



28 April 2023
Volume 1179

Enduring notes to self

Authors: Reuben Beelders, Chief Investment Officer & Portfolio Manager, Gryphon Asset Management
Megan Fraser, BD & Marketing, Gryphon Asset Management

What is the foundation of enduring wisdom?

While endurance and wisdom could be considered two different concepts that do not have a direct correlation or connection, one could reason that the foundation of wisdom involves a combination of knowledge, experience, and perspective.

Endurance can be understood as the ability to persist and persevere through challenges, setbacks, and adversity. It involves maintaining a long-term perspective and having the resilience (read grit) to overcome obstacles and achieve goals.

But there is also the perspective of enduring as being timeless; the quality of being eternal, unaffected by the passage of time; remaining relevant and significant across generations. The link between enduring and timelessness lies in the idea that enduring philosophies or actions transcend the limitations of time and circumstance and remain relevant in a constantly shifting world.

Knowledge involves understanding facts, concepts, and principles. It involves learning from different sources, acquiring information through education, research, and observation. While theoretical knowledge is valuable, it also has limitations; it does not always account for the complexities and idiosyncrasies of the real world.

Hello Experience!

Experience involves applying knowledge to real life and thus we learn the limits of (theoretical) knowledge. Experience is gained through personal observation, participation, mucking in and getting dirty, getting hurt. Furthermore, we realise that important aspects of life, such as emotions, relationships, and personal values, are difficult to capture in theoretical terms, making them very difficult to predict.

Perspective is also crucial to wisdom. It involves the ability to consider different viewpoints and to see the bigger picture. A wise perspective involves an awareness of the limitations of one's own knowledge and an openness to new ideas and ways of thinking.

Thus, by developing a strong foundation of knowledge, gaining experience, and cultivating a wise perspective, individuals can develop a more holistic understanding and appreciation of the world and then, hopefully, better navigate its challenges and messiness.

The foundation of wisdom can also practically be identified using the classifications of science and art – and the combination of these...craft.

Science can be defined as a systematic and evidence-based approach to understanding stuff, characterised by logical and rational thinking. The key characteristics of science include objectivity, reproducibility, and verifiability.

Defining art is a more complex and subjective matter as it means different things to different people. Art is a way for individuals to communicate and connect with others on a deeper level and is characterised by creativity and originality.

And this is where craft is born.

Combining art and science can result in a powerful collaboration that combines the creativity of art with the precision of science leading to the development of innovative and aesthetically pleasing products, solutions, and services.

A simple example of art + science = craft is in the application of architecture + engineering = buildings that look good and remain standing.



A well-recognised failure in this regard is the freestanding bell tower of the Cathedral of Pisa, more commonly known as The Leaning Tower of Pisa. The tower started to tilt during construction – a combination of inadequate foundations and unsuitable ground. The tilt became progressively worse during construction, and the builders attempted to correct the problem by building upper levels at an angle to the base as you can see by the tower's slight curve in form. (Not even duct tape could fix this.)

Fortunately, there are many more examples of this combination having gone right. These include:



Burj Khalifa, Dubai – currently the tallest building in the world, a stunning example of architectural and engineering design, boasting impressive height, advanced structural systems, and innovative building technologies.

Sydney Opera House, Australia – an iconic structure renowned for its distinctive sail-shaped design, and its engineering innovations allowed for the construction of one of the most complex and challenging building projects of the 20th century.

The Guggenheim Museum Bilbao, Spain – this museum is a striking example of modern architecture with its curved titanium-clad exterior and innovative engineering techniques that enable the structure to withstand the area's high seismic activity.



In the context of investing, we would consider the combination of art and science also to be a craft. By combining analytical and creative skills investors can make informed decisions that are based on a deep understanding of market dynamics, economic trends, and individual companies or industries. Data-driven analysis can be used to identify opportunities and potential risks, while intuition and experience inform strategies and philosophies that will protect and grow wealth most effectively. Aswath Damodaran, a well-known professor of finance, describes investing as a craft involving a combination of art, science and experience. The art of investing involves using creativity and intuition to identify opportunities and assess risk, while the science of investing involves using data,

analytics, and financial models to make informed decisions. Experience, on the other hand, allows investors to learn from past successes and failures, and to develop the judgment and perspective necessary to make sound investment decisions.

