

FITBIT OR JUST A BIT FIT

..... WHAT IS YOUR REAL OBJECTIVE?

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Google the word Fitbit and you are presented with the JB Hi-Fi website with the tagline “Track your activity and look great doing it with JB’s Fitbit range.” But does Fitbit monitoring achieve more for your health than just stylishly protecting your wrist from sunburn? If weight loss is the objective, then you may be better off without monitoring the wrong thing - research says that people tend to lose the same if not less weight if they have a Fitbit.

Whilst you may receive that warm fuzzy feeling for hitting your step count, if your actual objective is to lose weight or improve your fitness, shouldn’t you be measuring that instead? The problem with Fitbit is that they aren’t monitoring the right thing. The golden figure of 10,000 steps was chosen as a marketing ploy. To truly improve fitness, the science points to high intensity interval training. And for weight loss, it’s about reducing calorie intake. Results take education, discipline and commitment, rather than mindless monitoring of marketing construct.

So, what is your real health objective? Is it the feeling of monitoring wrong thing, in this case 10,000 daily steps, or is it the number on the scale in a years’ time? The same can be said for your investment’s health, are you monitoring the wrong thing like volatility, short-term correlation or monthly returns, or are you looking at your annual returns after fees? Like the 10,000 steps/day fallacy, volatility, short-term correlations and monthly returns are fallacies when it comes to achieving most people’s investment objective which is long-term wealth creation.

Before we focus on investments, let’s quickly study whether the 10,000 steps/day goal is beneficial in staying fit and losing weight. You might be surprised to hear the goal was the result of a 1960s marketing campaign in Japan. In the run-up to the 1964 Tokyo Olympics, a company came up with a device which they started marketing to the health-conscious. It was called a Manpo-Kei. In Japanese, "man" means 10,000, "po" means steps and "kei" means meter. So, it was literally a 10,000 steps meter.

The device was an early pedometer, based on the work of Dr Yoshiro Hatano, a young academic at Kyushu University of Health and Welfare. Dr Hatano was worried that the Japanese were busy importing a slothful American lifestyle, as well as a love of watching baseball, and wanted to help them get more active. He believed that if he could persuade his fellow Japanese to increase their daily steps from 4,000 to around 10,000 then they would burn off approximately 500 extra calories a day and remain slim. That, apparently, was how the "10,000 steps a day" regime was born. It was clearly a great marketing success given it is now loaded onto every Apple and Samsung phone and activity tracking device. But is it still the most effective way to improve our fitness?

In three recent independent studies, the 10,000 step/day goal has been either entirely debunked or found to be inconclusive as a way of losing weight and/or increasing fitness. If there were any conclusive studies as to the validity of the 10,000 steps, we would see it plastered on every Fitbit device advertising campaign.

The first study conducted by Professor Rob Copeland of Sheffield Hallam University pitted one group who walked 10,000 steps per day (approximately 5 miles) against second group who completed 3 x 10-minute brisk walks (approximately 1.5 miles) per day. The study uncovered two findings.

Firstly, the group who undertook the 10,000-step routine all struggled to reach their daily target whilst the 3x brisk walk group reached their daily target with relative ease.

The second finding was whilst the second group of brisk walkers completed less than a 1/3rd of the activity of the 10,000-step group, they actually did 30% more 'moderate to vigorous physical activity' than the 10,000-step group, even though they moved for less time. Prof. Copeland stated "It's when you are doing moderate intensity activity that you are starting to get the greatest health benefits." So even though the 3 x 10-minute group spent less time actually moving, they spent more time getting out of breath and increasing their heart rate.

The second study was called "Effectiveness of activity trackers with and without incentives to increase physical activity (TRIPPA): a randomised controlled trial" funded by Singapore's Ministry of Health. The authors believed that despite the increasing popularity of activity trackers, little evidence exists that they can improve health outcomes. They aimed to investigate whether use of activity trackers, alone or in combination with cash incentives or charitable donations, lead to increases in physical activity and improvements in health outcomes. The summary of the study was there were no improvements in any health outcomes (weight, blood pressure, etc.) at either assessment.

The third study conducted at the University of Pittsburg of 471 participants also concluded "Among young adults with a BMI between 25 and less than 40, the addition of a wearable technology device to a standard behavioral intervention resulted in less weight loss over 24 months. Devices that monitor and provide feedback on physical activity may not offer an advantage over standard behavioral weight loss approaches."

HOW DOES THIS RELATE TO INVESTMENT OBJECTIVES?

Like weight loss and fitness, to truly improve investment returns, the empirical evidence points to education, discipline and repeatable processes, rather than the mindless monitoring of daily news, monthly drawdowns, short-term correlation or single figure 'risk' metrics.

Many of the performance and more egregiously, risk measures, have been passed down from colleague to colleague and manager to colleague without the junior member ever questioning or verifying the information provided. Last year I was fortunate enough to sit down over a cup of tea and again over a beer six months later with the person who invented, for a better word, the VaR risk metric so commonly employed by the vast majority of Asset Managers and Investment Banks. Trillions of dollars are being measured to this metric in what he describes as the most appalling way. The measure was never intended to be a primary risk tools utilised across multiple asset classes over multiple timeframes. It was originally designed as a 14-day risk measure for managed futures, not the all weather risk metric it is being used as today.

SO, WHAT'S THE SUMMARY?

It is time to stop listening to the so-called intellectual orthodoxy and start conducting meaningful investigations into the mathematics and science of investment. The pseudo-science of short-term performance measurement, short-term correlation and that fund or market volatility equates to risk is no better than the Manpo-Kei of the 1960's to health and fitness. For an example, look up the three

possible reasons for a permanent loss of capital as highlighted by Ben Graham when investing in equities.

Also, don't be afraid to ask your fund manager probing personal question like when was the last time he or she deviated from their investment strategy and why. Believe it or not, it occurs more often than you think and by the way, the outcome is material.

If Ben Graham, the father of security analysis was alive today, he may just shake his head and let the market participants continue their folly. Or he may just release a new book called "Foolish investment theories I have witnessed" to debunk many of today's investment orthodoxy.