

INSIGHTER TRADING

A new CFA Institute guide considers how meditation can help investors "improve your mental performance"

By Nathan Jaye, CFA

"If you improve your mind, then you are likely to improve your results," says Jason Voss, CFA. In this sense, could a mental practice such as meditation help professional investors improve their performance? To answer this question, Voss set out to provide a resource for practitioners. The result is the recently published *CFA Institute Meditation Guide for Investment Professionals*, which features a wealth of practical information on meditation and its benefits for investment professionals. Voss, author of the guide and a content director for CFA Institute, realized the professional benefits of meditation while working as a portfolio manager for Davis Funds. In this interview, Voss discusses the guide and why investment professionals should consider using meditation.

Why the creation of a meditation guide?

From my own portfolio management career, I knew it was a valuable practice. The fund I managed for some time—the Davis Appreciation and Income Fund—did very well relative to my benchmark and my peer group. I attribute a lot of that success to my own experience with meditation and its ability to help with stress relief, to foster creativity, and (I believe) to help people overcome their behavioral biases.

At CFA Institute, one of our mandates is to curate information that is useful to investment managers. In the vast library of CFA Institute, there wasn't anything that talked about mindfulness or meditation, though the mind does make an appearance in our behavioral finance coverage. But this discussion, like much of behavioral

finance, is more of a diagnosis (your mind can fail you) than a prescription of how you can improve your mental functioning.

My logic was simple: If you improve your mind, then you are likely to improve your results. I thought a secular approach to meditation was a way of accomplishing this desirable outcome.

How long have you been meditating?

I have been meditating since I was seven, but I didn't know that's what I was doing. It happened when I listened to music, which led me to a very self-aware, mentally silent space. Then a friend of mine in high school (who was taught meditation by her uncle) said, "You're meditating; you just don't know it." I then took that innate, self-taught practice and started formalizing it and exploring the subject in depth.

Where can we get the guide?

It is entirely web delivered. This choice is driven by a 2014 survey of the membership that included questions about meditation, including "What's the best delivery method?" Universally, web delivery won out.

The web allows us to do cool things for CFA Institute members. Most importantly, it allows the user to scale their experience. For example, if you arrive at the guide with a level of skepticism, there's a pathway through the material that works with your skepticism. In other words, you get a science-heavy pathway.

Or it may be that you're curious and open to the idea of meditation but would like to have a bit more information. Maybe you tried meditation

once. Maybe your colleagues do it, or maybe your spouse does it. If so, you can self-identify as curious. Then you receive a pathway with equal parts science and application.

The last pathway is for the enthusiast. These are people who already meditate, who are likely checking in to make sure that their beloved practice has not been ill-treated by CFA Institute. They get the most summary information. If you start down the curious path and you realize you're a little bit skeptical, you can always up the ante in terms of how much of the skeptic's material you see.

What's the interactive content?

Other than the navigation, there is also multimedia content. For example, there are audio versions of the major meditation styles. There are also exercises that highlight why meditation is a different state of consciousness than normal waking consciousness.

How can meditation benefit the investment professional?

The most germane benefit to the investment professional is probably stress relief. I think it comes as no surprise that investment management can be stressful. Here, the scientific evidence is overwhelming. Most convincingly, Johns Hopkins University did a meta-analysis of thousands of studies and found that meditation was as effective as anti-depressants and exercise for relieving stress. To me, this is a great result, because in taking anti-depressants or exercising you don't also gain the ability to overcome your behavioral biases or the ability to necessarily think better, which are two of the other demonstrated benefits of meditation. The idea that one activity solves many of the obstacles identified by investment professionals is wonderful, not to mention efficient.

The second major benefit is better thinking, and there are close to 2,000 research studies that support meditators' ability to think better than non-meditators. For example, with a meditation practice you have greater focus than non-meditators. It takes you less time to refocus after an interruption—say, an email comes in or a colleague knocks on your door. Then there is the bump up in your creativity, which can help to generate new investment ideas or to see previously unimagined risks. Meditation also helps practitioners to better see the interconnectedness of the world, so how variable *A* connects to variable *Z* is more obvious.

In summary, the news on scientific evidence is great because it supports the two primary member interests in meditation practice, as verified by our survey results: You want help thinking better and help with stress.

You mentioned overcoming biases. How can meditation help?

Cutting-edge research by neuroscientists demonstrates that meditators are better able to overcome their behavioral biases compared with non-meditating controls. To my knowledge, this is the first time in human history we have documented scientific evidence that you can actually overcome behavioral biases. If you read the works of the godfathers of behavioral finance, they each believe behavioral biases

are unavoidable because [those biases] are hard-wired. It turns out they're not hard-wired.

The final meditation benefit is increased ethical behavior. This is only just now beginning to be tested in a business context (I can only identify six research papers). But the results are that meditation makes people kinder, gentler, and more ethical. Not because they're told to be, but because they want to be, which is kind of an interesting result. It switches ethics from a punitive technology to a volitional technology. To me, this could be very promising for our industry and its ethical dilemmas.

What's the science behind overcoming behavioral biases?

Neuroscientists have scanned the brain using EEG, PET scans, and CAT scans. What they have discovered is that the mechanism meditators are using to overcome bias is called interoception. Interoception is awareness of your bodily functions themselves.

It's not that meditators are not experiencing behavioral biases—their amygdalae, for example, still *are* firing. But due to superior interoception, meditators can put an interruption between stimulus and response. This restores choice. Brain-wise, interoception trumps the amygdala in favor of the prefrontal cortex, which is the exalted area for making decisions, according to the likes of Daniel Kahneman, for example.

