

CREATIVITY SKILL 1: CREATING A MAP OF WHAT YOU KNOW

To begin the creative process, you must begin by creating a Map of What You Know. Although the other exercises in this book are optional, this initial exercise is essential because it is the foundation for many of the other exercises. A completed Map of What You Know helps you identify what ideas to focus on that then lead to new investment ideas.

Time needed: An investment of at least 45–60 minutes

Materials needed: A way to record your thoughts

STEPS:

1. Preparation
2. Inventory
3. Drawing interconnections
4. Honest evaluation of yourself
5. Evaluation of next steps

Note: Your work here can be used in [Chapter 2](#) as well, so time spent here earns double the returns!

1. PREPARATION

Ideally, you should spend *at least* 45–60 minutes engaged in this exercise. Make sure that you are uninterrupted, because neuroscience research documents that it takes at least 20 minutes to return to a deep-thinking mental state after being interrupted. You may want to close your e-mail program and turn off your smartphone for this exercise.

Next, ensure that you have a way of recording your thoughts, such as pen and paper or document software. You can return to this document over the years, so consider this exercise a necessary building of a foundation. The Map of What You Know is an investment in your becoming more creative and in generating more investment ideas. Be sure to date your document so that future iterations of this exercise can be made more comparable.

2. INVENTORY

Primary Skills

List the areas of your Primary life skills; these are the same as what you would list on your curriculum vitae (CV) or résumé as well as things you are expert at that would come up in cocktail party conversations.

EXAMPLE: PRIMARY SKILLS

- | | | | | |
|-------------|--------------|---------------|----------------|-----------------------|
| • Finance | • Meditation | • Mathematics | • Social media | • Creative expression |
| • History | • Arts | • Writing | • Investing | • Psychology |
| • Economics | • Sports | • Computers | • Martial arts | • Animal behavior |
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Resist the urge to self-edit, because creativity is hampered when the analytical parts of the mind intercede to begin reducing problem sets. Grant yourself the freedom to list your major skills—from finance to animal behavior. The more, the better.

Secondary Skills

Take some time to review your list and then identify secondary skills in your skill set, things that you have an affinity for but wouldn't list on a résumé or bring up in conversation (i.e., “soft skills”). Are you good at investor relations (inspiring others)? Are you good at establishing trust in the first two minutes of a conversation (listening)? Do you know how to balance cultural differences to better facilitate dialogue between different branches of your organization (mediation)? Remember, do not self-edit!

EXAMPLE: SECONDARY SKILLS

- | | | |
|-------------------------|-----------------------------------|---------------------------------|
| • Listening | • Translating feelings into words | • Pre-Raphaelite art |
| • Model selection | • Mediation | • Art Nouveau |
| • Providing feedback | • Inspiring others | • Recognizing balance/imbalance |
| • “Connecting the dots” | • Organization | • Intuition |
| • Time management | • Financial modeling | • Describing the world via math |
| • Music | • Cleaning | • Ancient Egypt |
| • Poetry | • Dancing | • Geopolitical analysis |

Functions Underlying Skills

Next, spend some time identifying the underlying functions of your skills. To generate new investing ideas, you want to undertake actions that you cannot currently do; so, knowing the actions you can take, given your knowledge and skills, is paramount. These actions are encapsulated in your skills’ functions. A list of skills is just a list of nouns, but you want to understand the verbs—the actions—you are capable of undertaking to achieve those skills.

EXAMPLE: FUNCTIONS UNDERLYING SKILLS

- “Connecting the dots”—ability to think creatively and bring together disparate pieces of information to construct a meaningful story or idea.
- Music—helps connect you to emotions and work with them instead of against them, which minimizes judgment errors.
- Meditation—reduces stress, allows for clearer thinking and the ability to better avoid judgment errors.
- Financial modeling—ability to take complex, real world, multi-dimensional phenomena and describe them quantitatively. This ability allows for the use of mathematics, statistics, and logical thinking in solving problems.
- Cleaning—helps increase peace of mind so you can focus on problems.
- Dancing—a form of exercise that can help you “blow off” pent-up emotions to increase focus.

- Recognizing balance/imbalance—allows quick recognition of distorting influences on people’s ideas, models, and theories, including your own.
- Intuition—allows you to connect to another sense/source of information, which is directly connected to the mind’s ability to recognize multi-dimensional phenomena (as opposed to linear, logical, empirical analysis).

