Long ‘Run’ Investing

“Luck is what happens when preparation meets opportunity”

- Seneca

The winner of the 1908 marathon of the London Summer Olympics (the first marathon of 42.2km, same as the official distance today) completed the course in 2:55:18. By 1969, athletes improved this record time to 2:08:33; a significant gain of 47 minutes in 60 years. However, over the next 50 years, the fastest completion time improved by only 7 minutes to 2:01:39. By 2019, the experts started highlighting that it is becoming progressively difficult to beat the record time even by a few seconds. Many believed that humans have reached their peak potential, and there were questions whether a human can ever run a marathon under two hours. For many athletes, the sub two-hour marathon remains an elusive goal. Well, except for Eliud Kipchoge!

Eliud Kipchoge is the 36-year-old Kenyan long-distance running champion who currently holds the world record in marathons (2:01:39). In October 2019, a special event was organized to have the fastest marathon runner attempt to break the 2-hour barrier. Since every second was important, the team helping Eliud, carried out in-depth research in every aspect of the run, to get him to perform at his best. Firstly, Vienna was selected as a venue due to its conducive weather and its time zone being close to Kenya time. The route that was selected went through a park; it had minimum curves and was largely flat. These were conditions that well suited Eliud. Secondly, 41 athletes (35 + 6 reserve), who were themselves champion runners, joined to be Eliud’s pacemakers. They would run in front of Eliud in groups of 7 (5 in front and two on the sides) in a ‘V’ formation to reduce wind resistance and also keep him aware of the speed. And
thirdly, Nike created a new pair of customized shoes for Eliud which had supersoft foam and carbon plate that make running more efficient.

On the day of the marathon, everything worked perfectly. Eliud Kipchoge completed the marathon in 1:59:40, becoming the first man to conquer the two-hour mark!

**INVESTING IS LIKE RUNNING A MARATHON**

Running a sprint and running a marathon are completely different sports. A sprint is about running as fast as you can to reach a short-term goal. In a marathon you are aiming to reach a much longer distance, a long-term goal. It requires pacing yourself in a way that you don’t exhaust all your energy midway. It requires focus and discipline. It is as much about mental fitness as it is about physical fitness. Investing is hence often said to be like running a Marathon.

Investing involves committing significant time and energy. It involves striving for steady consistent progress rather than trying for one big spurt of performance.

I learnt about the amazing feat of Eliud Kipchoge from a friend. I went through the recording of the whole event and also explored the preparation that had gone into the achievement. I could see the parallels between this marathon and investing. Eliud is a great runner! He has won numerous awards and he was already the record holder before this event. This success is about his skills, efforts, training and discipline. But the way his team managed the factors external to him, played an important role to help him reach his personal best. Investors can learn from this event to reach their own personal best in investing!

Here is what I believe is an important learning for investors:

**Choosing an investment strategy (plan) is akin to choosing a venue (and route):**

To reach our long-term investment goals, we need to design the right investment strategy or an investment plan. Vienna was chosen as a venue for Eliud based on a) scientific research about what environment helps runners perform the best and b) studying what conditions
specifically work best for Eliud. In the same way, the investment strategy needs to be chosen after studying what works over longer term in investing and the rationale behind it. It is also important to customize it based on one’s financial goals and temperament. An investment strategy or plan is implemented using an investment process. This process must incorporate one’s circle of competence and behavioral tools that help capitalize on one’s strengths and eliminate or reduce the impact of one’s weaknesses.

Having a network of good investment thinkers is like having champion pacemakers: During a marathon, the runner expends a lot of energy to maintain speed against wind resistance. The investor in the financial markets faces the same problem with market noise. A lot of time and energy is wasted trying to resist unwanted data and opinions. As the pacemakers helped Eliud block the wind resistance, a network of good investment thinkers helps an investor maintain focus and reach his/her financial goals according to the plan. Your team members are also your pacemakers. The ideal pacemakers are investors who have a similar investment approach as yourself. Their action and discussions help you cut the noise and stay the course. Especially, when taking contrarian calls, it is emotionally difficult for investors to stand against the crowd. Positions which are likely to yield good profits are often given up as investors yield to short term noise. Having colleagues or friends who help you take the right decisions and stand the ground are invaluable.

Leveraging technology is similar to wearing the right shoes: Leveraging technology should be a constant endeavor. It doesn’t matter what investment style you pursue; technology can help you improve the way you collect, process and use data. Especially when we are flooded with a tsunami of information, sifting through the data and selecting the right information requires us to use the right tools. Successful investing is about taking the right decisions. And like the shoes that provide support and boost to the runner, decision support systems can reduce stress and channel the time and energy of the investor in the right direction. One can choose from simple screeners and macros to complex algorithms and artificial intelligence. However,
selection of tools and technologies also depends one’s investment style and goals.

IN CONCLUSION

Eliud broke through the 2 hours’ time barrier as a result of a combination of human skill and scientific analysis. In the world of investment too, such a combination works well. It works in achieving success and more importantly in making success repeatable. What we discussed above are external factors which influence investment decisions. Addressing them with the help of process, people and technology, doesn’t take the credit away from individual skills. Together they complement the person’s skills and help the investor perform better.

Many observers said Eliud had a new boost of energy during the last mile. Instead of being tired and weary, he was super charged and increased his pace towards the end. Investing too, if done in the right way, becomes an enjoyable experience that energizes rather than stresses one out.
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ABOUT STOIC INVESTOR:
The word “Stoic” is used to describe someone who remains calm under pressure and avoids emotional extremes. For the purpose of this newsletter we refer to the “Stoic investor” as an investor who is realist (avoiding extreme optimism and extreme pessimism), resilient (withstand difficult conditions) and rational (who acts with logic and reason).

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