Twitter Thread by Ram Bhupatiraju



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My biggest mistakes in the last decade & what I learned.

There are 2 types of Investors in the Market. Those who make mistakes & admit them openly while learning, and those who give the illusion that they never make mistakes. I want to be firmly in the former camp.

Here we go■■

#	Mistakes	Examples	Lessons (Green is mostly fixed, Yellow is work in progress)
1	Actions not aligning to goals & competencies	Mainly during 2010-14 : Dabbling in cheap (low quality) stocks & options (LEAPS, but w/o clearly identified catalysts)	Make sure your process and actions are leveraging your interests/strengths and aligned to your Portfolio goals. Monitor & improve over time.
2	Confusing between Quality/Durability and Temporary Business momentum or ST stock momentum	Buying GILD/SAM in 2016, PTON/FVRR etc in early 2021.	Resist your temptation to own a particularly hot stock (for a LT position). Spend more time analyzing the durability of growth, competitive positioning, Consumer demand etc.
3	Not adding to Winners	Buying MELI & MA in 2014, GOOG in 2015, VEEV in 2017 etc have all been single tranche purchases (despite planning to add more later).	If the Company is proving your thesis right, and still has a long runway, still reasonably priced (w.r.t LT prospects), and not an issue for Portfolio weighting, those Cos should be the primary candidates for your new capital.
4	Seeling good Companies out of boredom or Non thesis/portfolio reasons	Selling NVDA at $14 (in 2014) out of boredom, selling MSFT at $64, $COST at $180, $NFLX at $140 (in '17) because I thought the market was "hot", despite buying them all for multi yr timeframe.	If the Cos still have solid LT prospects and you had a low cost basis, unless you have a strong business or Portfolio related reasons, DON'T sell out of silly reasons.
5	Hanging onto bad Companies too long even after realizing the mistake	Hanging onto SDRL/RIG from 2014-2019, GILD from 2016-20, UA 2015-	Your process and Portfolio results will only improve meaningfully when you accept that mistakes are part of the process - either made due to incorrect initial analysis, or things changing after buying. Either way, just make the correct decision based on the current facts and analysis. Better to recover the remaining capital, preserve the mental stress, and allocate them both to fresh/better ideas.
6	Monitoring the accumulated stock gains instead of the prospective R/R going forward	Many high growth Co's purchased from 2016-2020 showed huge gains in the late 2020-21 market. Many outpacing their valuations that could be supported by reasonable Business prospects.	Instead of being carried away with the favorable sentiment towards high growth (or any particular sector) and huge gains, keep evaluating their prospective Risk/Reward. Valuation increases supported by commensurate Business growth are more sustainable in the long-run. Huge run-ups in very short term primarily due to sector sentiment or liquidity are not sustainable.
7	Ineffective thesis monitoring or Not taking action even after thesis clearly failed	UA in 2016, AYX in 2020, PTON in 2021 etc	My Portfolio is not a parking lot for past mistakes. It should be a launching pad for the Cos I'm currently interested and have conviction as long as they still have reasonable R/R. There should be no place for Cos that clearly failed the thesis. It's just wasting capital and mental space for nothing.
8	Too many small positions & over-diversification	Can happen from time to time. Especially during crashes, I buy a bunch of Watchlist Cos at previously awaited for prices (with the plan to add more tranches), but the recovery or other purchases prevent that, leading to an over-diversified Portfolio with many small tranches.	I don't have the full solution for this yet. One is to put more capital (during crashes) into high conviction existing positions and also to buy more tranches of new Cos based on their execution during bad times and maybe some technical analysis.
9	Not focusing enough on Portfolio/Risk Management.	Focusing on buying many good Cos and not necessarily focusing as much on maximizing the overall Portfolio return (yes, within the acceptable risk tolerance range)	You don't get a medal for owning the best Businesses in the world. If you're going the individual stock picking route, what you need to aim for is how to grow your Capital by deploying them into a reasonably diversified Portfolio of Cos that you understand well. Adjust the weightages (w/o tweaking too much) along the way based on their execution (& accumulated gains), ongoing conviction also while monitoring their Risk/Reward profile
10	Not giving enough importance to Macro and Technical analysis	I change the posture around the edges between slightly offensive to denfensive based on Macro conditions (no big changes). Also I don't use enough of Technical Analysis when building bigger or bulk purchases.	Focusing on the long term Business prospects for making decisions on LT purchases is admirable, but with Fed actions/Liquidity changes/Algos/24x7 news...., ST stock prices can get really separated from the Intrinsic values of the Businesses. When all those external factors take prices of good Cos far below IV is your opportunity (for buying) , but don't neglect when those factors take prices of mediocre/good Businesses far above IV either (for selling/trimming). Also learn/use Technical analysis & staging better if entering into big positions or buying too many positions withing a short timeframe.
11	Not buying as much on the way up after crashes	All my purchases during GFC, 2016, 2018, Mar'20 ended at the exact bottom and I always suspect the sustainability of the initial rallies.	Getting some additional purchases/tranches on the recovery leg (if at a good valuation, even if a false rally) will benefit with either quicker gains or decent LT average for the positions.
12	Too high Cash position in the Portfolio	Purely subjective. In the past, I let the cash position get too high because the Market was "expensive" and I didn't find any of my fav Cos at the valuations I want.	Well you're not Warren Buffett (loading the elephant gun for a major purchase down the road). You're a guy in 20s/30s with the primary goal of capital appreciation over decades. Either DCA into low cost index funds regularly or deploy capital efficiently into available opportunities. Maybe during the extremely frothy periods, letting cash accumulate temporarily up to a certain limit is OK, but waiting years with a high% cash position in a stock portfolio (while you're young) is mostly silly.

