LIPPER HEDGEWORLD

Don't Let Down Markets Steal Your Mojo

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Bill checked the closing numbers on the printout before him one more time and gulped. The numbers couldn't be right, yet unless technology was lying to him, his hedge fund was sucking wind for the third week in a row.

Frustrated, Bill crumpled up the paper and tossed it toward the wastebasket, where it bounced off the rim and landed pathetically on the floor. He couldn't even get his signature shot right! What was wrong with him? How could he continue to trade in an environment like this?

What Bill didn't realize was that he had let the markets steal his mojo. Week after week of unstable markets and lagging performance had robbed him of his swagger and his focus. Each day he came to work feeling less secure in his ability to run his fund, and even found himself doubting his strategy.

In today's highly competitive world of investing, the pressure on fund managers is more intense than ever. With numbers being monitored and broadcast daily, investment professionals may feel like they are on display, being watched and criticized at every turn. Marking your fund to market every day in a highly competitive field can be really tough when your fund is not performing well. A sustained period of market volatility or even short-term underperformance can threaten the composure and concentration of even the most experienced manager.

When your mojo is in jeopardy…

Mojo, commonly found in an African-American folk belief called *hoodoo*, is a magic charm typically worn under clothing to ward off spirits that threaten to rob a person's powers.

In popular culture, we've co-opted the word to refer to an elusive combination of self-confidence, inner power and persuasive command. Anyone who has listened to and understands blues music or has watched an Austin Powers movie knows that mojo is an essential ingredient for anyone interested in achieving great performance.

Mojo, as defined either by history or by today's society, requires a delicate equilibrium. In *hoodoo* tradition, the wearer didn't want his mojo charm to show—visible mojo could be stolen. As a hedge fund manager ultimately measured on fund performance and investor satisfaction, it is imperative that your physical and mental energies are in balance so you can work your fund magic. Too much mojo puts you at risk; too little and you can't do your job.

While rebalancing your mojo may sound daunting, there are some practical steps you can take to get back on track.

5 simple ideas to re-ignite your mojo.

Reflect, don't react.

You know from experience that trading impulsively rarely works. Yet in volatile markets, you may feel compelled to *do something*. There is a fine line between reaction and right action.

Consider a powerful lion. In an optimal environment, the lion is dominant and in control. When caged, however, the lion paces and will attack even those who try to help him. In this frenzied state, he can be dangerous to himself and others. When you're feeling this way—trapped and immobilized—taking action for the sake of action can be counterproductive.

A caged lion that fights blindly against his captivity ultimately wastes energy. Similarly, the more you fight to get your mojo back, the more it will elude you. There isn't space for mojo in a panicked environment. Rather than reacting, consider staying still. Give yourself a reprieve. Make deliberate decisions.

Get back to basics.

Now that you realize reacting doesn't help, it's time to head back to basics. Take some time alone to review the core tenets of your strategy. Reflect on what elements have made your fund a success in the past.

What do you know for sure about what you do well? What is the supporting data in terms of your previous experience? What is your strategy's original premise? What drives your investment philosophy? What are your investment tenets and disciplines? Have you gotten away from those? Regrouping around the basics is an important step toward retrieving your mojo.

Do the same around your personal life and routine. Have you gotten away from your normal exercise, sleep and/or eating patterns? When you're feeling stressed out, don't hurt yourself further by ignoring or punishing your body with bad habits. Treat yourself with extra kindness. Normalcy is a very effective stabilizer.

Reclaim your game.

As you get back on track, think like an elite athlete. Star performers are not concentrating on the next race when competing in today's race; instead, a focused competitor puts one foot in front of the other with conviction, strength and purpose.

Worrying about where your fund will end up for the quarter or the year distracts you. Even thinking about how the day will close keeps you from being in the moment. In order to focus your mind, think only about the task at hand—whether that means reading research, running numbers or checking in with your analysts. Perform those deliberate and necessary actions with single-mindedness.

Try to imagine yourself as an athlete in training. You've won races before. You know your strengths. Practice the fundamentals. Create achievable, measurable goals for each day and work toward them.

Be reasonable in your comparisons.

Just as an athlete's statistics are examined and compared, hedge fund managers' numbers are a constant topic of discussion. This dialogue can be helpful and informative in certain situations. If you are running a mojo deficit, however, allowing irrelevant or extraneous data to cloud your attention works against you. Who cares what Steve's performance or theories are today? The only thing you need to focus on is your own fund.

While it is hard to resist the temptation to find out how others are performing, take a time out on comparisons. It is easy to drift into destructive inner dialogue such as "What does Greg know that I don't?" or defensive thinking such as "Robin has it easy … if I were in her strategy I'd be doing better, too." These distractions rob you of your perspective, stamina and energy.

As you are presented with new information about competitors, ask yourself, "How will this information help my performance?" If the data is non-material to the running of your fund, take a pass on it.

Keep in mind that what you hear from competitors may not be the whole truth. This industry is notorious for people that "work their own book." Where there is little or no transparency, there is likely to be exaggeration. Block out that unproductive noise.

Feed your mojo.

Classic blues artist Muddy Waters sang, "I got my mojo working but it just don't work on you," (from "I Got My Mojo Working," by Preston Foster). Mojo is precious; be selective about who you share it with.

Either people build you up or pull you down. If a specific person, group or environment is bringing you down, keep your distance and your perspective during this period of lagging mojo. While you can't avoid your boss or your investors, you can control some of your interaction with them.

Seek out people from whom you have learned in the past—check in with them, bounce your ideas off of them. Listen. Use the opportunity to develop relationships with others you admire and from whom you can learn going forward. Surround yourself with people who support you.

Your attitude is a choice.

It's important for you to know that you can consciously choose to be focused and confident. You don't have to be born with these qualities—they can be learned and perfected through practice. When you're not feeling your mojo, you can still adopt an attitude of self-assurance.

Think about how you play your hand in poker. Your cards are not nearly as important as your belief in your ability to play. You use body language and facial expressions to convince your competitors and yourself that you have a winning hand. Too little confidence and you're out of the game before you have a chance to win; too much, and your rivals call your bluff. The markets may not be dealing you optimal cards, but you can project a winning attitude. This will go a long way to restoring your conviction in your talents as a manager and the balance of your mojo.

The qualities that make you a good fund manager are the same characteristics that will allow you to make good decisions going forward. Your experience, quantitative skills, judgment and timing didn't disappear when the markets started roller-coastering; your belief in your ability is what has wavered.

It doesn't take much more than one great hand at poker, one good at-bat or one good day of performance for you to start feeling better. Keep in mind, however, that your mojo needs constant tending, especially in uncertain markets. As a hedge fund manager, you've chosen to play in a world that demands and measures performance constantly, so your mojo will always be at risk. Continue to maintain perspective, avoid distractions, focus on basics, surround yourself with support and sustain a positive attitude. Mastering these techniques will keep your mojo on the rise.

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