Twitter Thread by Vidya

Vidya
@VidyaG88

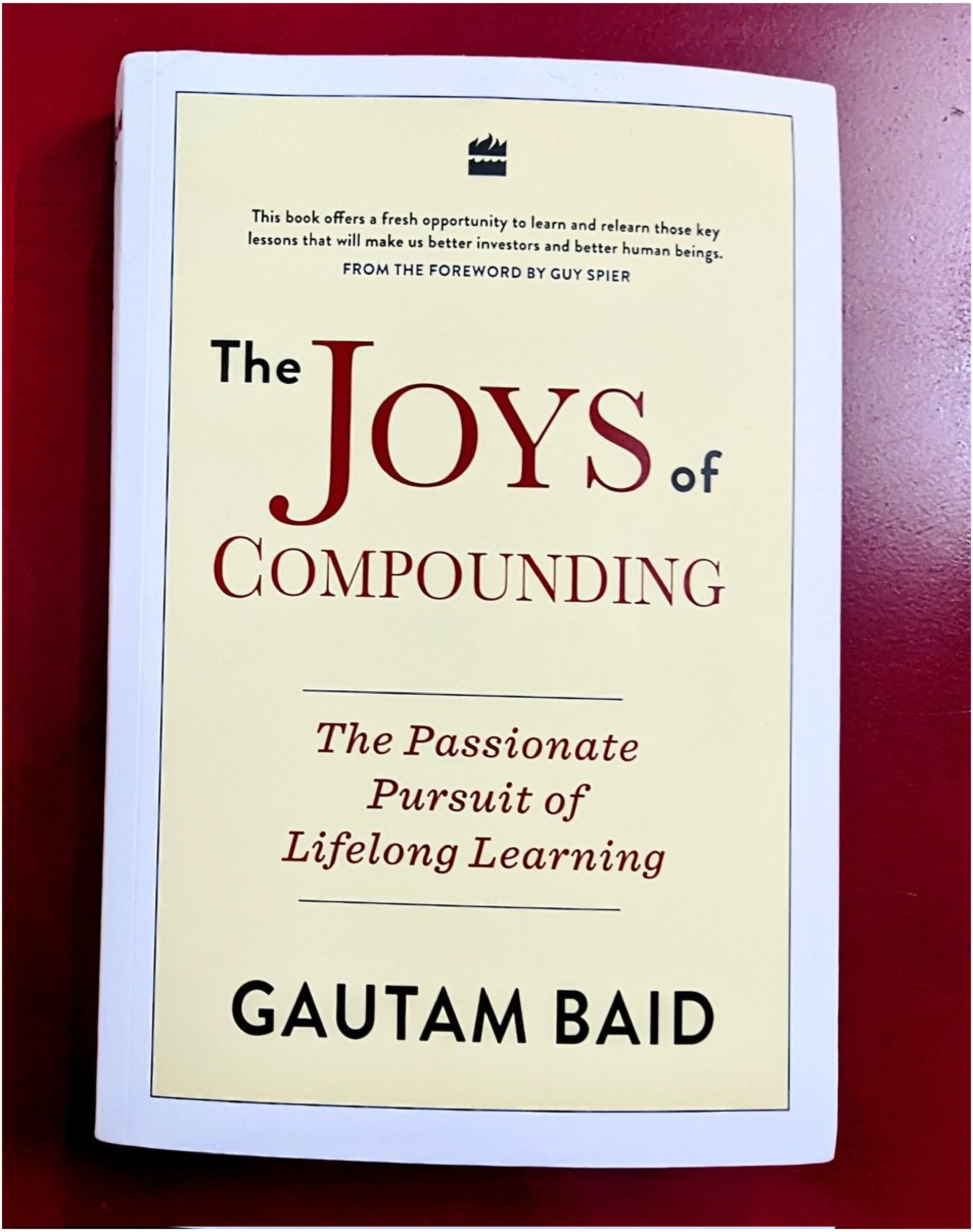
1/25

Some books within minutes , force you to ditch the e-version of kindle & buy the hard copy instead !■

The Joys of Compounding is one such ■
Content (Curation + Creation) at its finest !

Compressed JUST A FEW takeaways in this ■

#BookTwitter
#BookRecommendation



2/25

Invest in yourself. Read.

Self educate. Think in isolation !

Everything in life can teach you when you possess the right mindset.

Read across a wide spectrum,for the scenes change but the behaviours & outcomes don't.

How to go about #READING & #THINKING effectively.

■

Takeaways from

The Joys of Compounding

Read a lot. But remember 3 things:

① Be concerned about the accuracy & relevance of the information you store.

② We must have the ability to retrieve that information on demand.

③ Ensure the ability to apply it when needed.

Having a repository of information in your mind is pointless, if you can't find & apply its contents.

Almost everything is recycled historical knowledge.

