

The Tim Ferriss Show Transcripts

Episode 63: Mark Hart, Raoul Pal

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Tim Ferriss: Hey guys, this is Tim Ferriss, and this is an experimental episode of *The Tim Ferriss Show*. It's a little noisy. I'm at the Facebook offices in Menlo Park, California. Just got out of some stuff, but I wanted to get this out to you. So this particular episode is me in conversation with two financial experts, two hedge fund experts, and those two names are Mark Hart, and I've had a lot of experience in time with Mark Hart. Mark is the founder of Corriente Partners and Investment Fund focused on placing longshore equity trades based on macroeconomic themes. He's done a ton, including basically running a sizeable, fantastic return on his positions during the 2008 subprime mortgage crisis, which is one of the single best performances of that entire downturn. He's really good at spotting patterns, and I've done some work with him, which we'll get into.

Then there is Raoul, and he is the owner of Real Vision Television, from which this interview is pulled, among other things, but he writes and publishes the Global Macro Investor, an elite macroeconomic and investment strategy research service for many of the world's leading hedge funds, pension funds, banks, and sovereign wealth funds. He does a lot more than that, of course, but I'll try to keep these introductions short. He is also the author of *The End Game*, which is an article that turned out to be one of the most read financial pieces in the history of the internet.

It's a fascinating conversation between the three of us about business, lifestyle, investing, all of the above, and for those of you who are interested in real vision television, which includes all sorts of names that if you're involved with finance, you might recognize Rick Rule, Mark Hart, Kyle Bass, Mike Novogratz. The list goes on and on and on, really reversing the dumb down trend that you see in mass media for discussing investment and finance. It usually costs \$400.00 a year. If you use the code Tim, T I M, then you can get it for \$300.00 a year. I get no profit participation in this. I'm just doing it because I had fun doing this interview. I make nothing from it. In any case, without further ado, please meet both Mark and Raoul and myself in this conversation. Thanks.

Raoul Pal: Tim, thanks very much for getting this all together. I think it's going to be fascinating. Mark, you did a first-ever master class, and you talked a lot about your trading philosophy and how you do things and how you look at markets, but you broadened it out and said how you look at your life and

lifestyle and how you broaden your knowledge base. One of the people you mentioned was Tim, and I said, well, it'd be fascinating to find out how Tim and you have interacted, and we could all have a joint conversation to see what we could all learn from these kind of things because a lot of people are fascinated behind those concepts because people don't look at their lifestyle as much as they look at their career and stuff like that.

So I don't know, Tim, do you wanna give a little bit of background about yourself, and Mark, just also for people who don't know about you, yourself as well?

Tim Ferriss: Sure. I have been in the bay area, San Francisco-related area, for about 15 years, and I really have two primary careers, I suppose. One is as a teacher and author, so I've written books, all of which sound like scammy infomercial products, *The 4-Hour Workweek*, *The 4-Hour Body*, *The 4-Hour Chef*. We can talk about the titling some other time, but the books really – the common theme across all of them is trying to deconstruct world-class performers and look at how the anomalies replicate unusual results over and over and over again, whether that's in the CEO sphere or in the, say, Olympic level professional athletics sphere or looking at accelerated learning and so-called prodigies and that arena.

How can someone pull tools from those people so that it can replicate results people usually associate with some type of God-given talent? There are different types of analysis we do for that. The second career is really startup angel investing and advising, so I was C-level and still am advisor to Uber, Evernote, investor in Twitter, and Facebook, about 35 companies total up to this point in time. So those are the two areas where I spend a lot of my energy.

Raoul Pal: That's interesting. Mark?

Mark Hart: Well, I'm a hedge fund manager. I've been involved in the hedge fund world for probably 16 years, running my own funds for 13, almost 14 years, and I won't go into all the specifics, I run several different types of funds, but typically, my focus is on macro. It's interesting to me. We had our interview a few months ago and I did mention Tim as a big influence on me, and specifically how that came to pass – I was on top of the world, and then I sort of crashed down to the bottom in 2009, had some really bad times, and it was about that time I read a book called *The Art of Learning* by a guy named Josh Waitzkin, who has become one of my closest friends and an absolutely brilliant man.

Josh was this world-class chess player, world-class martial artist, and the book was about his learning process, so I felt like I needed some help on process, and I reached out to Josh. It turned out he did some consulting

with hedge funds on process, and he agreed to work with me and my team on my process, and he suggested that we bring Tim into the fold as well. I didn't know Tim before, but Tim has written these books, *The 4-Hour Body*, *The 4-Hour Workweek* at the time, since then *The 4-Hour Chef*, read *The 4-Hour Body*, which absolutely blew me away, and Tim and Josh started to implement various processes for me and my team.

While I wasn't able to necessarily turn my hedge fund performance around, although I'm still managing money, it completely changed my life, completely changed my outlook, and so when you suggested the possibility of bringing Tim on and interviewing him, I thought it'd be great. What I thought was particularly interesting is, in the hedge fund industry, my peers, and these are some of the smartest people in the world and some of the most driven people in the world, and they put enormous effort into what they do, and yet, most of them have never even considered putting the same sort of effort into kind of improving their quality of life.

So I thought it'd be great for some people in the financial world to see Tim and to get a sense of really how far you can improve yourself, how far you can take things.

Raoul Pal: [Inaudible]. So Tim let's think because I've heard Mark's mindset, but you went in to see this troubled hedge fund manager who's having a tough time. How did you evaluate the situation? How did you think you could help him? What tools did he need to do things with, and how did you go about that process?

