

Twitter Thread by Intrinsic Compounding



Intrinsic Compounding

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Commandments of Investing Success!

Some of the key principles of investing that have helped me in my journey.

Retweet for Max reach!



Commandment 1

Investing is a game of probabilities and not a game of possibilities. First thing that is the most important is to adapt your investing philosophy to your own circumstances. Eg:- if you are able to give less time to research then it is foolish to buy

concentrated positions or companies that are just emerging with a higher allocation.

Commandment 2

This is the one where I have been burnt in the past. Hopefully I have learnt my lesson, always pencil in conservative growth estimates. Let the business beat your low

expectations and then take a victory lap. At the end you are here to compound your capital and not look like a hero.

Commandment 3

Have both concentration and diversification work for you. Make a portfolio of 12-20 stocks. Look for different themes. Concentrate in your top

Positions (10-11 stocks) and the other stocks should be like football players who are warming the bench and willing to play as soon as they get on to the pitch to replace any stock (one) who is injured or cannot continue to play.



Commandment 4

Remain objective. Do not fall in love with the management or the stock. Very few managements will tell you things as they are (eg:-Arman Financial). Others are driven by Incentive caused bias. Keep your love for family and friends+objectivity for stocks.

Commandment 5

All charts or fundamentals that arise are from the underlying business and the way it performs. Make your business understanding such that you can judge when the business is going through headwinds or tailwinds. Eg:- Investing in APL Apollo when they went

through a period of inventory losses or in Deepak Nitrites case when phenol spreads were suppressed. My order of Priority:

1. Business Analysis: everything starts here
2. Simple Technicals: Price/vol action & Moving Averages (still learning)
3. Fundamentals (lagging indicator)



Commandment 6:

There will be a few monster winners (5-6x) in your Portfolio. The trick is to let them run and be a bit lenient about them if the underlying cash flows are rock solid. Eg:- as in the case of Navin Fluorine where inspite of the RM or freight issues the margins

have sustained. In other cases like Laurus, the business still fully hasn't emerged as they haven't reduced the dependence on ARV's completely(54% of revenue). I do concur it will be one of the best pharma co's once this dependence goes below 30% and other engines fire.

Commandment 7:

Why do people have different results in the same stock?

The answer lies in 4 decisions: Buying, holding, selling and the ability to understanding yourself. If you are generally impatient as an individual,you aren't likely to hold a stock post a quarter or two

of underperformance. The trick is to make your investing fit you as a glove. The investors who know themselves and how they will react to a given situation are already way ahead in the game.

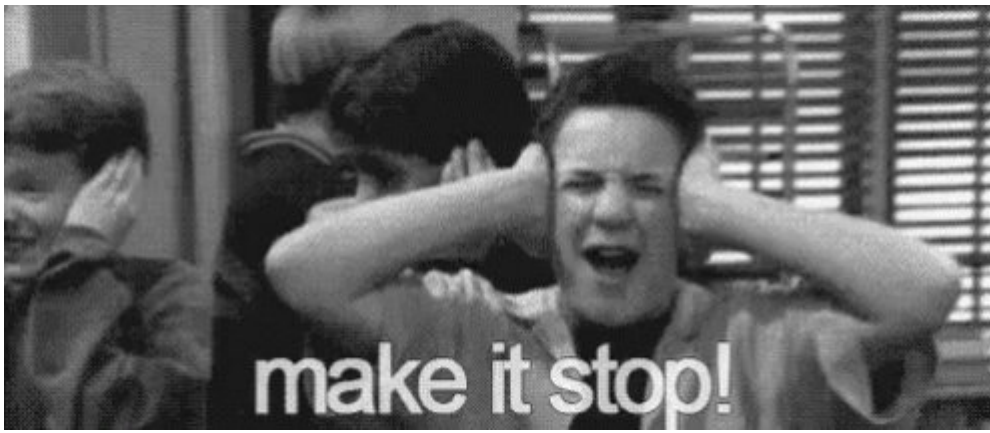


Commandment 8:

Some of the best ideas when you look back at them will be the ones where you had the willingness to be lonely. Eg:-A friend of mine laughed when I discussed Saregama with him in Jan this year or when there was consensus that Pi Industries moat is finished in

2017-2018 timeframe when industry went through a period of headwinds. Recent example is the way API/chemical industry is going through headwinds. This is the point of time where noise is the maximum as the initial naysayers who missed the rally, will try to distort

you or your thesis. Listen to facts, distinguish noise from the signal and then act. Don't act because of the noise



Commandment 9

Understand the nature of the business and your thesis. Selling becomes relatively easier when you do. It's okay to be wrong sometimes as we are dealing with probabilities. No one in the world of investing has a 100% track-record. Majorly money is made on a few bets.

Commandment 10

As Peter Thiel says, that the real contrarians are the one's who think for themselves and do not necessarily agree or disagree with the crowd. Learning how to think for yourself and being humble are two key traits for surviving over a long period of time in

the world of investing. Be humble or get humbled by Mr. Market.

Always reminds me of this video ■■■:

<https://t.co/Cjr51ct0L8>

Disc: invested in most of the names mentioned above. Use these only to illustrate my point of teaching through case studies. Not SEBI registered, not a buy/sell