Odds are that no matter what you're working on, someone, somewhere, who is smarter than you has probably thought about your problem and put it into a book.

The more you read, the more you build your mental repertoire. Eventually when faced with challenges, one shall be able to draw on this dynamic inner repository AKA "Latticework of Mental Models".

, NJ

First Principles Thinking requires us to delve deeper & question everything until one is left with the fundamental truth in essence.

Deconstruct to effectively
Reconstruct ! (Both in times of Greed & Gloom)

How to apply it to the field of #ValueInvesting
■

Paraphrasing

Application of FIRST PRINCIPLES THINKING to the field of Value investing

1) Look at stocks as part ownership of a business.
2) Look at volatile stock price fluctuations as your friend, rather than enemy.
3) The 3 most important words in investing c "MARGIN OF SAFETY".
4) Evaluate any news/event ONLY in terms of its impact on
   - → Future interest rates
   - → Intrinsic Value of Business.

5) Think in terms of Opportunity Cost when evaluating new ideas.
6) Think probabilistically rather than deterministically as future is never certain.
7) Never underestimate the power of incentives.
8) When making decisions, involve both sides of brain.
9) Engage in Visual Thinking.
10) Invert, always Invert.
11) Always learn from others. Stay humble.
12) Embrace the power of Long Term Compounding.

- M

4/25
Know the difference between Being Rich & Staying Rich.

Quite a few become rich , FEW maintain it - For it requires humility , gratitude & a constant learning mindset.

Think probabilistically.
Consume content wisely.
Apply #LindyEffect to learning.

Some pointers
■

BECOMING RICH VS STAYING RICH

As Morgan Housel writes,

The more successful you are at something, the more convinced you become that you're doing it right.

The more convinced you are that you're doing it right, the less open you are to change.

The less open you are to change, the more likely you are to tripping in a world that changes all the time

Nothing is ever certain.
Approximate statements & different degrees of certainty require us to think probabilistically.

ASK YOURSELF OFTEN,

"What is the probability of this scenario vs Another and How does this piece of information affect my assessment of value?"

Even with highest conviction, leave room for doubt.

- MY

5/25
Some #TimelessWisdom

Don't sulk on missing out on trophies or fame.

Enjoy life's tiny delights .There are plenty for all of us !

For one day when we look back we shall realise that it was the little things that mattered the most ! ■
■

TIMELESS WISDOM

① "It is not that we have a short time to live, but that we waste a lot of it. Life is long if you know how to use it."

— Seneca

It is a sad irony that it often takes us a lifetime to learn to live in the moment.

② The best things in life are Experiences

③ Listen to Steve Jobs — 2005 Stanford commencement speech.

Your time is limited. So don't waste it living someone else's life.

Don't be trapped by DOGMA. Have the courage to follow your heart & intuition. They know what you truly wish for.

④ Try to make your own "Regret Minimisation framework"

(if you are unaware read it)

⑤ Engage in deliberate practise.

— MJ

6/25

My fav !!

This one is on #Simplicity & Occam's Razor concept.

■■Remember Warren Buffett's Golden Rule for successful Investing.

Rule 1- Never lose Money.
Rule 2- Never forget Rule 1.

■■As Munger says ,
"Take a simple idea & take it seriously."

Some v.imp pointers
■

The Simplest Solution often tends to be the best.

① Occam's razor is a principle of parsimony, economy or succinctness used in logic and problem solving.

It states that among competing hypotheses, the hypothesis with the fewest assumptions should be selected.

Other, more complicated solutions ultimately may prove to provide better predictions, but in the absence of differences in predictive ability,

The fewer assumptions that are made, THE BETTER!

(NOTE TO SELF **)

Investing is NOT about being original or creative.

It is about looking for the greatest amount of value (for the price paid) + least amount of risk.

Putting in more time & effort doesn't necessarily yield better results.

Achieving Financial Independence opens up a plethora of choices.

The ABILITY to choose the way to spend one's TIME being THE most important one.

How to go about achieving #FI ?
It's simple (but not easy) & straight forward since time immemorial ■■■■■

■

ACHIEVING FINANCIAL INDEPENDENCE

Charles Dicken's in his classic "David Copperfield" wrote,

Annual Income – Twenty Pounds
Annual Expenditure – Ninteen Six

— Results in Happiness

Annual Income – Twenty Pounds
Annual Expenditure – Twenty pounds ought & six

— Result Misery

* THIS WAS WRITTEN IN 1849 & IT IS JUST AS TRUE TODAY —— AND WILL REMAIN SO FOREVER: (Lindy Effect)

NOTE

1) LIVE WITHIN YOUR MEANS.
2) UNDERSPEND INCOME TO MAXIMUM EXTENT POSSIBLE.
3) AVOID DEBT.
4) INVEST IN YOURSELF.
5) BUILDING WEALTH OVER TIME HAS LESS TO DO WITH YOUR INCOME LEVELS | INVESTMENT RETURNS AND MORE TO DO WITH YOUR SAVINGS DISCIPLINE.
6) RESIST STEPPING ON "THE HEDONIC TREADMILL". – NY

8/25
Moving onto Living Life■

Inner scorecard > Outer

Something endorsed by Warren Buffett also.