But long-term meditators experience another benefit. They show a diminished size in their amygdalae. And they show an increase in the size of the prefrontal cortex. Also, the interconnections between different brain regions are much stronger. This means that meditators' overall mental functioning is higher than for non-meditators.

What are the four meditation types described in the guide?

Most everyone who meditates has a preferred practice. Usually, it's the one that they were taught. And anyone who has ever tried to map out the meditation space quickly realizes that there's a lot of noise out there, with literally thousands of practices described.

But what are the consistent results from meditation, and what practices lead to those results? In other words, there may be 800 different ways to get Result A, but rather than focus on 800 practices, is there a way we can create a generic practice that gets Result A, or Result B, or Result C? It turns out there is a way.

There are just four major meditation types as mapped by both psychology and neuroscience. Each practice was identified by examining its unique effects on the mind. Importantly, each of the four major practices does share benefits with the other practices, but the unique aspects are what led to their identification. Also, some meditation practices combine features of the major meditation types into a single practice.

To help simplify meditation, the approach taken in the guide was, "What problem are you trying to solve?" For example, how do you stay mentally sharp and have good control of your mental functioning? It turns out a focused-awareness meditation is ideal. Here, the practitioner focuses their



Jason Voss, CFA

attention, over and over, on one thing. That could be the breath, it could be a candle flame, it could be a white wall, it could be the repetition of a word or a sequence of words. The idea is that if your mind strays, you return your awareness to that one thing. Over time, you can develop what is known as top-down control. Top-down control is the ability to choose what you think and when to think it.

What's an open-monitoring meditation?

Open monitoring is what most people call “mindfulness.” Here, you direct your attention to your thoughts and sensations but then let them flow out of your consciousness. You then return your attention to general awareness. You don't categorize, you don't judge, you just let these sensations enter your mind and then flow back out.

If you do both of these practices—focused awareness and open monitoring—you will develop a very, very rigorous meditation practice that allows you to gain awareness and control of how you think.

What are the third and fourth types?

The third type of meditation is creative visualization. Many people are already familiar with this from athletics or speech giving. Often, you're encouraged to visualize the entirety of your athletic performance or speech and your responses to possible obstacles.

It turns out creative visualization meditation is very, very good at creating holism, or creating interconnections between various parts of your mind. That is because creativity, at the brain level, requires connecting disparate mental functions, such as focus and awareness, together in order to work.

The fourth meditation type exercises parts of the brain associated with empathy and is frequently referred to as compassion meditation. It works because it trains the mind to blur the distinctions between yourself and others.

In summary, there's focused awareness, open monitoring, creative visualization, and compassion meditation. These four types each create different, unique effects in the brain. If you do all four, which is what I would advocate if someone is really interested in improving the entirety of their mental functioning, then you're going to improve your mental performance.

How can members learn through the resources?

In the *CFA Institute Meditation Guide for Investment Professionals*, there are sample meditations of each major type offered in both audio- and text-based versions. You could literally do just these four meditations for the rest of your life. If you do so, you will get better and better—though, like anything, it won't be a straight-line ascension. As I said, I've been practicing since I was seven and I keep feeling like

I'm growing in my practice, though it is frequently three steps forward and two steps back.

We didn't really see the role of CFA Institute as teaching our members meditation since it is such an individual choice. But given how much press meditation receives and its possible benefits, we saw it more as mapping out the space, as well as bringing rationality, secularism, scientific curiosity, inquiry, and rigor to the space. We wanted to see, what is the evidence for efficacy, and how do the secular practices lend themselves to help in the daily lives of investment professionals? I think we did that.

What's available for members who want deeper teaching?

The last portion of the guide is a large section that points people to other resources to further explore the topic. CFA Institute has also collaborated with eMindful, which is one of the largest secular online offerers of meditation practices, to provide members a richer experience. eMindful is offering CFA Institute members a discount on their normal fee for their meditation programs. You can access this benefit toward the end of the guide when considering next steps.

Who are successful investors who meditate?

There are several who routinely discuss it. Ray Dalio, founder of Bridgewater Associates, is a meditator and has been meditating, if I remember correctly, since the early 1970s. He is on record in various publications saying that any success that he has had as an investor is due to his meditation practice.

Dalio has published a document called “Principles,” in which he encourages his employees at Bridgewater to practice meditation. They have a formal setup to teach meditation.

Another successful investor meditator is Paul Tudor Jones II of Tudor Investment Corp. In 2012, he helped found the Contemplative Sciences Center at the University of Virginia to look at the intersection of business with meditation. Michael Novogratz, formerly of Fortress Investment Group, is another.

There are also organizations that sponsor meditation for their employees. BlackRock has a meditation program. Goldman Sachs has a meditation program, though they don't call it that. They call it resiliency training. Deutsche Bank also has a program.

What do you recommend for people who want to start meditating?

If somebody wants to start practicing, I would encourage them to look in the guide at some of the initial practices like focused awareness and open monitoring. Those are each designed to take around 10 minutes. It's super easy to start. I encourage you to forgive yourself at the outset for not being perfect—meditation is frequently frustrating to people because they make it an accomplishment activity, when in fact the practice is really about noticing and choosing your thoughts. This takes time, like any new activity. But most importantly, stick with meditation practice, because its benefits are large and do come!

Nathan Jaye, CFA, is a keynote speaker and member of CFA Society San Francisco.