Putting those mistakes/examples/lessons down again in the thread below for easy reading.

Note that the lessons learned are very subjective. They are not recommendations. It depends on each person's Portfolio goals & strategies.

OK let's go. ■■■■

1■ Mistake : Actions not aligning to goals & competencies.

Ex : Mainly during 2010-14 - Dabbling in cheap (low quality) stocks & Options (LEAPS, but w/o clearly identified catalysts)

Lesson : Make sure your process and actions are leveraging your interests/strengths and aligned to your Portfolio goals. For me, that was leveraging my patience and interest in quality Cos. Monitor & improve the process over time.

2■ Mistake :Confusing between Quality/Durability and Temporary Business momentum or ST stock momentum.

Ex : Buying GILD/SAM in 2016, PTON/FVRR etc in early 2021.

Lesson : Resist your temptation to own a particularly hot stock (for a LT position).

Spend more time analyzing the durability of growth, competitive positioning, Consumer demand etc.

3■ Mistake : Not adding to Winners

Ex : Buying MELI & MA in 2014, GOOG in 2015, VEEV in 2017 etc. have all been single tranche purchases (despite planning to add more later).

Lesson : If the Company is proving your thesis right, and still has a long runway, still reasonably priced (w.r.t LT prospects), not an issue for Portfolio weighting, those Cos should be the primary candidates for your new capital. This lesson was used for many other positions.

4■ Mistake : Selling good Cos out of boredom or Non thesis/portfolio reasons.

Ex : Selling NVDA at $14 (in 2014) out of boredom, selling MSFT at $64, $COST at $180, $NFLX at $140 (in '17) because I thought the market was "hot", despite buying them all for multi yr timeframe.

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even after realizing the mistake.

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Lesson : Your process and Portfolio results will only improve meaningfully when you accept that mistakes are part of the process - either made due to incorrect initial analysis, or things changing after buying.

Either way, just make the correct decision based on the current facts and analysis.

Better to recover the remaining capital, preserve the mental stress, and allocate them both to fresh/better ideas.

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instead of the prospective R/R going forward.

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..but the recovery or other purchases prevent that, leading to an over-diversified Portfolio with many small tranches.

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Lesson : You don't get a medal for owning the best Businesses in the world. If you're going the individual stock picking route, what you need to aim for is how to grow your Capital by deploying them into a reasonably diversified Portfolio of Cos that you understand well.

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Also learn/use Technical analysis & staging better if entering into big positions or buying too many positions within a short timeframe.

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End of List.

Note that these are not about hindsight bias and wishful thinking (I'm not saying I wish I bought $TSLA or $NVDA at the beginning of last decade).

It's about honestly reflecting on the past actions that limited or hurt your Portfolio's potential and then improving your

process.

Would love to hear some of your most impactful mistakes and what you learned from them.

Here's to all the investors that admit their mistakes, improve their process and move on ahead. ■

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