Let your life be guided by internal principles, not external validation.
Strive to be the best version of YOURSELF ! In living a fulfilling life.

Applies to Fund Managers also!

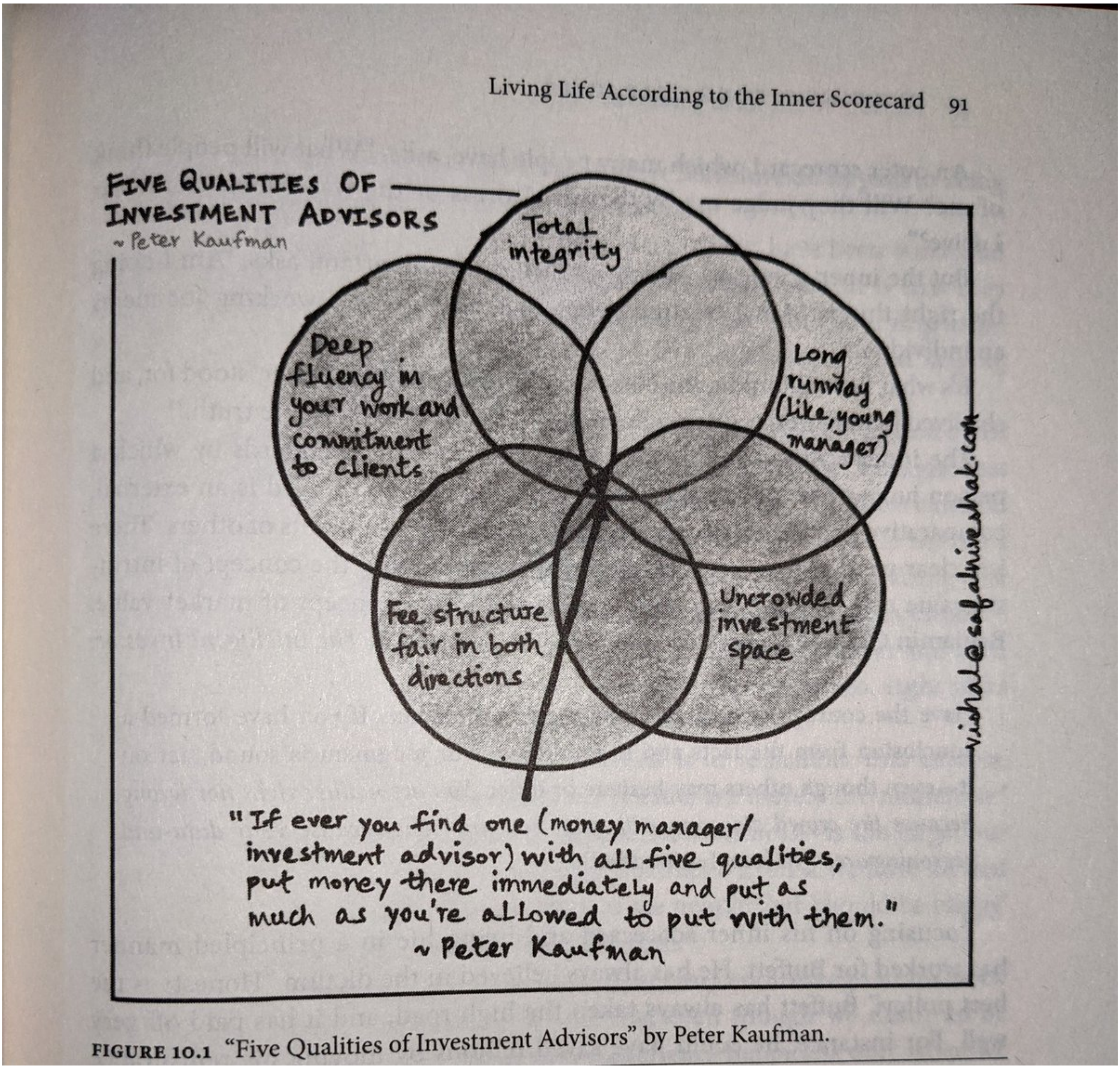

Living Life According to the Inner Scorecard 91

FIGURE 10.1 "Five Qualities of Investment Advisors" by Peter Kaufman.

9/25
Short Term Pain for Long Term Gain.

Organic revenue growth is the most important driver of shareholder returns for companies with high returns on capital. But most managers aren't willing to suffer for S.T, consequentially hurting their chances of L.T success.