Tim Ferriss: Well, I think there are a number of ways to try to, say, improve the performance of the company, a group of people, or even a single person. In this particular case, of course, the landscape of macro investing, hedge fund management, is not a landscape that I'm going to understand as well as someone like Mark, but if you look at it almost like rally car racing – I'm fascinated by rally car racing, I've done some experiments there – but you have a racetrack that is basically designed to kill you. It's not intended to be as safe as possible. The path is somewhat known, but the terrain is unknown. It could be raining, it could be sleeting, and Mark knows where he wants to go, but I can help potentially improve the car itself, so the vehicle, which is the physical body upon which everything is predicated.

So people tend to have this sort of Cartesian separation of mind and body, but at the end of the day, you have certain levels of neurotransmitters that are produced at a certain rate, depleted at a certain rate, and that is the rate-limiting step in your mental performance. So if you want to have better levels of working memory, sustained attention and so on, you can optimize those by optimizing the car, i.e., the body in this case, and you

can use exercise to, say, improve a production of brain-derived neurotrophic factor and all these things that are very, very interesting.

Then you can also look at process, so I think Josh is one of the best in the world, and Josh is a very dear friend of mine, at looking at repeatable processes. So what are the daily habits and the ways that you approach turning your effort on or off, say, for productivity and recovery, throughout the day, that you can tweak? So that would be driving the car. So we can look at the process of, instead of having the shifter down here in the normal H pattern that you might have, maybe we should elevate that just like they do in rally car so that it's closer to the steering wheel, and how can you do the equivalent throughout the day?

That might be incorporating different types of sets of questions that you apply to certain scenarios. It might be deciding beforehand, for instance, with a lot of my startups, when you scale to a certain point, you're going to encounter the following types of problems. So how do you plan for that type of crisis management in advance so that you're not reactive so that you can be analytical when most people would be emotional? Those are some of the tools in the tool kit that I would usually try to bring to bear in a situation like that, and Josh and I have very complementary approaches, which is probably the reason that we enjoy hanging out so much and working together.

Raoul Pal: So Mark, so Tim walks in and says okay, this is what you need to do. How did you take that onboard and then how did you engage with that process and kind of then start to see the benefits flowing through, and how did that change you?

Mark Hart: Well, initially what I tried to do was incorporate 40 different new processes into my life, diet, exercise, meditation, all kinds of things, and I wasn't particularly successful, and I peeled it back a little bit and started to implement sort of one process at a time. Nailing breakfast was a huge one for me.

Raoul Pal: What do you mean by nailing breakfast?

Mark Hart: I mean, have appropriate breakfast. It's what's gonna fuel you for the day. It's what's gonna – it nourishes you. It's something you always have time for because it's the beginning of the day. Nothing's going to run over and block it out, so nailing breakfast, nailing a morning routine was really the first key. Everything from that built, started to implement then a variety of things I did. I got into martial arts. I'm pretty much addicted to Brazilian jiu-jitsu, and both Josh and Tim are expert, really world-class martial artists as well, but part of that was even, okay, breaking down the

workouts. What time of the day are you gonna be the most productive, the most creative? Usually it's after your mind is cleared.

How you gonna clear your mind? Well, your normal conscious mind has thousands of thoughts running through it constantly, but the key is accessing the subconscious mind where you're really doing your thinking. So how do you create these periods of time when you can best access that? So maybe it's breaking up your workout into two workouts a day that are half the length. Maybe it's implementing a five or ten-minute a day meditation, and then it's structuring your workday so that you're not answering emails during your most productive time, and then it's self-tracking.

Tim Ferriss: And a lot of it starts with establishing a baseline, so knowing where you are, and I think that, just to give a very common example of where people get themselves into trouble, if, like most people, you take these extremely elite thinkers in the form of top hedge fund managers who have annual checkups once a year, and they make decisions based on the results of these blood tests that may come back in range or out of range, and typically the way that even a connoisseur's medical service works, is you have this checkup, you get back your blood values, utt-oh, this is high, this is low, here are two or three medications to correct these following things, and you realize a few things very quickly.

No. 1, if you were to take that test the next day, the values would be different, so you want to always confirm testing results, and you can apply this to many different types of thinking. Secondly, what you're interested in when you look at blood values is not just a snapshot in time because that's like trying to understand a World's Cup game from one photograph. You wanna understand trending. So you're better off having slightly less data, so lower resolution, but many snapshots so you can look at where you're trending as opposed to trying to diagnose and treat based on a single point in time.

What that can do for you, for instance, in the traditional medical system in the United States or conventional, I should say, you might be able to look at, say, your uric acid level, which is, in some cases, indicative of gout if it gets past a certain point, and you could get the lower range of normal and be ratcheting up 10, 20 percent per year, but the doctor won't flag it as a problem until you've crossed into gout symptomatic territory, but if you're taking those snapshots, you can catch it beforehand and you can identify, say, dietary interventions, well, perhaps we should reduce fructose. People tend to blame gout and uric acid on protein intake. Well, fructose has a huge part to play in that.

But it all starts with establishing a baseline, so in the case of, say, a daily routine and a weekly routine, you could identify – Mark could identify, during his states of flow, and we could talk about what that means, but when he feels effortless production, like he is doing everything well on autopilot, what are the characteristics, what are the prerequisites or the correlates to that? What are the potential triggers, right, and it starts with journaling. Similarly, what are the 20 percent of activities or people that produce 80 percent of the negative emotions and bad decision making? Let's start chronicling that, and once you start to identify those patterns, say, over a week of journaling, similarly with diet, right, so you can say, oh, well, you're having a meltdown.

