

Cultivating the most underrated investment skill



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WHAT does it take to be a successful investor? A healthy balance of technical skill, emotional intelligence and intentional habits can help.

This three-legged stool requires us to derive precision from knowledge and analysis, and perspective from curiosity and discipline, while developing processes to nudge us towards our fullest potential.

The investment community is in constant search of new tools that facilitate this critical process. But as technology across the financial world has evolved exponentially in recent years, one of the most valuable investment tools has been around for millennia – writing.

Clear writing and clear thinking go hand in hand. While the exercise may seem trivial, articulating our ideas through words on a page rather than in our heads alone is a revealing experiment. Our views may start the same but often materialise differently. That is because writing encourages us to slow down, calibrate our thoughts and test the true health of our ideas.

Could writing be the most underrated investment skill? I believe so. Indeed, writing should serve an active role throughout an investment process. Here is why:

- Writing reveals what we know versus what we understand.

It is all too easy to think we fully grasp a given investment topic. As we consume information throughout the day, it is difficult to assess its broader implications while being bombarded by news alert after news alert. Instead of being critical



thinkers, we often become “headline experts”, regurgitating catchy fast facts without a deeper awareness. We might know many things, but understand far fewer.

Geopolitics is a prime example. War, public health, natural disasters, trade policy, the climate and elections, among other topics, attract no shortage of attention. Our natural tendency is to rush in and immerse ourselves in these topics as they arise to learn as much as possible, gauge potential investment implications and adapt.

The urge to “do something” frequently scatters the investment community on frenetic quests to become experts in extraordinarily complex topics.

While being properly informed is a noble goal, we should be careful when we align how well we understand a topic with how much conviction we have in our investment response. Writing helps us bridge this gap and find our blind spots faster.

- Writing enhances self-awareness.

While the quantitative side of investing is challenging enough, the emotional hurdles are often far steeper. Self-awareness is critical if we are to spot our biases and keep our emotions under control. A sound investment process systematically incorporates a series of checks and balances that optimises our decision-making. But seeing

exactly where and how we can improve requires additional perspective.

In other words, without a mirror, we cannot always tell if something is stuck in our teeth. Writing serves as that mirror by reflecting our mindset in the moment and across time. It creates a healthy emotional distance from ourselves that helps us become more objective and confirm our convictions –

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PHOTO: UNSPLASH

and if we need to, floss.

- Writing improves our ability to discern insight from noise.

Writing builds healthy investment research habits. It sharpens our “insight-noise filter” by using an intentional framework to detect helpful information.

For an overly basic example, consider mid-2023 headlines celebrating a remarkably strong start to the year for the S&P 500. “Stocks are doing great” might be an easy takeaway. But were they? Just seven companies powered most of the gains. The average stock had hardly budged. So, a theme’s underlying mechanics are often far more nuanced than what appears on the surface.

A simple writing prompt to describe the health of the stock market would have quickly offered context.

- Writing serves as “lane assist” for our investment process.

For drivers and investors alike, when we do not keep our eyes on the road, the likelihood of veering off course skyrocketed. It is all too easy for hot topics to quietly steer us away from the disciplined course we mapped out for these very situations. After all, even the best investment process is only as effective as how well we follow it.

In May 2023, an impending US debt-ceiling crisis evoked concerns about whether the Treasury would default on its own debt and send the global economy into a tailspin. News networks dedicated entire segments to guessing the probability of collaboration among the different factions in Washington, DC, based on the daily schedules of political figures. Major headlines

blared widespread fear about systemic risks for weeks on end. This time was going to be different even though the debt ceiling had been raised 77 times since 1960. It was understandably hard to keep focus.

But writing helps us home in on our process when it matters most. Structuring intentional prompts as we contemplate new themes gives us a checklist to ensure we are seeing more clearly. Moreover, writing helps us proofread our own ideas and serves as our own second opinion.

- Writing sheds light on the quality of our decisions.

Performance results alone are not enough to gauge the true quality of our investment decisions. Was our analysis sound? Did the results occur for the reasons we expected? Were we right or lucky? Wrong or unlucky? Without considering the input, we are not fully equipped to assess the output. More importantly, by focusing only on results, we ignore the learning opportunities that can collectively enhance the longer-term impact we aim to achieve.

Hindsight may be 20/20, but remembering how we actually thought and felt at any given time can be blurry – unless we have a process to document it. Writing helps us to be more intentional about capturing these moments. It creates a time capsule of feedback that provides deeper context and accelerates our ever-evolving learning curves.

As an investment, writing is well worth its J-curve. As with any fitness routine, patience and effort help build writing muscles. So, here are a few ways to begin:

- Start small
- Consider the timing
- Align length with purpose
- Pay attention to your emotions
- Review periodically

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