Details■

The question in all of these cases is this: Are you, as a shareholder, willing to give the same commitment to delayed gratification that Buffett and Munger practice? If not, you may want to revisit your participation in this security and in other securities with similar long-term-minded management teams. Keep in mind that only by resisting the marshmallows today will you receive the whole box of See's truffles tomorrow.

Investors generally overlook businesses that are doing things that will create significant incremental earnings one to two years from now because they don't want to wait that far out. Investors often shun businesses that are investing for the future and currently are suffering from low initial margins in those new initiatives (because capacity gets utilized only over time) because the earnings growth is back-ended. Even if they execute well, they will see little "reported" earnings growth for the next four to eight quarters and may even see a decline resulting from incremental depreciation and poor initial margins (because of low capacity utilization). Even if they are expected to experience an exponential jump in earnings growth after that, the stock markets generally do not initially increase the market value of these businesses. They do re-rate them, however, around the time when the earnings growth is clearly visible.

As investors, we get an edge over competition if we pick these companies and have the patience and conviction to hold them. Although these businesses are clearly undervalued on a longer-term basis, it is psychologically challenging to invest in them and even more so to hold on to them. These difficulties result in a lack of investors and the subsequent mispricing of these stocks, because the price discovery is weak when investors' attention on these stocks is low.

Capitalizing on businesses that operate on a long-term timeline of value creation is possible only if we operate with a long-term view as well. When you focus on long-term outcomes, expect to be frequently misunderstood in the short term. This is true not only in business and investing but in life and relationships as well. To invest in companies with "the capacity to suffer," we must be willing to suffer along with them. In other words, we need a high tolerance for short-term pain.

> You must buy on the way down. There is far more volume on the way down than on the way back up, and far less competition among buyers. It is almost always better to be too early than too late, but you must be prepared for price markdowns on what you buy.
>
> —Seth Klarman

10/25

Look for CEO's who :

■■Are good Capital Allocators + Discuss it rationally + Walk the talk + Are consistent .

■■Focus on recurring Cash Flows

■■Publish meaningful Financial + Operating goals + Clean B/S

■■Are candid in communication with shareholders + Simplistic

11/25
#Checklists remind us that we aren't infallible & must exercise caution.
Follow process of elimination & stick to checklist.
Helps immensely in Due Diligence.

The book shares some excellent checklists including Munger's psychological one. (Read the book to know more ! ■)

12/25
(Something I can vouch for !!)

#Journal to remain true to yourself & avoid hindsight bias.

*Track all important decisions
*Write down your thesis & anti thesis
*When in doubt , read it to avoid being wavered
*Write,make better decisions,be happier ! True for Life also!

13/25
Charlie Munger on Skin in the Game.

An example of a really responsible system is the system Romans used when they built an arch.
The guy who created the arch stood under it as the scaffolding was removed.
It's like packing your own parachute.

Some pointers & examples
■

NEVER UNDER ESTIMATE THE POWER OF INCENTIVES!

1) We do that for which we are rewarded & avoid that for which we are punished.

The "behaviour" we observe is usually the result of "incentives" we do not observe.

— POSITIVE REINFORCEMENT works wonders! :)

2) Often the soln to a behaviour problem is to simply align the incentives with the desired goal.

3) SKIN IN THE GAME.

A system is responsible in proportion to the degree that the people who make the decisions bear the consequences.

ALIGN THE INCENTIVES IN BOTH POSITIVE & NEGATIVE WAYS TO CREATE A SELF RELIANT SYSTEM IN PLACE.

4) The real power of incentives is the ability to manipulate the cognitive process.

5) Use the power of incentives to recognise subtle cues. Eg:

* FUND MANAGER INVESTS OWN MONEY IN FUND.
* EXISTING EQUITY PARTNERS NOT SELLING STAKE IN IPO
* PROMOTER PURCHASING FROM OPEN MARKETS

As investors we don't need perfection.Being fairly right with a good MOS suffices.
Focus on finding MOS & not why estimates were missed in a quarter.

Refrain from overuse of Excel spreadsheets. Not everything can be quantified correctly !
Nuanced judgement is needed.

embedded in our brains. Personally, I have never opened a spreadsheet even once when making an investment decision. The most advanced technology I have ever used is a pocket calculator for basic math like addition, subtraction, multiplication, and division.

Extensive spreadsheets and complex quantitative software tools can be harmful to one's financial well-being. Tiny changes in input assumptions can dramatically change the estimate of intrinsic value, so bankers and deal consultants can engage in any level of wishful reverse-engineering that they deem convenient. (A discounted cash flow model remains the best strategic destination for all analysts where their imagination of price-to-earnings, price-to-book, and price-to-sales ratios or enterprise value multiples failed to reach.) As Benjamin Graham said, "The combination of precise formulae with highly imprecise assumptions can be used to establish, or rather to justify, practically any value one wishes."[5] Never underestimate the power of incentives.

