

## Twitter Thread by Ram Bhupatiraju



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### **Good Investing Checklist that goes thru Basics, Financials, Valuation & Behavioral factors. h/t Nicole Seah (not sure if it's @startingfromnix)**

#### 1.The Story

Do I understand the business?

Do I believe in the mission?

Moat?

How well do I trust Mgmt?

Do I know the key risks?

Do I have an idea why the company is trading at a discount to its intrinsic value?

What are the potential catalysts?

Is there room for future growth?

#### 2. Financial Metrics

Financial statements and footnotes

Cyclical, countercyclical?

Inflation impact

Operating Leverage

Assessing Working Capital + Capex

Trends in Revenues, Margins, Cash flows...

Recent investments, acquisitions?

#### 3.Valuation

Relative Valuation

DCF

Good pts on few of the behavioral biases to watch out for ■

## Behavioral Traps to Investing

Here's an interesting collection of behavioral biases that can crop up before, during, and after the investment process.

Stage	Trap
Investment Philosophy	Overconfidence Availability Heuristic
Data collection/screening	Confirmation Bias WYSIATI (Kahneman) What You See Is All There Is
Research and Analysis	Anchoring (when you have a ballpark number you fixate around that number) Recency Confirmation Bias
Portfolio Construction	Loss avoidance/regret aversion Over Conservatism Self-control Gambler's Fallacy (I'm on a 'winning streak')
Feedback and Reflection	Hindsight Cognitive Dissonance Self-Serving Bias (it was me, and not luck) Endowment Effect (When we consider an asset that we already own as more valuable than similar assets that we don't. Aka the divestiture aversion)

It's good to have a short thesis and few other details written down after the initial purchases, so that you're clear on what to track and be objective in follow ups.

## After Buying the Stock

Write a short, dated, one-pager summarizing the main thesis for the stock and industry. Fill in the relevant information such as

- Main Thesis + Valuation Price
- Date + Price of Fill
- Industry overview
- My anticipated "Margin of Safety"
- Risk Factors
- Update to understand what made the market re-value the stock that was previously undervalued (or not!)

Notes to self: Avoid the self-serving bias – if a stock performs well, it may not be sheer skill and often comes down to luck. Do not hesitate to sell if 'The Story' of the stock changes drastically. Refer back to the one-pager after some time to add new points to the checklist. It's all about learning :)

The author's Medium page ■

<https://t.co/9yKiGjIFy2>