

# Twitter Thread by Ram Bhupatiraju



**Ram Bhupatiraju**

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Phenomenal article/compilation on "The Biggest Mistakes Investors Make". h/t [@manualofideas](#) [@JMihaljevic](#) ■

cc: [@dmuthuk](#) [@Gautam\\_Baid](#) [@saxena\\_puru](#)

## My fav pts in the thread below

Lot of great points on the importance of having a strategy, process, discipline, patience, self-reliance, awareness of risk, biases/emotions, learning from mistakes & more.

Mark Cooper, portfolio manager at First Eagle:

"...it's really about investors not being comfortable in their own skin, and they tend to chase things that are maybe the latest fad or whatever is hot today. And you have to have patience and stay the course of your investing philosophy, but you also can't be afraid that you're going to miss something. And as investors become more experienced, hopefully they become more comfortable with what they know and what their circle of competence is. Don't worry so much about what's outside that but you just want to narrow down the investible universe or what you can possibly follow and what you can know, and focus on that. And if the opportunities present themselves take advantage of it. But if you're always worried about what somebody else is doing or what might work the next three months or what's going to work between now and year end, changing your roadmap gets people in trouble. [...]"

Barry Paslikov, managing member of Hazelton Capital Partners:

"[The single biggest mistake is the absence of] discipline. Investing is easy to understand, but challenging to execute and that challenge comes in the form of remaining disciplined. All investors begin their journey with only the best of intentions, but frustration, and temptation, mixed in with a little self-doubt can lead anyone astray. There are four disciplines that I rely on to guide me down the value investing path: 1) stay true to your strategy; 2) recognize overconfidence; 3) control your emotions; and 4) patience. [...]"

Lisa Rapuano, portfolio manager of Lane Five Capital Management:

"[The single biggest mistake is] being human? Seriously. The most important thing to do is to understand your own temperament and skills, to develop a plan and to stick with it. But human nature is to go with what feels good, to look for social proof and to act out of fear and greed in times of stress. Developing an understanding of how you personally react to things and creating a structure around yourself that helps you optimize your strengths and minimize your tendency toward error is a huge advantage. Unfortunately, everything seems stacked to work against us. Even as professionals, the structure of the industry creates pressures to conform to stupid ways of investing because either they gather assets or they at least don't get you fired. For individuals it's even worse. It takes a lot of work to remove yourself from all the noise and the pressure and you still make mistakes. On the other hand, this is what makes our business so wonderful: you can always get better, you can always learn more and it's never, ever boring. [...]"

Simon Denison-Smith, co-founder of Metropolis Capital:

"...investors who are not undertaking sufficient analysis and due diligence in each position they invest are taking significant risks. A lack of deep understanding of a position leads to two specific challenges: 1. It is much more difficult to have a conviction of what the fundamental value of the stock is without this, which makes it psychologically more difficult to buy when the market delivers a compelling price and to have the discipline to sell when the market is over-exuberant. 2. It makes risk management much more difficult, particularly spotting when something fundamental has changed within the business. In the last 3-5

Richard Cook and Dowe Bynum, principals of Cook & Bynum Capital Management:

"While we would typically list a few (e.g., having a short-term perspective, overestimating the strength and longevity of competitive entrenchment/advantages, investing with inadequate information), the single biggest mistake has to be investing without a margin of safety (i.e. not buying a company at a large discount to a conservative appraisal of its intrinsic value). By the way, full credit for this idea goes to Ben Graham, who once wrote: 'Confronted with a challenge to distill the secret of sound investment into three words, we venture the motto, 'Margin of Safety.' There is a great quote that is generally attributable to the physicist Niels Bohr: 'Prediction is very difficult, especially about the future.' At its core, investing is about predicting the future cash flows of a business, which means that investors like us are inevitably going to make mistakes in their evaluation of the quality of a business or the people running it. An appropriate margin of safety serves to prevent permanent capital losses when an investor is wrong and provide outsized returns when he is correct. We only like to play the game when we know the odds are in our favor. [...]"

Brian Bares, portfolio manager of Bares Capital Management:

"My experience tells me that individual investors run into the most trouble with the simple things: saving habits, proper diversification, and sticking to their investment policies. My peers in institutional investing probably run into the most trouble when they mistake familiarity with excellence. You may know everything there is to know about an idea, but that doesn't necessarily make it a good idea. Also knowing when you have an edge is very difficult, but in my experience it is the critical factor that allows us to stand out in the ultra competitive world of institutional money management. [...]"

More ■■

**Ori Eyal**, founder of Emerging Value Capital Management:

*“The key to long-term wealth creation is not earning high returns. Rather, it is earning good returns while avoiding (or minimizing) the blow-ups. The biggest mistake that investors make is not investing in a conservative enough manner. The world is a dangerous place for capital. Inflation, expropriation, revolution, currency devaluation, industry declines, wars, natural disasters, depressions, market meltdowns, black swans, theft, fraud, and taxes all pose a constant and lurking threat to growing (or even just maintaining) wealth over time. In any given year, the probability of disaster is small. But over many years and decades anything that can go wrong eventually will. [...]”*

**Aaron Edelman**, founder of Sabre Value Asset Management:

*“[The single biggest mistake that keeps investors from reaching their goals is] themselves. For investors, the combination of emotion, fear of loss, greed for gain, how your brain works are all so important and few pay attention to it. I think knowing yourself —what are your weaknesses and your strengths—is critical to being a good investor. I work on it every day. [...]”*

