
RWC Emerging & Frontier Markets Equity

Investing in mental health and well-being for long-term, sustainable returns by John Malloy

Historically, the financial industry has fostered a culture of dedication to work at the expense of many other aspects of life. The long-established mantra that in order to be a successful financier, work must be the priority above all else, is still as prevalent today as it ever has been. While there are many areas of the industry where hard work and diligence are crucial, recent events such as the pandemic have inspired us to think more laterally. One of the key areas of focus is our particular definition of success, how we will achieve it and most importantly, the effects that mental health will have on the future and sustainability of active management and its ability to generate long-term excess returns.

As experienced active investors in Emerging and Frontier markets, the aim is to generate returns for our investors that exceed our benchmarks. It goes without saying that we continue to work tirelessly for our investors in order to generate the best returns possible. However, we have become increasingly aware that long-term success will likely be a function of the development and progress of the team and the individuals that help generate those returns. For this reason, we are building a culture focused on taking care of ourselves, our personal lives and the general health and well-being of the whole team. We believe that it is no coincidence that during 2020, the year in which we invested most in mental health and well-being, our Emerging and Frontier Market Equity Funds produced returns that far exceeded their benchmarks. While past performance is no guide to the future, we think that the foundations that we have established will continue to allow the team to thrive both individually and collectively.

Our investment in the infrastructure surrounding mental resilience started prior to the pandemic. Our team members were receiving personalised stress management and resilience programs created by Molly Birkholm, who has spent a decade and a half working with people in high performance environments including US Special Operations, C-suite executives, actors and many other professionals. These programs encompass many forms of mindfulness training, such as breathing, emotional regulation, effective communication and team-building strategies. When the Covid-19 pandemic hit, we increased our investment in personal and group sessions, in order to help the team adjust to new circumstances in addition to coping with the inevitable pressures and effects of lockdown.

We also employed an investing and trading psychology coach, Denise Shull, who helped us understand the ways in which our emotions influence our investment decisions. She helped us comprehend the specific emotions that affect behavioural biases and the power of developing a simple spectrum to help us gauge and better appreciate our emotional responses. Furthermore, considering the dominance of video conferencing, we hired a presentation coach, Ed West, to strengthen the team's presentation skills and improve overall levels of communication. Additionally, we continue to employ high-level policy advisors, such as Rice, Hadley, Gates & Manuel LLC, to help us navigate the constantly changing geopolitical environment.

Our investment in these areas is ongoing and we truly believe that our well-rounded efforts will reap rewards over the coming years opening up awareness, interest and passion while building a broader understanding and depth. We are in a very fortunate position compared to many other teams in the financial industry who perhaps are not lucky enough to have our levels of flexibility and capital. However, we would like to share some important conclusions which can hopefully be implemented, regardless of budget or stature:

Balance creates success in all aspects of life:

Through our sessions, we understand that life is a function of balancing many pillars, all of which are important. This statement may seem obvious, but on reflection, it is abundantly clear that many financial careers are knowingly imbalanced. Some are imbalanced in the hope that financial success will lead to some future equilibrium while others are imbalanced because their compensation structure is dependent upon ostensible levels of dedication ('facetime' is a common and disreputable adage). From work, personal finances, exercise and family to religion, love and food, all these pillars influence our mental health and affect our daily thoughts and emotions which, in turn, influence our work performance. A life which promotes balance will likely lead to more composed, consistent and thorough decision-making, which is a vital ingredient for our definition of success.

People should live in communities rather than be used as commodities:

We want our team to feel like a community where we can be focused at the same time as building long-lasting relationships. In our view human interaction and connection is of paramount importance. We intentionally built our US Headquarters in Miami in order to foster this kind of environment. Our office is in a renovated airport hangar on Biscayne Bay in Coconut Grove with adjacent cafes, parks, shops, and marinas. Our offices in London and Singapore possess similar characteristics. However, as we return to the office, we are concentrating on healthy re-integration while appreciating that many aspects of lockdown, such as videoconferencing, remain important aspects of working life.

A flat organisation creates an unparalleled opportunity for growth and innovation:

We have attempted to build a team which minimises hierarchy, in order to maximise the potential for our best investment ideas. We want differing levels of experience to be an opportunity for learning and growth, rather than be used as a justification for decision making. We have recently implemented a mentorship program which will allow our team to support each other in both sharpening analytical skills in addition to focusing on other areas of life where experience and its dissemination are essential.

Mental health, wellness and mindfulness are noticeable and contagious:

As our team has embraced the importance of mental well-being in mind, body and spirit, we noticed that corporates across the world have also decided to adopt a similar stance. We realised that the human emotions and behavioural biases which govern the decision-making of key personnel are actually very similar, regardless of the sector, industry or company. This has led to an improvement in our ability to detect functional, authentic and healthy teams as well as discern environments that are dysfunctional and potentially harmful. Our view is that if corporates invest in mindfulness and mental wellness in the right way, it is an advantage and they will likely have a better chance of accomplishing their long-term objectives.

Fundamentally, it is our view that investing in the well-being of people and the innovation they bring is an essential component of long-term investment returns, not just in asset management, but in every walk of life.

No investment strategy or risk management technique can guarantee returns or eliminate risks in any market environment.

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