The world cannot be understood without numbers. At the same time, it cannot be understood with numbers alone. Relying solely on complex quantitative analysis can divert our attention away from things that really matter. For example, spreadsheets cannot model trust, integrity, goodwill, reputation, or the execution capabilities of the management. Thus, due diligence always needs to have a softer, subjective side to it. Investing is part art and part science. Nuanced judgment is required.

Buffett says, "Price is what you pay. Value is what you get."[6] So we have to ensure that we do not pay more than the intrinsic value of a company. Now, this poses a challenge. We have to compare the price, which can be measured precisely, with an inherently imprecise estimate of value. Most investors attempt to do just that—they try to arrive at a "precise" number for intrinsic value. For instance, exact price targets in an analyst report, right down to the last decimal point, is a misleading anchor to cling to, because the preciseness of the target price number instills a false sense of confidence in readers. And this false confidence makes readers vulnerable to serious mistakes. It's a classic case of physics envy in action.

Over the years, I have come to appreciate the fact that investing is a field of simplifications and approximations rather than of extreme precision and quantitative wizardry. I also have realized that investing is less a field of finance and more a field of human behavior. The key to investing success is not how much you know but how you behave. Your behavior will matter far more than your fees, your asset allocation, or your analytical abilities. Even low-cost index funds won't be able to help you if you succumb to behavioral biases. Most of the time, the real risk is not in the markets but in our behavior. Emotional intelligence has a much bigger impact on the success or failure of investors than the college they attended or the complexity of their investment strategy. Most of the time, their high intellect works against them, because they become so sure

15/25

Determining the Intrinsic Value is an art.

It is the sum of cash flows expected to be received from that asset, over the remaining useful life, discounted for the Time Value of money & uncertainty involved.

THIS ENTIRE CHAPTER IS A GOLDMINE.

Read it to appreciate it !

> The essential point is that security analysis does *not* seek to determine *exactly* what is the intrinsic value of a given security. It needs only to establish that the value is *adequate*—e.g., to protect a bond or to justify a stock purchase—or else that the value is *considerably higher or considerably lower* than the market price. *For such purposes an indefinite and approximate measure of the intrinsic value may be sufficient* [emphasis added].[11]

From this we can infer that Graham never intended for intrinsic value to be thought of as a single point estimate of value. Rather, he thought of it more as a concept of value. In fact, in the 1934 edition of *Security Analysis*, Graham discusses the flexibility of the concept of intrinsic value as "*a very hypothetical 'range of approximate value,' which would grow wider as the uncertainty of the picture increased.*"[12]

To deal with an inherently uncertain future, an investor needs to consider various possible scenarios when forecasting a company's future cash flows and calculating its intrinsic value. One could produce a range of potential intrinsic values by performing a sensitivity analysis in which the assumption about one or more of the future cash flow components varies over time. Each scenario will produce a different, discrete present value estimate that the investor can use to create a range of possible intrinsic values. The values closest to the central point represent the estimates that the investor believes have the highest likelihood (probability) of being the company's true intrinsic value, whereas the estimated values near each of the tails are the scenarios the investor believes are less likely to occur. The range of possible intrinsic values grows wider as uncertainty increases. A wide range of estimates may result from the fact that the timing, duration, magnitude, or growth of the company's cash flows are highly uncertain.

When the range of possible outcomes

16/25

MOS matters.

When you pay a lot entry price, you don't need too many good things to happen to get good returns.Even bad news impact is restricted.

As Buffett states,
Rule no 1 : NEVER LOSE MONEY
Rule no 2 : NEVER FORGET RULE 1

Each line in this chapter is ■

Lawrence Hamtil of wealth management firm Fortune Financial calculated the returns of the expensive Nifty Fifty stocks over the next forty years, beginning from June 1972. Table 19.1 shows his findings.

According to Hamtil,

> The lesson from this exercise, I believe, is that investors should always be conscious of starting valuation when placing their bets. *With few exceptions, eventually valuations that are simply too high will drift back down to more reasonable levels, often at the expense of poor intermediate-term performance. This appears to be true no matter how revolutionary the new business appears to be, and no matter how much potential you believe it has* [emphasis added]. Of course, if your conviction is such that you plan on holding your shares for multiple decades, valuation may indeed matter less to long-term returns, but that is assuming you follow through on your commitment. Over several years of subpar performance, that is much easier said than done.[2]

17/25
If a particular stock displays a price volume B/O to 52 week/multiyear/ATH with LARGE volumes, start reading about it.

Time frame is important.

Find out why someone is willing to pay a high price for it now ?
What has changed in its fundamentals ?