What You Are Not Good At

Now turn the list of skills on its head. List what you are not good at and/or what makes you anxious. Areas where you have a lack of skill are likely to be blind spots and unintentional drivers of your worldview; people usually avoid or compensate for what makes them uncomfortable. (Ideally, of course, you make investment decisions on the basis of merit and not on the basis of anxieties about your skill set.)

Listing your anxieties is not meant to create a tidal wave of worry, so do not be anxious (easier said than done, of course). Uncovering your anxieties will help you see what you need to learn to overcome them and develop your creativity in the process.

EXAMPLE: WHAT YOU ARE NOT GOOD AT

- | | | |
|--|----------------------------|---------------------------------|
| • Cooking | • Shorting stocks | • Visual Basic for Applications |
| • Econometrics | • Yield curve construction | • Microsoft Access |
| • Thinking in terms of more than five dimensions | • Following social trends | • Brevity |
| • Quant/machine trading | • Snorkeling | • Biology |

An analysis of this list seems to suggest that there is anxiety around sophisticated mathematics, especially as it intersects with computers. With your own inventory of what you are not good at, consider for each item:

- Does this limit the opportunity set of investment possibilities? If so, how? Is this something that can be overcome?

Current State of the World

Next, record what you believe about the state of the world, especially the first things that come to mind. Write down facts, observations, people, companies, papers, and ideas that you consider important right now. Keep writing until you think you have written down most of what you believe about the state of the world. You may have more than one page of information, which is a good thing. To limit what could be a “brain dump” of everything, however, try to record only those thoughts that inform how you see the world now.

Why write down the first things that come to mind? It is likely that they are the default mental models that you use to understand new information. These default models probably serve as the subconscious and automatic filters that instantaneously spring into action to influence how you see the world and, consequently, investment opportunities.

This also means that you are likely to be looking for new investment ideas only *inside* the bounds of your default mental models, even though you might be aware of and know much more. If you want something new, then actual new ideas are much more likely to come from *outside* the bounds of your default models.

Yes, you probably invested intelligent and considered reasoning in creating your default models. What’s more, chances are that you have tested them against reality repeatedly and they work for you. But to generate new investment ideas, either new information has to enter the default models or you have to be willing to consider other mental models for something creative to happen. Either way, an opening must occur—that is, a reconsideration of your beliefs.

EXAMPLE: CURRENT STATE OF THE WORLD

- Since the Great Recession, I believe global consumers are *resolute*. That is, they are not upbeat or likely to be spendthrifts. Instead, they seem hunkered down and prepared for more bad news. What is the effect on consumer spending and, consequently, GDP?
- The world has a shortage of discipline = too much excess, as represented by consumerism, pollution, debt, waste, government regulation. This cannot be fixed with policy, but only with individual introspection led by individual initiative to change.

- Africa is the next frontier in investing, because there is no need to reinvent the wheel—just build out infrastructure in the form of roads, bridges, ports, schools, telecommunications, and so forth.
- Markets are horribly distorted by regulation, monetary policy, and insiders exploiting the system. This means the pricing mechanism of markets is shaky. Can we trust the prices for goods and services to be stable over the next decade?
- Social media are destroying borders. People now have views into other cultures and how others live their lives. For how long can a citizen in a totalitarian society tolerate oppression?
- Labor will soon demand to be as mobile as capital. Currently, capital can cross borders freely—businesses may invest, as well as sell their goods, globally—but laborers cannot sell their labor as easily. For how long will this persist?
- Growth in the major economies will accrete:
 - Population growth: 1–3%+
 - Some productivity gains: 1–2%
- Low-hanging fruit of building out infrastructure (e.g., roads, grid, rail, internet) is nearing completion in the Second World/BRICS nations.
- Information technology will get faster and more reliable.
- Neuroscience, psychology, and physics must cross-pollinate and get the right model/theory/understanding about consciousness for there to be advances in human thinking.

Thoughts about the Future

Now list and describe your thoughts about the future, both near term and long term. How do you think major events will unfold in the future? What is no one paying attention to that you think will affect the future?

Again, your initial thoughts are important to document because they are likely to be your default mental models, representing your “business as usual” state of mind. Upon review, these may be robust and accurately describe the world. But for now, the goal is simply to map what you know and who you are relative to the investment landscape.