This is not specific to Mark, but like person X is having – they're getting very frustrated and angry at 11:30, but they're having coffee and a bagel for breakfast, like, okay, well, this might be a very easy fix. Just like a lot of people with IBS, irritable bowel syndrome, simply have a gluten sensitivity. It's not like they need any type of – they don't have a small intestine bacterial infection or anything like that, it's just gluten, but it starts with capturing your baseline, and it's [inaudible] to me how I used to do this and how many people will change many variables without first establishing where they are. So that's – the first step is where is the patient.

Raoul Pal: It's actually a similar thought process with markets as well. It's the same state of analyzing. If you just have a snapshot, you don't really know anything about anything. What you need to understand is the history, where it's come from, where it's going, and looking at whole range of different parts of it before you can understand what's going on, I guess.

Mark Hart: There's no question. Yeah, one of the really interesting things about what Tim does – I mean, you can take this. You can go as deep as you want. I mean, you could spend a lot of time and really tweak a lot of details, but this notion of 10,000 hours to mastery, I mean, the way I think of you is as a brain and body hacker, and how do you really short-type that? One of the things I thought might be interesting would be to actually point out maybe some of the easy hacks that people can use.

Tim Ferriss: Yeah, absolutely. No, there's so many, and just to dispel some myths, maybe we can start there. I'm very familiar with the research upon which the 10,000-hour rule, coined by Gladwell, or was popularized by Malcolm Gladwell, has been used. There are many, many ways to circumvent that in almost any skill, and I think that the way – I study the anomalies rather than discard them as outliers, if that makes sense, and I remember at some point – I'm an amateur fan of finance and investing and whatnot. The angel investing is a whole separate story, very different from the public markets, certainly.

But I think there was one point Warren Buffet was addressing efficient market theory, and he said, well, you could say yes, if you have 10,000 orangutans flipping quarters, eventually you'll find like ten orangutans who have flipped heads 100 times in a row. Statistically, sure, you could point out that that doesn't necessarily indicate they have any skill at coin-flipping, but if they all happen to come from a particular place in Omaha, you might wanna go see what the zookeeper is doing. So I look for particularly odd concentrations of anomalies, and you can find them in many different gyms.

I happen to look at athletic performance a lot because – I'm gonna come back to your point of easy tips – because many people in, say, the hedge fund world, or – you pick the sphere of elite performance that is nonphysical. At some point they decided that they were genetically predetermined to be able to do certain things and not be able to do other things. So they were always the fat kid, I'm just big-boned, that's not something I can change, and so they are partially complete in that way. They're extremely world-class at optimizing for, say, reading technicals and trading in a certain fashion or predicting kind of doomsday scenarios and formulating positions accordingly.

But they've, in their mind, they view as one of the unchangeable aspects of themselves strength, endurance, sleep. I've always had insomnia, whatever it might be, and by showing them, well, here's a 12-year-old high school girl who a year and a half ago had never been to a weight room and now she dead lifts 450 pounds for repetitions, maybe you could do this. It offers them a glimpse into what is possible. As an example of some of the very easy things that people could do, if you wanted to develop, say, a basic ability in Spanish, a conversational ability in Spanish, you could look at someone named Michele Thomas and the original recordings, and you could get to a basic level of conversational Spanish in a week.

You could get to fluency in 8 to 12 weeks, which is something that I've looked at very closely, language learning. I think you can become functionally fluent in almost any language in 8 to 12 weeks. Another example would be breakfast, as Mark said, and specifically, 30 grams of protein within 30 minutes of waking up, and could it be 20 grams, could it be 40 grams, could it be 20 minutes, could it be 40 minutes? Sure, but 30 within 30 is easy to remember, and the good program or protocol that you follow is better than the perfect program or protocol that you don't, and I think this is also where a lot of top minds in finance fail is they try to change too many things at once.

And there's a decision fatigue that sets in when you're trying to acquire new habits, which is why when I start with someone who's very busy, very driven, I never start with exercise, personally, or I try not to because that is an additional activity that gets layered on top of their current obligations, but you have to eat breakfast, or you have to eat. That is a default behavior, and we're just gonna swap in a new meal. So if you were to have, say, lentils, you could eat them straight out of the can. If you want some spinach, you could just eat raw spinach if you want or microwave, it doesn't really matter, and two whole eggs every morning.

If you would do that, and I won't digress and tell all the details of why those three are very interesting combination, but spinach, lentils, and eggs. You could prepare it in three minutes. If you have that breakfast within, say, 30 minutes of waking up, it's not uncommon if you have more than 20 percent body fat that you'll lose 20 pounds in the first month, particularly if you're a male, and that would be a very simple habit, just like okay, just – that's eating breakfast. Try that for a month, don't change anything else, and you'll very typically see people lose 15 to 20 pounds.

If people have trouble sleeping, they're lifelong insomniacs, as I was for a very long time, they feel groggy in the morning even if they get a lot of sleep or think they've gotten a lot of sleep, it's often times from low blood sugar and not from the length of sleep or lack thereof. So you could have a tablespoon of unsweetened almond butter before you go to sleep, and you'll see a lot of people who are chronically fatigued fixed just like that, and I diagnosed that for myself by implanting a glucose monitor in my side intended for type 1 diabetes. It gave me a readout 24/7 that I could then correlate to my food journaling. I do all the crazy guinea pig stuff so that other people don't have to.