Much more in the ■

minor ... performance. ... many years, this

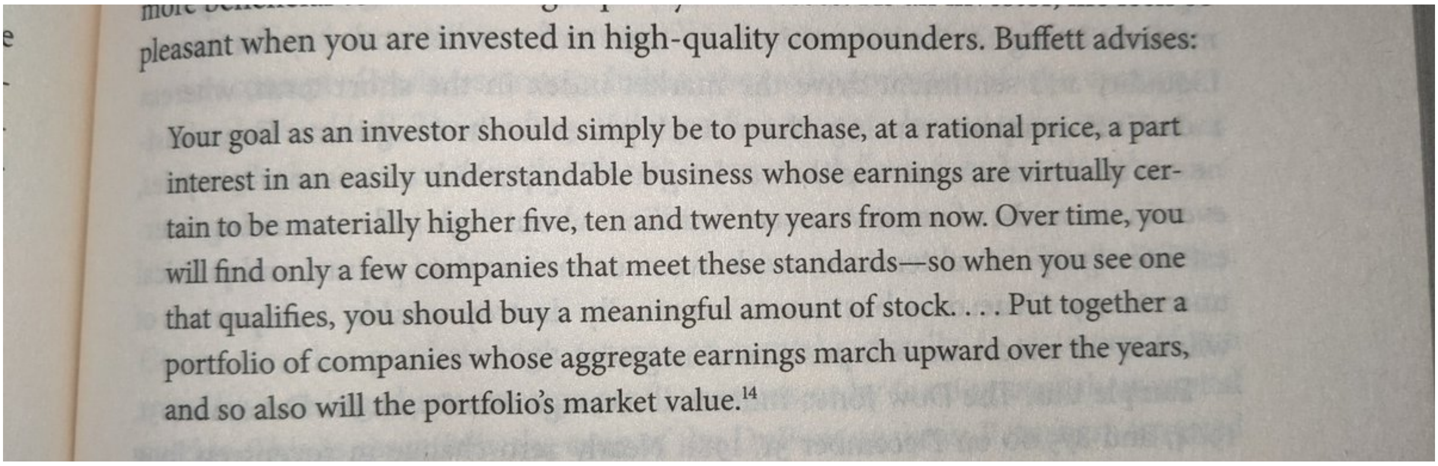
I gained many valuable lessons on commodity investing during my extensive study of the field in 2017:

- Well-managed low-cost commodity producers usually do not generate higher returns. High-cost producers do, because they show a higher percentage gain in profitability. This is highly counterintuitive for most investors.
- A commodity up-cycle lifts all the players in the industry. This is where the low base effect becomes essential. It is relatively easier to improve earnings before interest, taxes, depreciation, and amortization (EBITDA) margins from 5 percent to 10 percent than from 20 percent to 40 percent. This is why the laggards score over the leaders. This makes their stocks go up much faster. In investing, always focus on delta, that is, on the rate of change in earnings growth and its underlying quality.
- When comparing commodity stocks and deciding which one to buy, evaluate them in terms of enterprise value (EV) to installed capacity. HEG was cheaper than Graphite India on this metric.
- Most of the time, sector leaders move up first and become expensive. Then the attention turns to the secondary players in the industry. Investors begin to realize that these secondary players are cheaper, and they bid them up.
- For loss-making companies with sizeable revenues and a low market cap-to-sales ratio, even a small improvement in profit margin adds a significant number to the profit value. In addition, loss-making companies usually have sizeable tax loss carryforwards from the previous down-cycle, resulting in lower taxes and high net profits during the up-cycle. Newbie investors extrapolate these temporary supernormal profit numbers into infinity, and they chase these stocks at close to their peak earnings. You will hear analysts (and sometimes even renowned investors) say, "This time it's different, and it is a structural long-term change in the industry dynamics, which should drive sustainably-higher valuation multiples." During boom times for any commodity, people forget how horrible the past down-cycle was and how horrible the future one will be, too.
- Commodity stocks are valued on an EV/EBITDA multiple, not on price-to-earnings. Investors in commodity stocks need to shift focus away from the profit-and-loss statement to a balance sheet–driven approach. When looking at a commodity stock, debt is one of the most important items to look at, as it has a significant impact on earnings (because of the tax shield on interest payments) and on market cap during an up-cycle. As operating cash flows improve, debt falls, and EBITDA rises for the highly leveraged players, the entire debt reduction amount flows to the equity side of the enterprise value equation and market cap rises sharply. Some companies use the favorable

18/25
What is competitive advantage?

It's a company's ability to generate excess returns (ROIC - Cost of Cap) - this done continually enables Competitive Advantage Period.

