Cuffelinks
Connecting investors with ideas

# Investing and jogging for the long run

By **Ashley Owen** on August 14 2014

Last week I ran (or jogged actually) my first Sydney 'City2Surf'. It is a picturesque 14 kilometre course from the city to Bondi Beach. I had not run or jogged for about 35 years but I decided to do it as a personal challenge and to get fitter, as I had just turned 55.

Having finished – alive, with no injuries – I was struck by the similarities between running and investing. Success is about having specific goals and strategies, avoiding the big risks, and not diverting from your plan.

**Goals**

I had three main goals for the run. The first was to avoid the 'big risks' – death or injury. With investing the big risks are blowing up your money, usually through fraud, bad investments or taking excessive risks.

As I had not run or jogged for 35 years, I did training runs for a couple of months leading up to the race. There have been a number of deaths during the City2Surf over the years. This year, a man had a heart attack and collapsed as he crawled over the finish line, literally, and died later in hospital.

My second goal was to not stop, walk or give up. The investment equivalent is to avoid running out of money, or to fall behind inflation. This was covered by my strategies, outlined below.

My third goal was to finish in less than 90 minutes. This is the equivalent of having a specific return goal for investments, for example: to accumulate $2 million in 20 years, or to retire on $100,000 per year, rising for inflation to maintain the real value of my capital.

Why 90 minutes? My plan for the run was to do the 14 kilometres in around 84 minutes by maintaining an average speed of six minutes per kilometre, which I had done in training consistently and comfortably. Given what I had been told about the extra time and energy needed to weave through the other 85,000 people on the course, I made my goal 90 minutes.


**Maintain a steady pace**

I needed a strategy to achieve my 90 minute goal. I decided to maintain a steady pace so I would not get exhausted, and so I would not have too much left in the tank at the end. I needed to maintain a pace of 160 paces per minute, regardless of the terrain. I kept the pace consistent throughout the race but adjusted the length of my stride depending on the conditions – longer strides downhill and shorter uphill.

This is like 'dollar cost averaging' when investing, maintaining a constant rate of regular contributions, but buying fewer shares or units when markets are expensive and more when markets are cheap. When investing, we need discipline to stick to this plan, and avoid the temptation to invest more in bull markets (or worse, gear up at the top of the market) or be scared off in bear markets (or worse, sell out at the bottom).

It was the same during the race. This is a hilly course, with a two kilometre 'heartbreak hill' in the middle and many smaller hills along the way. On each of the hills I was amazed at the number of people who sped past me early but were soon exhausted. They were walking by the top of the hill and didn't have the energy to accelerate on the downhill runs.

**Avoid the crowds**

Another strategy, as with investing, was to avoid the crowds. This meant bypassing the drink stations along the way. It is a relatively short race, so I avoided the melee by drinking before the race, eating carbs over the prior couple of days, and carrying a couple of sachets to drink along the way.

A large part of success with investing is learning how to avoid the crowds and fad investments. Every cycle has different fads: tax-driven agricultural schemes, tiny speculative miners in the late 1960s and 2000s mining booms, cash boxes with no plan in the 1980s boom, 'dot coms' with no revenues in the 1990s boom, structured low-grade credit in the 2000 credit boom, interest rate derivatives in the early 1990s structured credit boom, consumer and property finance companies in the 1960s boom, Gold Coast flats every decade since the 1960s, and so it goes all the way back to the tulip boom in Holland in the 1630s.

I have seen every boom and bust in Australia since the late 1970s property bubble burst in the 1981/82 recession, and the results are always the same. Novice investors and even experienced investors are lured in by the hype in the booms and then suffer big losses (often losing their house and other assets as well) in the busts that always follow. The 'secret' is not a secret at all – have a plan, stick to it, and avoid what the crowds are investing in.

**Have your individual plan and avoid diversions**

To keep up my optimal pace, I maintained my breathing at four paces per exhale. If my breathing started to speed up (ie less than four paces per exhale) it meant I was going too quickly and I would soon be exhausted, so I shortened the stride length (eg uphill). If my breathing started to slow (ie more than four paces per exhale) it meant I was going too slowly and I would fall behind the required speed, so I lengthened the stride length (eg downhill).

To keep the constant 160 paces per minute and four paces per exhale, I sang songs in my head that were 160 beats per minute and that kept me on track. That's where the problems started.

This is the world's largest 'fun run' and so all along the course there were several loud bands playing all types of music, from heavy metal to military brass bands, mariachi and even reggae, and everything in between. They were all good fun but they put me off my rhythm. Every time I passed a loud band I found myself wavering off my set 160 beats per minute. Each time I wavered from the rhythm it slowed me down and used up extra energy to get back on track.

The investing equivalent is to avoid the temptation to listen to the 'hot tip' at the local barbeque or the on-line tip sheets or late night 'investment' talk shows. Avoid 'black box' trading schemes, and even avoid copying what other seemingly successful investors are doing. Even if their investments are legitimate and successful, they might not be right for the next person. Every individual and every entity has different needs, goals, risk tolerance, tax circumstances, health issues, family concerns, retirement needs, etc, and so every investor should have their own investment goals, plans and strategies.

It is also important to remember that almost all of what we hear and read in the daily 'news' is just noise, and we should not allow it to affect our focus on our long term investment plans. For me the race was a powerful reminder of the simple keys to success in any endeavour, including investing: have specific goals, have strategies to achieve the goals, avoid the big risks, avoid what the crowd is doing because it's probably wrong or will set you back, and avoid being diverted off your plan by the daily 'noise'.

I did it in 87 minutes. Next year's goal: 80 minutes – and earphones to stay focused!

*Ashley Owen is Joint CEO of Philo Capital Advisers and a director and adviser to the Third Link Growth Fund.*