If you have to have a cheat meal – so let's say I'm gonna go out with my in-laws, they're Italian, I'm gonna have to eat pasta, I'm really trying to be good, then I have to eat pasta, what can you do. Well, you could have a bit of vinegar. You could have a tablespoon of vinegar before the meal, which will help to lower the glycemic index, so your insulin and glycemic or glucose responds to that meal. There are all sorts of tiny little tricks, and the key for me at least is finding the smallest behavior, the smallest change that will produce the disproportionately largest result for someone so they continue to take my advice. That's it. I wanna give them the minimum effective dose, just like medicine.

I don't wanna give you too little because you won't get any result. I give you too much, you're gonna have side effects, societal, financial otherwise, familial, but if I give you just the smallest thing, I say, all right, look, I know you hate exercise, you don't wanna do any of this stuff, I

want you to do kettlebell swings, one set once a week in the following way. It's gonna take three minutes. Kettlebell can fit in 12 square inches on the floor, that's all I want you to do, no more, and if I can use that as the gateway drug into the behavioral change that I want, then I can get them to do almost anything once they start seeing the result.

You wanna put on 20, 30 pounds of muscle in a month, you can do it if you have, let's just say if you're 170 pounds or more to start with, and that's just the tip of the iceberg. If you want to learn how to memorize 1,000 digits, a string of 1,000 random digits, you can train someone to do that in a week, so these impossibles, once you take one of them and reframe them as a possible. So for instance, when I did genetic testing through Navigenics, 23andMe, etc., I have something called a [inaudible] for the [inaudible] 3 gene. All that means is I shouldn't be able to really produce [inaudible] muscle fiber, so I'm doomed. Can't be fast, can't be strong, etc.

Well, it turns out when I took a muscle biopsy out of the side of my leg, the vastus lateralis, I believe, and we analyzed it, I had a very high percentage of type 2 A muscle fibers, which is trainable, all right. So I was able to basically renegotiate my genetic destiny, at least according to the current state of the art testing, and so I always feel like, outside of very few areas, maybe the law in some cases, reality is negotiable, and that includes physical performance, and that's a great way to shock people into believing that all these other things are possible.

Raoul Pal: The thing that I've looked at, the thing I'm spending more time thinking about is time itself. Time is, I think, one of the hardest things to control because it's a concept we don't really know how to grasp and have to deal with, I think. How do you look at time and how do you control that element that gets people kind of breathless with the fear that I just can't do all this stuff?

Tim Ferriss: I think of time as one of several currencies, so I think it's very easy to think of, and normal to think of money as a currency because it is, but what is a currency? A currency is something that you trade for something else, right, so you use that money to purchase an experience or a possession, let's just say. Similarly, you have time. Perhaps you have mobility as another currency, and time is nonrenewable whereas the capital is renewable. So in the hierarchy of prioritization, you know that time should take, past a certain point on Maslow's hierarchy of needs, right, time should become your No. 1 priority and allocating that effectively.

So I think that if you don't have time, it's an indication of not having sufficiently clear priorities. I think that's it.

Raoul Pal: And when I think about time, again, I'm personally less interested in can I cram more into a day. It's how do I get the most, the highest quality of life out of the time that I've got?

Tim Ferriss: Right. So I think there are many different ways to approach it, and there are many people who do a lot of thinking in this area. I think that there are a lot of contemporary thinkers, David Allen. There are a lot of – of course, you can go as far back, Ben Franklin and beyond, Marcus Aurelius, but I think Peter Drucker, the effective executive, is a fantastic place to start. They focus on effectiveness over efficiency, so effectiveness being choosing your activities wisely and then efficiency being doing those activities well, but doing something well does not make it important, and I think it's very easy to conflate those two in a world where you are constantly hit with propaganda for the latest tools, but the principles are more important than the tools.

If you're a good artist, you can use a crayon or a piece of chalk or a paintbrush, but if you're constantly just devising with the latest tool and you never develop those artistic skills, it doesn't matter, and similarly, I think deciding what is important, deciding what is – which is often times what makes you the most uncomfortable, I think, the thing you least want to do, pretty good indicator. The general principles of thinking about prioritization remain fairly consistent, I think and, for me, and many of the top performers that I see, say, just in the startup world. It's a very exaggerated – it's a world in which you can look at – every little problem gets magnified dramatically because of the velocity at which many of these companies are growing.

So a small mistake turns into a very big mistake very quickly, which makes it easier to see, and for people who are growing at the rate of, say, Uber, which is unprecedented in the history of startups or anywhere else – I can apply this to my own life, but if you have, say, five to-do items, what is the one of those five that if completed renders the other four unimportant or that makes the other four easier to solve, easier to address, right, and trying to pick the lead domino in that respect and prioritize and allocate time accordingly, I think is just a very simplistic way but effective way to go about picking that, and I like to think of it as the lead domino that just knocks over the others.

Or which of these decisions can I focus on that will prevent 1,000 decisions in the future, and that's [inaudible] engineer- like way to approach, say – engineers and computer scientists have a general hatred of repetitive tasks. So if something needs to be repeated, they wanna create a script or a program to run that, and you can do that by deciding what your decision-making framework is in advance. So those are a few of the ways

that I think – very simple, but simple works. If the solution that you find is complicated, it's probably not the right solution.

