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8 Tough Miles and Months

In February not long before the world changed, I was fortunate enough to travel to one of my favorite places and run in my favorite road race. While I was training for the race, my mind did what it often does and began to draw parallels between what I was doing (in this case running) and investing. Soon after the race, the pandemic hit the US sending the stock market plummeting into a valley. Remarkably, as I write this the market is setting record highs. With all this volatility, the parallels between running the difficult course and investing seem especially relevant today.

8 *Tuff* Miles is a race across the island of St John USVI, from Cruz Bay on the west side to Coral Bay on the east side. Each town is at sea level making the net elevation change of the race zero. Of course this does not tell the story of the race and its difficulty. St John and the surrounding Virgin Islands are volcanic islands with steep mountainous terrain that is difficult to navigate. Over the first 5.5 miles of the race runners traverse the island's peaks and valleys for a cumulative elevation gain of 1,400 feet. For comparison, the Boston Marathon's 26.2 mile course has about 700 feet of elevation gain. To think of it another way, the Willis Tower (formally Sears Tower) in Chicago is 1,453 feet tall. The severe elevation change along with the Caribbean heat and humidity make the *8 Tuff* an especially tough race. I believe they got the name right, even if the spelling is a little off.

Elevation change is challenging for runners. The ups and downs wreak havoc on the runners' legs and mile times while taxing their psyche. Many runners avoid races like this and seek out courses with little or even negative elevation change in hopes of setting a personal record (PR). There are no PR's to be had at *8 Tuff*. Every runner is out there to run their own race to the best of their abilities. This unique challenge is a big part of why I love the *8 Tuff*. The Island's natural beauty and promise of a cold beer at Skinny Legs Bar and Grill in Coral Bay helps too.

In a more conventional race, runners more or less know what their mile pace will be and aim to maintain a consistent pace. The extreme peaks and valleys of the *8 Tuff* cause a runner's pace to fluctuate drastically and unpredictably. For me this meant a pace of 16 minutes per mile up the steepest climbs and less than 7 minutes down the fastest slopes.

The mountainous course makes it impossible to establish a consistent pace and the runner's watch is not the useful guide that it is on flatter courses. Instead, to be successful, runners must focus on how they utilize their energy and develop a strategy for dealing with the severe ups and downs.

In the months leading up to the race, I researched how to efficiently tackle steep hills. I found a common mistake runners make while running uphill is to give it their absolute all, exhausting themselves as they reach the top and then trying to recover as the terrain flattens. I learned runners can improve their performance by moderating the energy they exert during the steepest sections of the course and use the reserved energy to speed up on downhill and flatter sections. This is because the amount of extra energy allocated up a hill yields less increase in pace than it generates running downhill or on flatter ground. Like most things this relationship is not linear. As the hill gets steeper more energy is required and less pace is gained to the point where the difference in pace between running and walking is minimal. The energy saved by walking up the steepest peaks is great while the cost in time is minimal.

It's natural to want to rush through the most difficult part. The extreme circumstances seem to call for extreme action. The uphill grind can wear down morale. The urge to quit creeps in and grows as the pain increases. At the same time your ego tells you not to slow down. That walking is in some way a failure. You push with your eyes up the hill desperately hoping to see it level off. Unfortunately sometimes you reach the bend in the road only to see that the climb gets even steeper. At that point exhausted runners risk getting demoralized. When they finally reach the top their tank is empty leaving them unable to capitalize when gravity turns in their favor.

On flat ground you have much more reliable information to help you achieve the best results. Suddenly the data from the watch becomes more helpful as conditions normalize. The training runs you did on flat ground now can help you benchmark your performance. The risk reward of how you choose to deploy your energy also becomes easier to manage. Relative to the uphill, you are able to confidently use some reserved energy to pick up more pace. The risk of pushing to the point of exhaustion declines. As the road descends you can accelerate further, extending your stride and maximizing pace gain for the incremental energy expended.

Runners naturally prefer running downhill vs. uphill. But an experienced runner knows even though things feel easier and conditions seem in your favor it is not a time to relax and lose focus of your strategy. Running downhill presents two big challenges. The first is that you can over brake. This is when you fight the momentum of the hill deploying valuable energy in a way that slows you down while adding stress on the legs. The second is over-extending and going too fast which can lead to loss of control and serious injury.

