

## THOUGHTS FOR THE WEEK

## TRY ZOOMING OUT

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“Much of the time, in life and in investing, we would be better off zooming out than zooming in.” - Vishal Khandelwal’s *51 Ideas from 2018*

“We all watch the daily ticker not just of our stocks, but also of our own lives,” writes Khandelwal. We would be better off thinking of ourselves and our investments as “pale dots that are just specks on the canvas of eternity.”

We live in an information age and it’s becoming harder to resist the temptation to zoom in. There is an ocean of data and technology gets ever more sophisticated at an ever rapid pace. It’s never been easier or cheaper to get more granular on any topic. But how helpful is it to track our REM sleep cycles, or review a flight’s specific path over the past 30 days? Do we really need to know the overnight price action of a stock? Are we becoming data rich but perspective poor? Perhaps we should zoom out.

It relates to maintaining a long-term view. Being a long-term investor is a simple idea, but that doesn’t mean it’s easy. When stock prices are declining and we’re surrounded by fear, we all begin to suffer from short termism. Before a sell off, we are talking 30 year goals, but once we hit a rough patch the time horizons shortens to how will we fare in the next year or two?

If we take Khandelwal’s suggestion and look at our investments as “specks on the canvas of eternity” we are trying on the widest of lenses. It’s absurd because it is wider than our lifespan, and we quickly realize how inconsequential one is in the sequence of time. However, by letting go of attachment and zooming out, we may see that today’s fears (be it poor corporate earnings, even more polarized politics, or risk of recession) are yet another tiny blip on the long upward line of market history. Perhaps we should zoom out.

It also reminds us of our bias to confirm our beliefs. We tend to seek out data and people who agree with us, and discount the rest. Upon hearing a viewpoint contrary to our own, it is heavy lifting to pause and ask ourselves, “What could I be missing here?” But it’s often wise to try on the other perspective, see what others see. Perhaps we should zoom out.

A recent article from the Wall Street Journal’s Greg Ip, “The World is Getting Quietly Relentlessly Better,” helps build the case. The article discusses a visual database, published by economist Max Roser, tracking how the world has improved over long time periods (please see link below).

For most of recorded history humankind has lived on the brink of starvation, and just 40 years ago nearly half of the world population lived in extreme poverty. Since then poverty rates have been plummeting, literacy rates are accelerating, and access to education has never been easier.

Quality of life is improving broadly, and child mortality, and deaths from disease and violence have been falling. Life is getting less miserable for most of the world, amidst a back drop of rising income and prosperity. And even in the US, life is improving, albeit more slowly than in poor countries.

Yet news media doesn't lead with, "Today 130,000 across the world fell out of poverty." The headlines instead are filled with violence, political gridlock, and allies squabbling with each other. In his inauguration speech, President Trump cited, "American carnage", a pretty dark view on the country. And this weighs on people's outlook, and their ability to zoom out.

The Pew Research Center's annual Global Attitudes survey asks people across 40 countries if they believe children today will be better off or worse off than their parents. In the US and 10 other advanced economies (including Japan, Australia, France, and Spain) only 27% of respondents see an optimistic future for today's children. Contrast that with Emerging and Developed Economies in which 51% and 54%, respectively, see a bright future. Topping the optimism charts is Vietnam at 91% and Ethiopia at 84%. Yes, Vietnam and Ethiopia, which in the last 4 decades have been ravaged by war and famine.

So when stock prices decline, or the news cycle worsens (is it ever good?), try zooming out. Consider that the S&P 500 today is at 2,569, and 40 years ago it was at 98 (a 9% annual increase, not including dividends). Consider that in 1950 36% of the world was literate, but today that percentage is 85%. Or consider that life expectancy in Africa has nearly doubled since 1950. Things often look a bit better when you zoom out.

Enjoy your reading and you weekend.

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