Mark Hart: So, Tim, I guess, and it gets back to what I was saying a little bit earlier, you know, you've got people in the hedge fund industry and the investment industry. I mean, these are typically driven people, they're intelligent people, and they focus their efforts on their work, and it's satisfying, somewhat satisfying to extremely satisfying. What you and Josh Waitzkin helped me do is access other parts of my life and parts of myself and do so very easily, where the delta, in terms of improvement, is massive for very small amounts of effort, and I think that hedge fund managers particularly, they're the exact right people who are poised to kind of take advantage of some of the tools and some of the tricks that you employ.

I mean, two things that really come to mind, you liked to talk about like taking ice baths. I take freezing cold showers, and it's absolute nirvana. Another thing that maybe you could talk a little bit about is like lucid dreaming and using lucid dreaming to massively improve performance and improve that sort of conscious/subconscious brain connection. I know you've used lucid dreaming to train in wrestling in high school.

Tim Ferriss: Yeah, no, I'll talk about both. So the ice baths or cold therapy, and there are different ways to do it, you can use ice packs on the back of the neck, really came out of conversations I had with a former NASA researcher named Ray Cronise, and he had tripled his rate of fat loss, which he's an expert in thermodynamics. He measured everything very meticulously after becoming fascinated by how Phelps could eat 10 plus thousand calories per day. What would that be, and he started looking at the effects of water exposure at different temperatures on caloric expenditure.

Long story short, cold exposure can improve immune function, be very effective as an antidepressant therapy. It affects hormones including things like adiponectin that then consequently lead to an increased rate of fat loss in many cases, you know, thermogenesis related to fat, and that was in *The 4-Hour Body*. A lot of people kind of scoffed at it. It's now since been in the *New York Times* probably half a dozen times. I think it was just written about a month or two ago, and it's extremely effective, and it's an example, like you said, of something that takes next to no time.

You take two bags of ice, put it in the tub, jump in for five minutes, and it can have a tremendous effect on you, not only for the subsequent, say four to five hours where you feel like you're on cloud 9 in many cases, where your mood and your mental performance is highly elevated, it's not subtle, to the longer term cumulative fat loss effects, which can be really

tremendous, I mean, tripling your rate of fat loss just by a very short intervention like that. So that would be one interesting example.

I've been looking at recently the opposite, which is using heat shock, so saunas for increasing growth hormone release in combination with types of exercises. So studying how the extremes impact your physiology is very interesting to me. The lucid dreaming is a fascinating subject. So for those people who aren't familiar, lucid dreaming is when you are dreaming and you become conscious of the fact that you are dreaming, and it doesn't have to be anything woo-woo. There's nothing woo-woo about it.

And they've demonstrated, I think it was at Stanford, they proved that it existed by having people memorize, before sleep, subjects, eye movement patterns because in REM sleep, your eye movement in the dream correlates to your physical movement when you're laying down. So they could do like left, left, right, left, left, right, right, and they could do that, and they could track with an EEG or other tools that they were in REM sleep and, in fact, sleeping. So like, okay, now I'm dreaming, just checking in with the researcher, left, left, right, right, etc.

When you develop the ability to extend your lucid dream experience – and there's a great book called *Exploring the World of Lucid Dreaming*, by Stephen LaBerge, that makes it quite simple, but there are exercises that you implement throughout your waking day, which are called reality checks, where you'll look at aspects of reality that change very frequently in a dream state, so complex patterns. If you had tiles that were laid a certain way longitudinally on the floor, you could look away and look back, and if it changes orientation, you're dreaming. If it doesn't, you're probably not dreaming.

If you look at a digital watch display, that will also – because you're constantly recreating a landscape in a dream, that will change if you look away and look back, and you start to develop, and this also pairs very well with something like transcendental meditation or Vipassana meditation, but you get to a point where you can go into a dream state and no longer view sleep as a waste of time – a lot of people do – and you can further reinforce or develop your skills while you're sleeping.

So the example that you referred to, you can get to the point where you're spending the vast majority of your REM sleep cycles awake in your dream, and what I did when I was a competitive wrestler, and I went to prep nationals and was an All American in my weight class, but one of my idols at the time was John Smith, who was an incredible Olympian and competitor, went on to then, I think it was Oklahoma State, and dominated as coach, really pioneered low leg attacks, and I would, in my dream

because I'd watch so many videos of John Smith, I would train with John Smith.

There was a very direct transfer of skill improvement from that state to subsequent practices, which is not that crazy if you think about it because there are many studies that have looked at, say, skiing aerialists, so the people who – different types of ski jumpers or divers, and looking at the impact of replacing a training session with visualization, and they see gains in performance, and that's exactly what you're doing when you are dreaming, but you get the benefit of sort of a simulated kinesthetic experience. So it's a fascinating tool that is really underutilized and underexploited, and it's fun. It's so much fun, which, at the end of the day, it's like, look, what are we doing this all for.

You get to a point when you're playing the game, and it is a game, and we all choose the games we wanna play, but it's like you get to the point you're like, okay, I've proven I'm really good at this. I'm able to meet my needs, I can certainly satisfy a lot of my wants, like what are the psychological states that I want more of? What are the psychological states that I want less of? The lucid dreaming is wonderful in the sense that it not only improves performance, it helps you develop present state awareness and it puts you into a similar state, if you practice lucid dreaming [inaudible] about the day you're doing these reality checks, what is that doing? It's like meditating for 15 seconds ten times a day.

