

## Lessons in extremis

by Tom Delic, Portfolio Manager

I'm sure a common problem I share with readers is the enjoyable struggle of choosing from the long list of TV shows and movies that get recommended to me. Like the Hydra, as soon as one is ticked off, two more appear. Five years in the making, I finally got round to watching Oscar-winning documentary *Free Solo*<sup>1</sup>.

The film follows American rock climber Alex Honnold, in his bid to complete a climb of El Capitan, a vertical rock formation in Yosemite National Park. Honnold's area of specialty is 'free soloing', which is technical rock climbing without ropes or any other protective equipment. As you can imagine, this is the extreme of extreme sports.

People at the pinnacle of their field, performing unimaginable feats, can often appear alien to us. While a genetic component to their ability is usually found (an MRI scan revealed little-to-no activity in Honnold's amygdala, a part of the brain that plays a vital role in our fear response), I have found that life's outliers often share insights into their personality and methods that are much more common and applicable to us mere mortals.

An activity that involves the highest level of risk-taking may not seem the most appropriate place to identify traits to look for when searching for good fund managers to partner with. However, we know that only a small fraction of fund managers are able to outperform their benchmark over time. We are looking for another kind of outlier. While we don't want the complete 'free soloing' fund manager version of Alex Honnold, there are other characteristics that do appeal.

Finding managers with a sound process that is consistently carried out, even when the proverbial fingers are slipping, is a very helpful trait for a fund manager. The ability to follow an investment approach is much harder during a disappointing period of performance. We need managers who can take Honnold's perspective: *"I'm not thinking about anything when I'm climbing, which is part of the appeal. I'm focused on executing what's in front of me."*<sup>2</sup>.

Honnold's climbs are real life experiments in the human ability to withstand fear and pressure. While an equity bear market or failed stock pick may not bear the same consequences as losing your footing halfway up El Capitan, the same fight or flight reaction is firing. In Honnold's words, *"I've done a lot of thinking about fear. For me the crucial question is not how to climb without fear, that's impossible, but how to deal with it when it creeps into your nerve endings."*<sup>3</sup>.

Free solo climbing also requires a level of risk management that is difficult to comprehend in everyday life. Still, while Honnold's actions hit levels of risk taking that are very uncommon, his methods to manage the dangers faced, reveal a useful tool for fund managers. He says, *"I've walked away from more climbs than I can count, just because I sensed that things were not quite right."*<sup>3</sup>. Mistakes made by a fund manager are inevitable, but we look for a highly disciplined approach to stock selection, grounded in the avoidance of a permanent loss of capital.

Finally, I was struck by Honnold's passion for the sport he loves. Fame and fortune have enabled him to turn his hobby into a career, but these clearly play second fiddle to why he has pushed the boundaries of rock climbing beyond his peers. A common trait we see in successful fund managers is their passion for the job beyond the material. This can't be quantified but is often easy to spot through a fund manager's words and actions. I'll leave the final word with Honnold, *"...climbing without a rope, gear or a partner – I did it because it seemed like the purest, most elegant way to scale big walls. Climbing, especially soloing, felt like a grand adventure, but I never dreamed it could be a profession."*<sup>4</sup>.

### Sources

1 *Free Solo* <https://www.imdb.com/title/tt775622/> (released 2018. Directed by Jimmy Chin and Elizabeth Chai Vasarhelyi)

2 Interview <https://www.interviewmagazine.com/culture/alex-honnold> (Will Chancellor, 4th August 2014)

3 *Alone On The Wall*, Alex Honnold

4 *The New York Times* - *The Calculus of Climbing at the Edge*, Alex Honnold, 19th Nov 2014



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