Benjamin Graham, author of *The Intelligent Investor*, one of the most influential books on value investing ever written, prefaces the book with this: "To invest successfully over a lifetime does not require a stratospheric IQ, unusual business insights, or inside information. What's needed is a sound intellectual framework for making decisions and the ability to keep emotions from corroding that framework. This book precisely and clearly prescribes the proper framework. You must supply the emotional discipline."

Graham's *intellectual framework* aligns with Gryphon's philosophy of rules-based investing. It is this rules-based approach that provides the necessary *emotional discipline* and thereby limits the effect of one of the most common destroyers of wealth: emotion – more commonly recognised as fear, greed, endurance, stubbornness and joy.

While this framework is well served by science, i.e., knowledge of financial markets, economics, industries and individual stocks and bonds, the inclusion of art and crafting ensures an understanding of history, human nature and, most importantly, our own individual natures.

An investment strategy rooted in self-knowledge and wisdom is the one most likely to lead to long-term success and fulfilment. It is our own individual natures that we need to understand and befriend, and this starts with recognising our own foibles.

It's really hard to be human.

We confuse endurance with stubbornness, reluctant to consider that we might be wrong, or at the very least should perhaps re-examine our thinking.

"It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so."

Mark Twain

There's a time for endurance and courage, and there's a time for reflection and flexibility, and there's no handbook or app that makes the decision-making any easier.

There is the story of a farmer in China who plants a bamboo seed in his garden and eagerly waits for it to grow. He waters and tends to the seed every day, but after one year, there is no sign of any growth. The farmer continues to care for the seed for another year, but still, there is no visible growth. The farmer is beginning to feel discouraged, but he persists in caring for the seed for another three years, making sure it gets enough water and sunlight. After a total of five years of waiting and caring, something amazing happens – the bamboo seed finally sprouts and grows rapidly, shooting up to a height of 80 feet within just six weeks!

Then there is the quotation attributed to John Maynard Keynes, a famous economist and investor, that goes: "The market can stay irrational longer than you can stay solvent."

In 2011, Jon Corzine, CEO of MF Global, bet heavily on European sovereign debt, believing that the market was undervaluing the debt and that it would eventually recover. However, as the debt crisis in Europe worsened, the market did not respond as Corzine had anticipated, and the value of MF Global's investments in European sovereign debt plummeted. Despite these losses, Corzine continued to double down on his bets, believing that

the market would eventually correct itself. As a result, MF Global was unable to meet its obligations and declared bankruptcy leading to a significant loss of investor funds. While Corzine was ultimately proved to be correct in his thinking, it was the timing that sank him – the market simply stayed irrational longer than he could remain solvent.

It's hard! In investing, as in life, keeping an open mind and recognising the possibility of being wrong is essential to finding the balance between perseverance and yielding. Being too rigid in an approach or too convinced of our own infallibility can blind us to new information that might lead to making adjustments. The difficulty is finding the balance between perseverance and concession, recognising when to persist and when to pivot.

In conclusion, some enduring wisdom:

"First, do no harm."

Although attributed to the Hippocratic Oath, in an investment environment, this principle can be applied by emphasising the importance of managing risk and protecting investors' capital.

Glacier Research would like to thank **Reuben Beelders** and **Megan Fraser** for their contribution to this week's *Funds on Friday*



Reuben Beelders
CIO
Portfolio Manager

Reuben is co-manager of the Gryphon Dividend Income Fund, the Gryphon ALSI Tracker Fund, the Gryphon Global Tracker Fund and the multi-asset funds. Having served as the head of Strategy, he has broad experience covering most asset classes. He has been an industry professional since 1996, has commercial and accounting experience, is a chartered accountant and a CFA charter holder. Reuben is a self-confessed, unapologetic coffee snob as well as being an avid gymmer and cyclist.



Megan Fraser
Head of Business Development & Marketing

Megan has been involved in establishing business development networks in financial services for nearly 40 years. Having worked for Norwich, Investec IMS, Coronation, STANLIB, Fraters, SI, and Aylett & Co, she has acquired a breadth of experience as well as valuable insights in this time. Her current role with Gryphon provides the opportunity to create awareness and appreciation for the unique, innovative investment approach delivered by this well-established, rules-based investment house. Beyond the office, her passions include reading, travel, holistic health, and trying to get the whole world to embrace meditation.