EXAMPLE: THOUGHTS ABOUT THE NEAR-TERM FUTURE

- Near-term future = 2–3 years.
- North America: more of the same (MOTS); that is, lack of interesting, game-changing capital investment on the part of businesses; projects will be incremental; continued “de-equitying” of financial markets; fiscal gridlock in the United States will relax, but leadership will remain ineffectual. Growth will be low and steady, and consumers will remain resolute and certainly not giddy. Operative concept: MOTS.
- South America: build-out of key infrastructures; movement from Third World to Second World status; unorthodox associations geopolitically and economically; Brazil will sell natural resources to China and East Africa. Operative word: CONSOLIDATION.
- Europe: demographic-driven ossification; if the pressure increases or does not abate, there may be movement in the stilted political apparatus. Individual countries will shine, but the continent will be disjointed. Operative word: MUDDLE.
- Asia: instability in all the usual places: Middle East, Pakistan, and so on; uneven economic growth; flirtations with democracy; ineffectual implementation of capitalism; some growth from regional recoveries and selling to Africa. Operative word: AGORAPHOBIC.
- Australia: movement away from natural resources. Operative word: ISOLATED.
- Africa: death of old and odd dictators will create openings for change and inspire relief among the populace; corruption in North and West Africa; will have the attention of the world because growth here is so much easier (i.e., build out what we already know how to do elsewhere). Education, health care, democratization = essential. Operative word: DYNAMISM.

EXAMPLE: THOUGHTS ABOUT THE LONG-TERM FUTURE

- United States will start to delever and fiscal policy will get effectual; Mexico will stabilize more.
- China will look more and more like India = madness and corruption writ large.

- Labor will demand to cross borders.
- Middle East will implode on itself, although new leaders may change the possibility set if they invest in something besides hydrocarbons.
- Russia will meddle in neighbors' affairs and win influence, but it will lose overall because of poor demographics.
- Japan will meddle more in world affairs and within its own government but will do little else.
- Europe will grind out a new way of thinking and slowly get more dynamic, led by Germany, the United Kingdom, and maybe Poland, France, and Spain.
- Big Data investment returns will come, but too slowly to justify valuations.
- 3D printing will pale in comparison with the internet boom of the 1990s, when the cost of information discovery was reduced almost to zero.
- Biotech will continue to destroy more capital than it creates.
- The *real* technology evolution will be increased awareness of ourselves and our interconnection with others =
 - Decreased consumerism
 - Increased “environmental, social, governance” (ESG) concerns
 - Decreased birth rate
 - Real estate recycling
 - More international coordination at the social movement level rather than at the governmental or corporate level
 - Easing of pressure on the environment
 - Increased leisure time because of lower demand, coupled with increased awareness = emphasis on inexpensive luxury in housing, home goods, clothes

3. DRAWING INTERCONNECTIONS

Once you have written down your assumptions about the world, take stock of your thoughts. Re-read what you have recorded. Do these initial thoughts reflect the world as you see it?

In re-reading your thoughts, do you see connections among the ideas? What is missing that needs to be included in your description of “how I see the world” to ensure it is more *descriptive*? What definitely belongs because it certainly affects how you see and understand the world? What does not belong?

Take particular stock of the thoughts that “don’t belong” (you’ll see why in a moment). If you want to extend the exercise, keep at this review until the thoughts residing in your consciousness and subconsciousness make it onto the page and you feel that your mental map is complete.

4. HONEST EVALUATION OF YOURSELF

Next, you need to honestly ask yourself (after all, it is just you looking) whether what you recorded makes sense. Does what you recorded describe the world well? Are your mental models still descriptive? Most important, are your mental models consistent with one another? If not, why not? Is some paradox understandable given that investing is a vast topic in which contradictory information is, if not the norm, common? Are you ignorant of anything for which you need some knowledge?

If what you wrote down does not make sense to you, then you have just had a creative idea: Update or improve your models so that they do make sense. Perhaps you now realize that your mental models are outmoded. If so, you can put your creative firepower to work creating new mental models for yourself or explore other models developed by others. Again, you have achieved a creative realization. If you feel ignorant about something, there is a ready-made creative solution: Get more knowledge on the subject.

5. EVALUATION OF NEXT STEPS

Congratulations, you have demarcated the boundaries of the Map of What You Know! At this stage, you have a choice. You can look for new permutations and combinations of knowledge and skills within what you already know. Or, you can look to push past your boundaries into uncharted territory. If you choose to push past your boundaries, you can do so either incrementally or radically.

Whichever choice you make—new combinations within your boundaries or moving past your boundaries—is fine. But the techniques for the two pathways are different. When making your choice, be guided by your intuition.