Before running the race I set two main goals: I looked at previous *8 Tuff* races and thought my training had put me in position to finish in the top 100 and I wanted to be able to go on a run within 5 days after the race. This is because even though the finish line of the *8 Tuff* was 8 miles from the start line, my personal running finish line is hopefully 20 to 30 years in the future. This meant that as the hills descended down the mountain I had to find the right balance between pace and braking. I had to resist the temptation to go all out and stay within my abilities, running fast but in control to minimize risk of injury to joints and muscles that take a pounding running downhill.

Eight months into 2020 the S&P 500, at the time of writing this, is up single digits year-to-date. Of course this does not tell the story of the last 8 months. Like the net elevation change number of *8 Tuff*, this number alone does not feel like it reflects the challenges our economy and communities have faced this year. It is as if the market is enjoying a downhill section of the race while our communities and economies are still slogging up the steepest part hoping that the next bend finally reveals some good news.

In running it’s clear when you are running up hill or down. Unfortunately unlike running, it can be difficult to tell where we are in the investment cycle and investors can’t simply choose a flat course. Extremely low interest rates have made it difficult, if not impossible, for savers to choose a less volatile path and still hope to fund their goals.

In investing we must choose how to allocate our capital in the same way runners need to strategically use their energy. These past few months we have seen the market turn from tumultuous drops to remarkably resilient climbs. As investors it is important to remember that the finish line is far beyond the pandemic and election that will almost certainly dominate the news in the coming months. By its very nature, investing is focused on the longer term. So when times are tough we are not going to try to be heroes sprinting to the top of the hill risking all our hardearned capital only to find out that what we hoped would be an easy stretch ahead turns out to be an even more demanding hill. The same applies when we appear to have momentum and the winds of euphoria at our backs. We must be disciplined enough to not over-extend ourselves risking the future just to get a little more.

Risk, when we aren't the ones taking it, can be very appealing. One of America's most famous distance runners Steve "Pre" Prefontaine earned his fame with his exciting racing style. At the beginning of the race he would sprint out to an early lead at a blistering pace. Some racers would try and keep up only to find they couldn't hang with him. Another group would lay back pacing themselves hoping to catch Pre at the end as he inevitably tired. Prefontaine said of his style, "A lot of people run a race to see who is the fastest. I run to see who has the most guts." This mentality made for exciting spectacles as runners with energy in the tank closed in on an exhausted Pre as they neared the finish line. While this strategy gained him fame and many successes it also led to many devastating losses, including his only appearance in the Olympics.

One of the great things about investing is that, like the *8 Tuff*, we are all running our own race. We don't have to try and keep pace with those who want to take the extra risk and go all out in the short term. Just as each runner has their own goals we all have different risk tolerances and time horizons. There are times when someone blows past us early and our egos make us want to forget our plan and try to catch up. Often though, if you stick to your plan you will pass them in some difficult stretch down the road. One thing I do know is that I am not in investing to see who has the most guts.

In author Haruki Murakami's memoir, *What I Talk About When I Talk About Running,* he uses running to explain his writing process. While writing and investing are inherently different, I believe there are some laws of quality that transcend specific topics. One of these would be his thought that to be successful a runner or writer one must know that, "pain is inevitable, suffering is optional." In investing the pain comes from seeing your holdings down, seeing someone else outperform or missing out an opportunity. These things are going to happen. But if you have a well-thought-out plan and position yourself in a way to survive the downturn without getting exhausted and selling out, in the long run, you will find success.

Out of the 1,085 runners who participated in the race there was one runner who best personified running their own race. Before the start of the race the announcer called a lone wheelchair participant to the front of the pack. I had seen him smiling ear-to-ear talking with friends earlier in the morning. I did not even consider that he could be participating in the race. But as over 1,000 people stood behind him the starter fired the gun giving him a 2 minute head start. A few minutes later I saw him still smiling, eyes locked on the top of the hill slowly but steadily working his way up the first of many steep climbs. An hour and 42 minutes later he would cross the finish line. I think about him and his smile often when things get tough. The suffering is most definitely optional.

In running and investing success is most often a result of focusing on what you can control. You work to put yourself in a good position at the start. In investing this is setting goals and saving enough to meet them. You must be persistent during the race. When the market goes through its ups and downs you have the persistence to stick to your plan and not let fear or ego pull you off track. You must be incremental in taking on risk always keeping in mind that the race is long. There will never be a time when the future is certain but there will be times when the road flattens and things become a little more clear. Even though the course may have its peaks and valleys, we can push forward with confidence knowing that with a well-thought-out plan and persistence we can achieve our goals and even enjoy some beautiful scenery along the way.

Thank you for the opportunity to help you win your race.

Nathan McCauley
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