**Zeke Ashton**, portfolio manager of Centaur Capital Partners:

*“There are a probably an infinite number of ways one can screw things up. But I think one can capture a very large percentage of the possible mistakes under one broad roof by saying that a lack of a coherent investment strategy that makes sense and can be followed with discipline and perseverance is the biggest mistake investors make. Without an intelligent framework for making decisions, it’s awfully hard to succeed. [...]”*

**Ken Shubin Stein**, founder of Spencer Capital Management:

*“...all investors can benefit by keeping an investment journal and using checklists in doing their research. These two very simple tools not only will help keep people focused on their goals and sticking with their strategy, but they will also help them avoid mistakes out of impulse. They will also protect investors from some of the cognitive biases to which we are all subject. In the checklist, it’s possible to put not only the steps necessary to do the research as well as lists of mistakes or problems that occurred in the past and should be avoided, but also a list of cognitive biases. This allows the investor to check with him or herself and to think about whether there are forces at play that may be activating some cognitive biases, and if so, to consider those. [...]”*

**Guy Spier**, chief executive officer of Aquamarine Capital Management:

*“The biggest mistake is when we as investors stop thinking like principals. I think that when we think as principals, when we apply Ben Graham’s maxim that we should treat every equity security as part ownership in a business and think like business owners, we have the right perspective. Most of the answers flow from having that perspective. While thinking like that is not easy, and most of the time the answers are not to invest and to do nothing, the kind of decision-making that flows from that perspective tends to be good investment decision-making. [...]”*

**Igor Lotsvin**, portfolio manager of Soma Asset Management:

*“[The single biggest mistake is] reacting to noise in the market and becoming emotional. Markets are often highly irrational over short periods of time – investors need to have their own assessment of a given situation and not be slaves to the market.*

**Don Yackman**, president of Yackman Asset Management, on how to deal with investment mistakes:

*“When one makes a mistake, admit it, learn from it, move on, and try to improve on what the mistake was so that we don’t repeat it over and over again. [...]”*

**Mark Massey**, fund manager of AltaRock Partners:

*“Several things come to mind as I think about it... making emotional decisions... short-term thinking instead of long... a lack of thoroughness in due diligence... These are all issues, but I think the best answer to the question is a little more subtle... and it’s that most investors fail to properly weigh and adequately take into account that they are players in a pari-mutuel betting game. So you probably know what I mean by that, but let me elaborate. So most people know how horse betting works, right? So before the race begins, all the bets are tallied up, and based upon all the bets, the odds are calculated... and so what ends up happening is that the top horses – the ones with the best pedigrees, the best jockeys, and the best track records – end up paying out very little profit when they win, which is most of the time. And while the payoff can be great when the worst horses win, the fact is, they rarely do. Investing is very much the same. Great businesses – the ones that have demonstrated competitive advantages and which have enjoyed long records of success – are almost always priced very expensively, while poor businesses are almost always correctly cheap. Consequently, it is hard to do better than average betting on either. The secret to winning in horses and in securities is the same. You need to study like mad and be really patient. Every now and then you will come across a really great business (or horse) that for one reason or another is mispriced, sometimes severely so, and this is when you invest (make a bet). The rest of the time you just keep working hard and waiting. You only bet when you are convinced that you have a near cinch. [...]”*

## Some more ■■■

**Pat Dorsey**, chief investment officer of Dorsey Asset Management, on the mistake of confusing growth for competitive advantage:

*“...people mistake growth for having a moat. Anyone can grow. Anyone can grow by building new stores, by underpricing a product. That doesn’t mean it’s sustainable and as investors, we’re buying a future and so that’s sustainability that really matters.*

**David Steinberg**, managing Partner of DLS Capital Management, on mistakes in deep value investing:

*“You cannot be in denial, you have to be pragmatic. It’s pragmatism and recognizing that we are all human in our judgment, and we do make mistakes. Recognizing mistakes and being able to act on those mistakes to change course, which we would call basically flexibility, flexibility in thinking. As much as we need discipline and be able to maintain, we need to be able to identify when we need to change directions and have the flexibility to recognize that something has changed and be able to appropriately act on it. It’s a function of a different type of discipline. It’s discipline in recognizing a change in the winds.*

**John Lambert**, former investment manager at GAM:

*“Compared to most professions, investors suffer a distinct lack of useful information and feedback that would enable them to improve their processes and, ultimately, results. Knowing where and how to make small improvements across the range of skills required to deliver better returns is difficult to do, and consequently it is often put to one side and forgotten. This would be a mistake. A greater effort to understand one’s strengths and weaknesses as an investor, by deconstructing and measuring your process as thoroughly as possible, is something the thoughtful individual should constantly be striving for. Process analytics and improvement should be a core part of any investment process! [...]”*

**Mariko Gordon**, chief investment officer of Daruma Capital Management:

*“It’s very important not to be prejudiced and stubborn. You have to be open-minded but you also have to be very disciplined, and grounded, and firm too. [...]”*

**Jean-Marie Evellard**, senior adviser to First Eagle Funds:

*“[The single biggest mistake] is not being value investors. Admittedly, it’s difficult not to pay attention to—everybody has a Bloomberg machine or something—not to pay attention to daily changes in stock prices.*

**Brian Boyle**, chief investment officer of Boyle Capital:

*“The biggest [mistake] I see is overconfidence. The markets have a way of taking care of that though. This can be a very humbling business and it is important to remember that. [...]”*

The last year has delivered great results to many Portfolios but Market conditions are always changing and it's important to ensure the Process and Portfolio are built to withstand whatever the Market throws at it in the short-term and sustain & succeed for the long-term.

"Even as learning from past mistakes is easier said than done, there is no path toward improvement unless we attempt to learn from our mistakes — and those of others."

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