Great businesses produce high returns on incremental invested capital + have pricing power.
Find them!


pleasant when you are invested in high-quality compounders. Buffett advises:

> Your goal as an investor should simply be to purchase, at a rational price, a part interest in an easily understandable business whose earnings are virtually certain to be materially higher five, ten and twenty years from now. Over time, you will find only a few companies that meet these standards—so when you see one that qualifies, you should buy a meaningful amount of stock. . . . Put together a portfolio of companies whose aggregate earnings march upward over the years, and so also will the portfolio's market value.[14]

19/25
Temperament matters !

Your lifetime track record as an investor will be determined primarily by HOW you conduct yourself during occasional periods of extreme market behaviour .

Be fearful when others are greedy.
Be greedy when others are fearful.
(Rings any bells ? ■)

20/25
Don't aim for exceptional returns. They won't last long!

Rather settle for Consistent Returns over a long time.

A Bull Market hides many mistakes which become visible in a Bear Market.
Develop a sound philosophy & stick to it.

Develop a Sound Process and Remain Faithful to Your Personal Philosophy

The best long-term performers in any probabilistic field, including investing, always emphasize process over outcome. An investment process is a set of guidelines that governs the behavior of investors in a way that allows them to remain faithful to the tenets of their personal philosophy. An intellectually sound and well-defined investment process helps investors stay the course during periods of underperformance or self-doubt and improves their chances of making prudent decisions with greater consistency across a full market cycle.

Deserved success comes when a sound process results in a favorable outcome. Poetic justice is served when a bad process is accompanied by an unfavorable outcome. Luck is a major contributor in the short term. To sustain high returns requires more than luck, however, and, over the long term, skill becomes the dominant factor. According to Michael Mauboussin,

> The key is this idea called the paradox of skill. As people become better at an activity, the difference between the best and the average and the best and the worst becomes much narrower. As people become more skillful, luck becomes more important. That's precisely what happens in the world of investing.
>
> The reason that luck is so important isn't that investing skill isn't relevant. It's that skill is very high and consistent. That said, over longer periods, skill has a much better chance of shining through.
>
> In the short term you may experience good or bad luck [and that can overwhelm skill], but in the long-term luck tends to even out and skill determines results.[9]

21/25

To Finish First , You Must First Finish !

* Keep separate Emergency Funds
* Say NO to Leverage
* Have TIME as your friend.
* Accept being wrong
* Discipline > Smartness (in LT)
* Diversify wisely in unrelated sectors

* Embrace Volatility
* Quality only

fallen, and ... are in honor."[11] ... restored that now are

Risk is what's left over after you've thought of everything possible, plausible, and probable. The human mind's tendency to completely discount six sigma and other rare events from the realm of possibility is what Taleb warns about in his book *The Black Swan*. We need to avoid clamoring for precise single-point predictions and instead stress-test our portfolio under a wider and darker range of "what-if" scenarios and outcomes. When we humbly accept that it's difficult to make predictions, especially about the future, we will be more inclined to build an investment strategy that is robust to a wide range of outcomes. Forewarned is forearmed. The world we live in is simply too complex. In other words, we simply have too many unknown unknowns. No one is alone in this world. No act is without consequences. According to chaos theory, in dynamical systems, the outcome of any process is sensitive to its starting point—or, in the famous cliché, the flap of a butterfly's wings in the Amazon can cause a tornado in Texas. In such a world, events in the distant past continue to echo in the present (path dependence). Or, as Taleb would say, we live primarily in an Extremistan world, one that is full of feedback loops, is filled with interdependence, and thus is black swan–ridden. Taleb's black swan theory refers to unexpected events of large magnitude and consequences and their dominant role in history. These events are the very reason for Vladimir Lenin's saying: "There are decades where nothing happens; and there are weeks where decades happen."

Here is my exhaustive list of black swan risks for the coming year:

1.

2.

3.

This list will always be empty because you can't predict a black swan event. A black swan is something that comes as a complete surprise to everyone. It's a risk that is unforeseen; therefore, by definition, it cannot be predicted.

We have two classes of forecasters .

Those who don't know & those who don't know that they don't know .

They shall fill your EARS , NEVER your POCKETS.

Stop wanting to make sense of everything & TIMING markets.
Focus on what can be controlled.

More money has been lost trying to anticipate and protect from corrections than actually in them.

—Peter Lynch

Howard Marks wrote, in his memo to Oaktree clients in February 1993: "The average annual return on equities from 1926 to 1987 was 9.44 percent. But if you had gone to cash and missed the best 50 of those 744 months, you would have missed *all* of the return. *This tells me that attempts at market timing are a source of risk, not protection* [emphasis added]."[6]

In response to a sharp correction, market experts usually say something like this: "The near-term outlook is not clear. . . . There is a lot of global uncertainty. . . . Stock prices may fall even further, so wait for some time until more clarity emerges. . . . Wait until the liquidity situation improves. . . . Wait until the elections are over. . . . There is currently a lot of political uncertainty."

