

Practicing Differently

Practice, practice, practice. That's what my parents would repeat to me when I was young and learning to throw a baseball, play the piano or conjugate French verbs. Decades later, I find myself echoing the same words to my own children as I try to encourage them to keep working on a skill. The idea that practice improves performance is widely accepted, but it's important to recognize that not just any practice enhances abilities. The act of doing the same thing over and over again may not necessarily lead to improvement beyond a certain point. Instead, a different type of practice, carried out over a sufficient period of time, is what can lead to improvement. So what, then, is the right sort of practice?

I recently read a book, "Peak: Secrets from the New Science of Expertise" by Anders Ericsson and Robert Pool, that explores the idea of "purposeful practice". The authors suggest that most of us have a general idea of what we want to learn, so we get instructions from a teacher or book or website, practice until we reach an acceptable level and then let it become automatic. At this point, additional years of practice don't necessarily lead to much improvement. The authors argue that purposeful practice has characteristics that differentiate it from more "naive" practice, which is essentially doing something over and over. Instead, purposeful practice focuses exactly on what you are doing, where you are falling short and how you can get better. While these ideas could be dismissed as mere common sense, the implementation of purposeful practice can be surprisingly challenging. It requires the humility to concede that we still have much to learn and necessitates the motivation to continually shine light on areas of weakness. This technique is something that Sionna has tried to imbed in our culture and in our investment process in a number of different ways.

According to the book, one key tenet of purposeful practice is that it requires intense and extended concentration time. Learning something difficult requires your full attention. We have recently discovered the benefits of this type of concentration. Last year, the investment team adopted "deep work" time, where we collectively set aside a specific period of time every day to focus exclusively on research and critical thinking – free of other distractions. In addition, many members of our team engage in regular meditation to help to clear the mind of the ongoing mental clutter and to help stay focused. We have found that setting this time aside has helped encourage a higher level of productivity and led to more profound discussions among the team.

Another key tenet of purposeful practice is that it must involve feedback to identify weaknesses and mistakes. Actively seeking and incorporating feedback has always been an important part of our process. First, our team members write investment research reports that are initially read by a handful of individuals specifically tasked with providing direct feedback on the report. After the feedback is incorporated, the report is circulated to the rest of the group, who meet to discuss it in depth. Second, when an investment is sold, an exit report is written and the group conducts a post-mortem to extract learnings; what part of the initial thesis played out as expected or not, what part of the outcome was pure luck versus earned success and what can we do differently in the future to improve our performance. Finally, team members have an annual "lessons learned" meeting, where the group

looks back at the portfolio's results over the previous year, and previous four years, to discuss what decisions worked well or not, and what we might have done differently.

A final tenet of purposeful practice is that it must push you beyond your comfort zone. We have always believed that it is important to encourage people to try things that they have never done before. Team members are asked to research a wide variety of industries to ensure regular exposure to new and unfamiliar business models and industry structures. The team experiments internally with investing in different kinds of mandates and new geographies. As junior members of the team develop, they are given increased levels of responsibility to ensure that they also remain challenged with new types of work and forms of thinking.

A focused and thoughtful approach to practice helps to improve performance and to create skills that did not exist before. Sionna's fundamental philosophy of investing remains consistent, however we expect that our process will continue to be enhanced as we experiment with different methods of development. Sionna is open to new forms of practice and our culture encourages team members to try different approaches in their own pursuit of purposeful practice – as the authors in the book point out, the point is often not to “try harder” but instead to “try different.”



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