

### **What a Wicked (Investing) Game we Play**

There's a story that's told about the famous golfer, Tiger Woods. Tiger started swinging a golf club at ten months old. Since Tiger was too young to talk, his father taught him where to place his hands on the club by drawing pictures. By the time he was two, he was on television driving balls for a national audience. Later that year, he entered his first tournament and won the ten-and-under division. Tiger's upbringing was highly focused on specialized golf training and he is now widely regarded as one of the greatest golfers in the sport's history.

A lesser-told story is about the famous tennis player, Roger Federer. Roger spent his childhood dabbling in a wide range of sports, including soccer, badminton, tennis, wrestling and skateboarding. His parents had no particular athletic aspirations for him and encouraged him to sample a variety of activities. Roger only started to focus on tennis later, and like Tiger, Roger is a legend in his sport.

The contrast between these stories is explored in David Epstein's book, "Range: Why Generalists Triumph in a Specialized World." Epstein's research on specialization examines a variety of paths to excellence in professions as disparate as athletes, scientists, artists, musicians, inventors, military officers and comic book creators. The author suggests that many of the highly accomplished individuals he tracks succeeded because of their range of experiences and interests, not despite them. The book argues that Roger's path to excellence is actually more common than Tiger's. Epstein challenges the prevailing wisdom that the best route to superior performance and to successfully navigate an increasingly complicated world, is to focus early and narrowly.

Epstein discusses the idea that there are "kind" and "wicked" learning environments. Kind environments are those where patterns repeat over and over, and feedback is usually rapid and specific. Take golf or chess, for example, where the rules are clear and don't change over time. In these types of environments, the argument is stronger for hyperspecialized practice. However, most learning environments are actually "wicked." The rules are often unclear, there may be no repetitive patterns and feedback is often delayed or inaccurate. Consider a doctor who sees a variety of patients and diagnoses a broad spectrum of ailments. Epstein argues that when faced with wicked problems and uncertain environments, breadth of experience and interdisciplinary thinking are invaluable.

Financial markets can certainly be characterized as wicked environments. In investing, the rules of the game are always changing: competitive forces evolve, supply and demand dynamics shift, governing bodies turn over and macroeconomic variables swing. The connection between actions and outcomes in investing is often ambiguous. Asset prices can rise and fall for a multitude of reasons, blurring the distinction between skill and luck. Due to its inherent wickedness, investing in the financial markets is an area that can benefit from breadth and range of knowledge. This idea is explored in a book by Robert Hagstrom called, "Investing: The Last Liberal Art." Hagstrom argues that the study of a variety of disciplines, including economics, philosophy, psychology and literature, allows investors to gain insights from different fields. The author suggests this kind of broad wisdom leads to a higher level of understanding of how the financial markets work, and ultimately should result in better decision making and performance.

While there are certainly domains that are well suited to individuals with Tiger's specialization, there is also a compelling case that we need more Rogers – people who possess broad and diverse experiences. Building knowledge that is flexible, enabling learners to create abstract models and applying knowledge from one area to another, is an increasingly valuable currency. As ambiguity and uncertainty increase, breadth and range become even more important. The Rogers of the world are more adept at applying their knowledge to new situations or problems that haven't been encountered before. Sionna has always been committed to building a deep and broad knowledge base that span domains. We believe this is a key strategy to successfully protect and grow our clients' capital, especially given how wicked the financial markets can be.



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