in outperforming the market. Investors should be in tune with the moment instead of being reactive to market moves. Most investors agree that markets are not fully efficient and that behavioural finance can explain a part of the markets' inefficiency. However, even as emotions are identified as a source of failure in investing, less is done to overcome it. Meditation could be one way to help and enable investment professionals to reach better decisions.

Nevertheless, even sophisticated meditation skills will not automatically lead to superior performance. However, the duty of investment professionals is to look for any possible way to improve results for clients. Investment firms try to improve processes, systems and resources but why stop when it comes to developing the mindset? Asset management firms operate in a competitive market and more focus should be placed on mental health, in our view. The CFA Institute also highlights several studies showing that meditation, in addition to providing a performance advantage for investment teams, can lead to better ethical behaviour. In the age of sustainable investing it has become not only important to maximise performance but also to invest mindfully.

¹ <https://hbr.org/2017/01/spending-10-minutes-a-day-on-mindfulness-subtly-changes-the-way-you-react-to-everything>

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