So you develop a calmness and awareness of how you're feeling so that you don't make emotionally based decisions that are bad for you, and that translates very directly to investing, particularly for the stuff that I don't do much of. I mean, I tend to hold stuff for a long time in the private markets because that's my game that I've chosen to play because I know my lesser self will make bad decisions if I'm allowed to play in some of the sand boxes that you guys play in, but certainly, all the more reason for people in the hedge fund world if you're making daily or weekly or monthly decisions about positions and whatnot to have a consistent practice so that they can become the observer of their emotional self.

Raoul Pal: That's the question is how do you know? Because you identified, you know yourself and you know you wouldn't be a good [inaudible] trader, for example, but you know if you've got a longer strategic view, probably that's your skill set. How do you learn that because a lot of people don't get [inaudible] when certain people are good at certain types of things. How do you understand what you're good at?

Tim Ferriss: Tests. You throw a bunch of stuff against the wall and you see what sticks, and you see what you enjoy and you see what you dislike. In my particular case, I've actually, despite myself, done reasonably well in the

public markets with a handful of stocks that I've bought. I mean, Pixar was the first stock I ever bought and then there's a point where I bought Amazon. Amazon did really, really well, but in 2008 when everything was going, well, seemingly, if you watch too much television, going to hell in a hand basket, and I spend, just by the very nature of the blog with two million readers per month or so, I'm online a decent amount to write and communicate.

So I'm exposed to a lot of this noise, this Chicken Little, the sky is falling hysteria, for instance in 2008, and what I realized about myself is that if I can watch a chart of the value of my holding going up and down and Mr. Market is tapping me on the shoulder asking, are you sure you wanna hold this, would you like to sell, I really need you to sell, but wait, wait, wait, it just went down, maybe you should buy some more, you wanna buy some more, that monkey mind is very untrained in me. It is so poorly behaved and it's such a bastardly little saboteur in my mind, I need to create constraints that allow me to utilize my strengths while mitigating my weaknesses.

The way I do that is by investing in startups where I have an informational advantage, where I have a product advantage, and I can also poll, say, a million plus people who are 25 to 40-year-old males in metropolitan cities primarily on the coast who have high disposable income. I can get a very good read on those things, do a lot of front-end due diligence, make a decision, and then I'm locked in. That protects me against second guessing and making subsequent decisions that are gonna sabotage the good work I did in the first place, but I learned that by trying different types of investing.

Raoul Pal: So do you think maybe – you talked about journals before, which I think is an interesting concept because there's a certain intellectual integrity when you have to write it down and be honest with yourself, and I think a lot of people in investing aren't honest with themselves. I think it was [Inaudible] would say to me that the thing that he learns about what makes a good investor is to have your time horizon and your investment horizon the same. So your ideal time horizon usually is, I think the dollar is going to go up over three years, I'm going to put that trade on over two weeks.

That's wrong because it's a big mismatch, and it's all of that intellectual integrity about what you're actually trying to do and who you are, and then it allows you to do that, I guess, so then focus exactly where you know your strengths are.

Tim Ferriss: Definitely, and I think that journaling is one example I think has tremendous value, especially if you don't view yourself as a writer because what writing allows you to do – we call it journaling just so

people don't get intimidated – it is allowing you to freeze your thoughts in a form that you can analyze. You're not gonna take the time to record yourself for hours and go over it, but you can write two pages every morning, and what I would encourage people to do, particularly if you're dealing with the stresses of sort of a high pressure trading environment or investment environment, is write down their fears in words and explore those because it will clarify what they are.

Sometimes they'll end up unfounded, which can remove them as an influence that could lead to bad decisions or impulsive decisions. Other times, it will clarify ways that those risks can be mitigated, but when it's simply a five-second worry that is sort of on a loop that repeats itself every hour or two, you never get that level of resolution. So literally have some coffee, have some tea, five to ten minutes in the morning, just freehand write about what you're worried about for the day, what you're fearful of. It's hugely pragmatic. It's not just a self-indulgent, it's poetic exercise.

Raoul Pal: So what do you do – I've written that down and I've done it for a week. Now, how do I analyze that and how long do I need to do it before I've got a decent data set to deal with and what do I do with it when I've got it?

Tim Ferriss: Well, this is a good question. So I thought when I started doing this that the value would be in spotting the patterns, going back and analyzing, and there is value in that, but part of the value is you're taking these muddy, distracting thoughts and imprisoning them on paper so that you can get on with your day and act analytically and effectively without irrational concerns affecting your rational process.

Raoul Pal: So you're just taking it out of your mind, plunking it over there for the time being?

Tim Ferriss: That's it, and it's surprisingly effective, and it's so simple.

Raoul Pal: Yeah. Some people do that at night. If you've got the night horrors and you're thinking about something, writing it down. It's out of your head and then you can –

Mark Hart: You know, one of the interesting things that you and Josh had me implement was, in terms of taking advantage of the subconscious mind, was feeding myself questions or problems to deal with before I entered into one of these periods like sleep or meditation or exercise. Can you maybe expand on that? I don't know [inaudible] –

Tim Ferriss: Sure, yeah, absolutely. I think that it is a wasted opportunity – there's just sort of different levels of processing and that ranges – there are many different ways to frame this. Daniel Kahneman, who wrote *Thinking Fast*,

Thinking Slow, talks about system one, system two. People talk about the conscious and subconscious, but if you look at – talking about pattern recognition, a lot of the breakthroughs, the sort of lateral or oblique discoveries that people make that are not obvious, they often happen in the showers. They often happen when listening to music. They often happen when daydreaming. They often happen in the middle of the night in a dream, etc.

