

### **Scratch the Surface...or Dig Deeper**

To be a good chess player, one needs to have the ability to focus, concentrate intensely and ignore the noise. Chess is a game that I enjoy; I find it exhilarating, yet very difficult and sometimes exhausting. On any given turn, chess usually offers the player many choices – often too many – and the player must strategize to make a move to improve their position. At Sionna, we believe that investing is very similar to chess; we need to think long term when choosing to take a course of action – it's not just about the next move, but a number of moves ahead. To succeed in chess and investing, it's important to harness our ability to think deeply and concentrate in an undistracted environment.

When I first started in the finance industry in the early 1990's, the investment department had one computer in the office that was connected to the internet. If we needed to search for any information, we had to take turns sitting at that particular work station, print off what we needed and go back to our desk. Not an efficient process by any means. Nowadays, we all have internet access at our computers so we can find information quickly. This convenience has also encouraged shallow work, which author and Georgetown professor, Cal Newport, defines as any activity that does not involve deep thinking, such as emailing, checking social media or even multi-tasking.

Intrigued by his research on shallow versus focused work, Sionna's investment team recently read one of Mr. Newport's books, "Deep Work". The concept of deep work is based on the idea that knowledge workers need periods of distraction-free concentration in order to improve skills and truly create something of value. Mr. Newport argues that deep work is valuable, rare and meaningful. He argues that interruption, even if short, significantly delays the time required to complete a task and being constantly connected leads to a distraction addiction and lost productivity.

We were extremely inspired by Mr. Newport's findings and decided to make deep work part of Sionna's culture. The investment team collectively sets aside some time every day for deep concentration so we can think intensely and exclusively about investment ideas for our clients' portfolios by eliminating the potential for distraction during this block of time (no emails, phone calls or meetings).

Why is deep work valuable? Mr. Newport argues that deep work is valuable because it is necessary in order to learn hard things quickly. And to learn requires intense concentration. When we look at a potential investment, it is critical for us to learn how that particular company will likely behave and what market events may impact the broader industry. We draw on our previous experiences with other companies that we've analyzed as well as focus on new concepts that we are required to learn. Much like chess, the move we make next is determined by the knowledge gained from previous situations and how quickly we identify patterns. Deliberate practice in any field is the way to improve a skill, and that requires deep work and focus.

The practice of deep work is rare because we live in an age where productivity is measured by how busy we look; and staying constantly connected via email can give the impression of “busyness.” A McKinsey study in 2012 estimated that the average knowledge worker spends more than 60% of the work week engaged in electronic communications and internet searching, with 30% of the total time spent reading and answering email alone. While responding to emails is important, it can distract from deep work that requires complete focus.

Besides being valuable and rare, deep work is meaningful. At an emotional level, Mr. Newport suggests that spending more time engaged in deep work, results in an experience of life that is more meaningful to the individual. From a psychological perspective, experiments showed that human beings were happier in moments when they were immersed deeply in something challenging. And finally from a philosophical perspective, approaching knowledge work as a craft and spending time improving your skill and ability can bring more meaning to professional work.

By setting aside time to strictly focus on research and analysis, we’ve noticed more profound discussions and a higher level of productivity, which we believe will lead to better research, better ideas and better performance. As investment managers, our passion is identifying temporarily undervalued companies that we believe will do well over the long term. Deep work is just one tool that encourages us to actively dig deeper to find those hidden gems and, ultimately, create value for our clients.



Sionna Investment Managers 8 King Street East, Suite 1600 Toronto, Ontario M5C 1B5  
For further information, please call (416) 203-8803

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