In other words, "wait and watch." This particular advice almost always turns out to be expensive for those investors who want to enjoy the ecstasy of rising stock prices in a bull market while avoiding the pain of falling prices in a bear market. Superior stock market returns do not accrue in a uniform manner. Rather, they can be traced to a few periods of sudden bursts of strength. Moreover, the timing and the duration of these periods cannot be predicted accurately by anyone. A significant percentage of the total gain from a bull market tends to occur during the initial market recovery phase. If an investor ... that point in time, he or she is likely to miss a substantial

23/25
Embrace change ! Don't be rigid.

Flexible thinking is of paramount importance in today's disruptive times.
It helps in accepting a thesis hasn't played out .
As investors we shall be wrong many a number of times .
Listen to opposing viewpoints to Learn something new !

from them [emphasis added].[10]

You can't really learn anything new if you're always surrounded by people who agree with you. As investors, we often have our personal group of intellectual peers with whom we discuss our ideas. But we should be careful that our sounding board does not turn into an echo chamber, for that would be harmful for our decision-making process. Amay Hattangadi and Swanand Kelkar wrote about this issue in a December 2016 report for Morgan Stanley titled "Connecting the Dots": "We tend to be surrounded by people who are like us and share our world view. Social media accentuates this by tailoring our news and opinion feeds to match our pre-set views. To avoid falling into this homogeneity trap, one needs to seek out and dispassionately engage with people whose views differ from your own and that's true not just for current affairs but your favorite stocks as well."[11]

The Internet, which provides the promise of access to a great diversity of viewpoints, in fact speeds our retreat into a confirmatory bubble. In an early article for Livemint newspaper, Hattangadi and Kelkar write:

> "Social media" will systematically find ways to ensure that we are fed with more of what we find appealing. . . . Our Facebook feed is filtered based on previous history of "likes." Amazon suggests books to buy based on our pattern of previous purchases. Twitter suggests whose tweets we should "follow" based on those we are already following. . . . The online world has magnified the decibel level of the reverberations in an echo chamber manifold.[12]

24/25

We remember the explicit cost. But it's the Opportunity Cost that matters!

Don't be penny wise,pound foolish.

Mistakes of Commission are capped to 100% but Mistakes of Omission have no ceiling !

Opp cost + Circle of Competence would in conjunction.

Fine-Tuning Our Thinking Process to Incorporate Opportunity Costs

Our brain sees only what is right in front of us. This is known as availability bias. We are blind to other opportunities, and in most cases, we ignore them. Daniel Kahneman defines this problem with the abbreviation WYSIATI—what you see is all there is. To overcome this challenge, maintain a checklist and add opportunity cost as an item. Before making any important decision in life, refer to the checklist. This will ensure that you always consider other alternatives.

Is there a way we can overcome availability bias when faced with a complex problem?

Turns out, there is indeed a simple way to do it.

It's simple but not easy.

It requires us to train our minds to think in a certain manner. According to Sanjay Bakshi:

> Well, Charlie already taught us how to do that; we just follow what he says. We try to look at a problem from multiple perspectives. That's, I think, the correct way of doing it. When you are trying to evaluate something, you are trying to ask the question *Why?* Why did this happen? And when you reflect upon it,

25/25

Lastly, LUCK plays a major role.

It's often hidden because outstanding success is spotlighted, whilst failures are all around but unseen.

Stay humble always , for there is no self made man !

Keep learning & truly enjoy the Joys of Compounding in all aspects of life!

It isn't enough just to be good. You've got to be lucky, too. . . .

. . . Good luck is the essential basic component of success, no matter what your personal definition of "success" may be. . . .

Luck. It blunders in and out of our lives, unbidden, unexpected, sometimes welcome and sometimes not. It plays a role in *all* our affairs, *often the commanding role*. No matter how carefully you design your life, you cannot know how that design will be changed by the working of random events. You can only know the events will occur. You can only wait for them and hope they are in your favor.

Luck is the supreme insult to human reason. *You can't ignore it, yet you can't plan for it*. Man's grandest and most meticulous designs will fail if they are hit with bad luck, but the silliest ventures will succeed with good luck. . . .

Such events—good luck and bad luck—are the main shaping forces of human life. *If you believe you are in perfect control of your life, you are kidding yourself. . . .*

Why do people deny the role of luck? For one thing, we hate to think we are at the mercy of random happenings. *We prefer to stay snugly wrapped in the illusion that we control our own destinies.*

Life seems safer when I can say to myself, "The future will happen as I plan it." It won't, of course. Deep inside, we all know it won't. But the truth is too scary to contemplate without an illusion to snuggle up against. . . .

We are culturally conditioned to deny the role of luck. . . .

. . . Luck isn't "meaningful" enough. We yearn for life to have meaning. Acknowledging luck's role takes half the meaning out of it.