You can encourage that by prompting that level of processing with a question before you go to bed, which is why, when I journal, it's typically five minutes first thing in the morning, five minutes before I go to bed, and I also do a little bit of sort of postgame analysis on the day at the end of the day, but that's another very, very simple approach for allowing those idle CPU cycles, as we think of them as idle when we're sleeping, although it's not totally accurate, to have a problem to chew on. It's almost like when what some people are doing with distributed technology now, where you might have, say, you're trying to borrow computing power to look at protein folding.

So Sony will make the PS3's in a distributed fashion, if people opt in, available for that type of offline processing when they're not in use for Call of Duty or whatever. So when you're not in Call of Duty, i.e., your job, you can assign a problem in a very similar way to an extremely power computer, which is your brain, to work on while you're asleep. It doesn't always produce breakthroughs, of course, but it's a fantastic practice to get into, and it's also something that really doesn't take any extra time. It's not an additive activity. It doesn't displace anything else.

Mark Hart: One of the things I wanted to make sure we got in this interview is a little bit about yourself, and specifically there's an excellent book you've probably read, Robert Greene's *Mastery*, and in it, Greene says there are kind of three stages to mastery, and the most important is the first one, which is identifying your calling. I look at you. You're a world-class ballroom dancer, martial artist, life coach. I mean, you seem to have mastered so many different things. What's your calling? Where does it all come from? Is this cultivated?

Tim Ferriss: It's definitely cultivated. So the calling I think is studying meta learning, so teaching people how to learn or learning how to learn. What is the framework that can be imposed on any skill? That is my calling is to study that, test that, research that, and then hand that tool kit to as many people as possible, and it's absolutely a learned skill. I remember when I was in high school, I had to leave my Spanish class because it was too hard for me, and I concluded I was bad at Spanish and bad at languages, and a lot of people make these decisions in junior high or high school they carry with them for the rest of their lives. They have someone make fun

of their singing, oh, I'm a terrible singer, I can't sing, and they carry that for decades.

So for me, that happened with language learning, and then I took a year abroad in Japan as an exchange student, and I had – it wasn't an optional activity. I had to learn Japanese. I was going to a Japanese high school, and I used Judo textbooks, and I deconstructed ways of approaching characters so that I could learn how to read and write and came back, and I realized that I had gone from Japanese One to Japanese Level Six at my high school in six months, and I was like, okay, well, now I need to really reconsider this bad at languages conclusion that I reached. I wasn't bad at languages. It was that I had a bad set of instructions. I had a bad recipe.

So I think my calling is to master the art of meta learning because there are people who will look at the various areas in which I experiment. It sounds like, all right, he's taking muscle biopsies and implanting glucose monitors and spending time with [inaudible] chemists, and NFL [inaudible] trainers, and then he's doing the startup stuff, this guy's a jack of all trades, and on some level that's true, but what's missed when they – they miss the layer on top of that, which is the meta learning. There is a common thread and there is a common goal, which is figuring out what are the untested assumptions, what are the best practices that I can test that I can even attempt the opposite of?

Like the dead lift, perfect example. You have people who will say, well, your strongest range of motion is from the knee up, so you wanna do rack pulls and all this stuff, but you find someone like Barry Ross in Los Angeles who's produced multiple world champions, and he pulls from the floor up to just below the knees, just a few inches and then they drop the bar, and they do that two to three times, that's a full set. They do less than five minutes of total [inaudible], and I put almost 120 pounds when I dead lift in eight to ten weeks.

Mark Hart: It's the same thing, on your recommendation in fact.

Tim Ferriss: Yeah, it's insane. It's insane, and I would encourage – and Socrates would say the same thing. This is not a new recommendation, but for people who really want to open their mind to what is possible in every sphere of their lives, particularly if you're male, but not exclusively, get extremely strong. Read, and I'm sure you can find what people have talked on online, with the effortless super human chapter in *The 4-Hour Body* on the dead lift. You will not gain a lot of mass, probably less than ten pounds, and you could add like 100 to 200 pounds on your dead lift. Do that and the lens through which you view everything will be different. It will be looking at the matrix.

I think that one of my guiding tenets, if I had one, would be a quote from Mark Twain, which is whenever you find yourself on the side of the majority, it's time to pause and reflect. So when you've reached a cheery consensus of any type, it's time to be like, oh, wait, time out, and ask what do we all believe is true and run through and just ask, for each of them, what if the opposite were true.

Raoul Pal: A question I want to ask is, so if you spend so much time analyzing improving, when do you get to the state of equilibrium because otherwise, you end up with your monkey mind focusing on you and trying to tweak little bits and pieces. When do you get to the point where you say, okay, I've got to the kind of status quo, or is there no status quo? Is it all about constant improvement?

Tim Ferriss: I'm very aggressive and very competitive. I think that – there's sort of a subtext to that question that I think is important, which is related to satisfaction or dissatisfaction. I don't think that seeking constant improvement and dissatisfaction have to go hand in hand. So I feel like if you're not getting stronger, you're getting weaker. If you're not getting younger, you're getting older. If you're not getting further away from death, you're getting closer.

Raoul Pal: There's no equilibrium?

Tim Ferriss: Like the biological system generally doesn't work that way. I mean, there are some forms of homeostasis the body seeks to achieve, but I think that I'm constantly trying to improve. It doesn't mean I'm trying to improve everything, but I'm trying to improve something. However, the lucid dreaming, some type of mindfulness practice, which can be jiu-jitsu, it can be transcendental meditation, it doesn't need to be staring at a candle flame in your mind's eye. That's not designed for everyone, although you can use Apps like Head Space or Calm, which are very effective for people who otherwise can't sit still for ten minutes.

When you allocate time for some type of appreciation, that is how you reach equilibrium, with the drive for achievement. When you find someone who is solely focused on achievement and has not created the band with or time or activities for appreciation, they're usually pretty miserable. I mean, I'm sure you guys know a lot of very successful, financially successful people. Certainly, I know lots of very financially successful people who are utterly miserable, and I think the danger in pursuing that game exclusively is that you get to a point where you have all the money that could possibly solve your problems and you realize that it doesn't solve all your problems.

Raoul Pal: So you're solving the wrong problems?

Tim Ferriss: And that's why I think some of the richest people are the most miserable because when people have less money, they can hold out with the hope that money will fix these intrinsically, sort of existential or physical or emotional or psychological problems, but when you reach the pinnacle, then you're like wait a second, I still have this whole set of problems. I thought that an extra X amount of dollars per year would have solved this. Low and behold, no, you still have the work to do. So I think that developing a holistic set of practices that appreciates the full human, including the body, which is – it is your machine. You can't just take care of the driver, i.e., the mind, like you need the Ferrari, so you should really care for it.

I think that the way you reach equilibrium or a sensation of balance is by having the appreciation and a set of activities and practices for that and then a set of activities and behaviors for achievement.

Mark Hart: Yeah, I think one thing I'd add to it is, and I think it's something that you and Josh have taught me, is just to love the process. So you're pushing, you're pushing, you're working, you're working, you're working, but it's not even stopping and smelling the roses, but it's enjoying the path and loving the path.

Tim Ferriss: No, absolutely, and I think that it's perhaps clichéd to say life is a journey, not a destination, but at the end of the day, I think from a very strictly pragmatic standpoint, you have to focus on the process because, due to good or bad luck, you can get a bad result after a very good process. You can get a great result after a very bad process, so your method of investing could be covering your eyes and throwing a dart at a dartboard with a list of companies on it, and you could get lucky and have a great outcome, but that doesn't make that a good process and vice versa. You could do all the research in the world, and there's some blind spot that you couldn't have identified and you end up with a bad result.

But the way that you end up, I think being proud of how you are building, is by refining and trying to have the most perfect process possible. That also, I think, prevents a lot of the depression and malaise that can come from bad outcomes, which are just part of the game.

Raoul Pal: Yeah, and particularly financial markets. What's interesting in financial markets is losing. Even if you lose only a small amount of the time, that losing part, the pain of that far outweighs the benefits of when you're actually making any money.

Tim Ferriss: Yeah. There's a really good book called, that I enjoy anyway, called *What I Learned Losing a Million Dollars*, which looks at sort of the

psychological dynamics of making and losing money and what happens when you personalize this or attribute to talents what should not be attributed to talent, or lack thereof, but what I realized, for instance, when we were talking earlier how I realized I was not well suited for the public markets, personally, if I'm the one doing the managing of that, is I realized exactly that, but a small loss, the magnitude of that negative emotion was exponentially larger than even if I made five times that amount positively.

As a result, I didn't have the stomach to invest enough where a reasonable rate of return would be meaningful to me, and I was like, on the pro and con list, that makes that ill-suited to my temperament in psychology, but very oddly enough, people might say, well, you don't have the risk tolerance. No, no, no. I don't have the appetite for that type of risk, but I can do a binary investment and a startup where it's gonna be zero or 10 X or 100 X, and I have no problem with that. Much more comfortable with that because between the investment and the outcome, I'm prevented from making bad decisions.

Raoul Pal: Yeah, that's right because in private investing, you don't get the choice of market to market. You don't have to worry about am I losing 10 percent today, tomorrow, whatever it is. It's just like, I'm in it for the ride, I've made my decision, and the payoff is that, the loss is done, that's it, I'm done.

Tim Ferriss: Exactly, and I think investing is a good metaphor for life. I mean, it's allocation. It's allocation of resources and sort of bringing it back to what we were talking about earlier, it's a mistake to view your primary and only currency as capital. I think time and mobility, these all determine the actual value of your capital because if you don't have time, you can't exchange that money for –

Raoul Pal: And what's your – the capital. Your capital is your quality of life, I guess, in some way, shape, or form, and all of those are the currencies that you would trade for that?

Tim Ferriss: Yeah, yes, absolutely.

Raoul Pal: Great. Tim, well, thanks very much, and Mark, thanks a lot. I think it's been really fascinating.

Tim Ferriss: Yeah, my pleasure.

Raoul Pal: Thoroughly enjoyed it.

Tim Ferriss: Thanks for having me. Absolutely. Cheers.

Hope you enjoyed that chat everyone, and if you'd like more on investing, hedge funds finance, etc., etc., you might enjoy a number of the interviews that I have done for *The Tim Ferriss Show*, including Peter Teale, who is the co-founder of PayPal, first money into Facebook, or Arnold Schwarzenegger on his real estate empire and how *Twins* became his most profitable movie, for instance, for him personally. You can find all of that at 4hourworkweek.com/podcast, 4hourworkweek.com/podcast, and then for Real Vision, Real Vision TV, that's what you just listened to, go to realvisiontv.com, and if you use the code Tim, T I M, you can get \$100.00 off, so it's not \$400.00 a year, it's \$300.00 a year. I don't make anything from it. I just think they're doing very interesting work, so realvisiontv.com, code Tim, and as always, thank you for listening. Talk to you soon.