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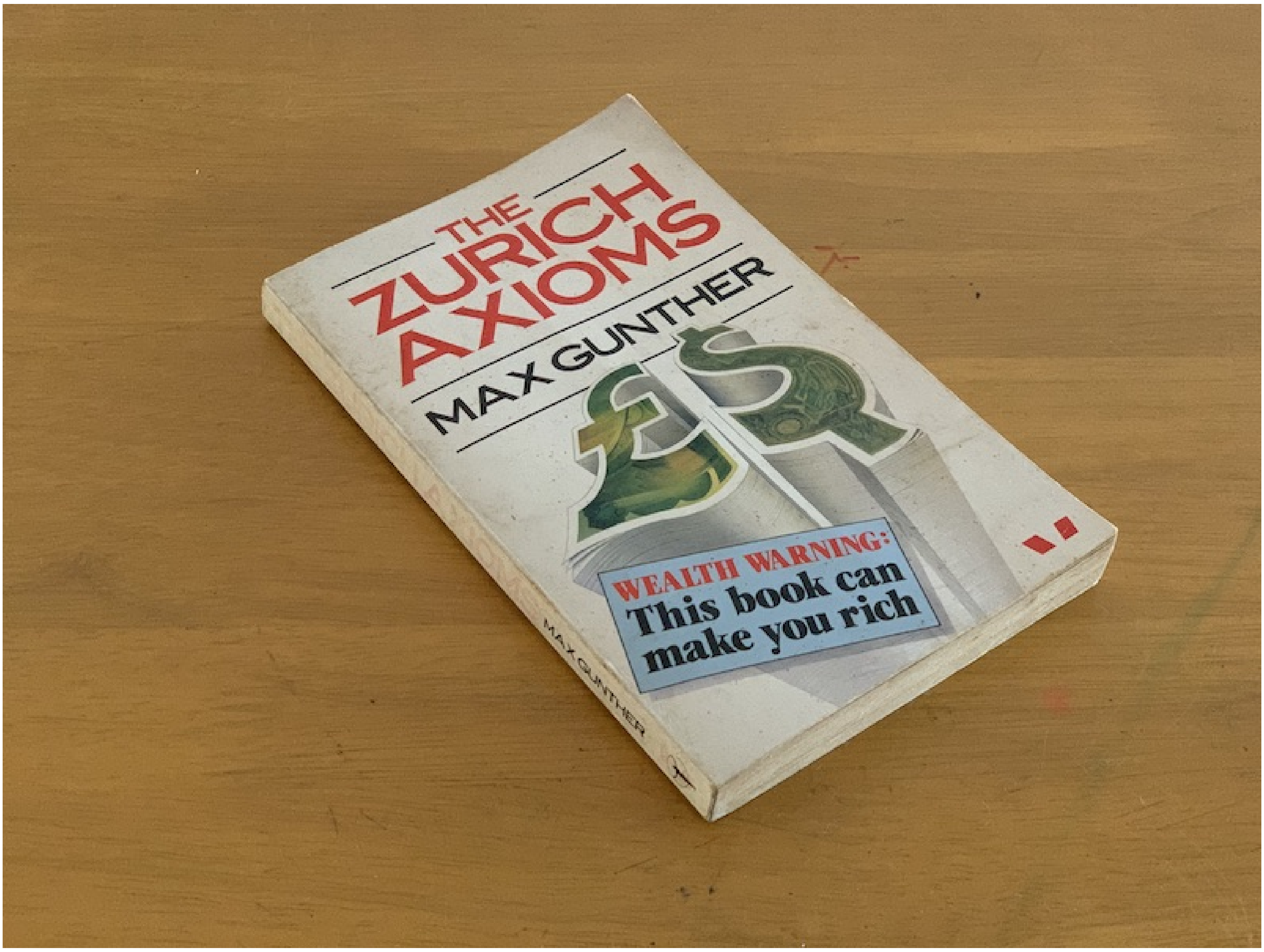
Knowledge sharing initiative Book 3: "Zurich Axioms" by Max Gunther

The book crystallizes how to think about taking investment bets (position sizing), and how to reduce risks in investing & speculation. It focuses on teaching a balance between rewards & risks.

(1/n)



Here are the key takeaways from the book:

1. Take sizeable bets in life: Taking small bets will give you a good night's sleep as you have very little to lose, but the important point is "it won't ever make you rich".

(2/n)

2. Taking size-able risk is necessary to get rich but make sure you don't go bankrupt taking that risk.

3. Don't diversify too much as gains & losses will nullify each other.

(3/n)

4. Be less greedy to make money - Book some profits when you see a sudden huge increase in wealth - fear of regret will stop you from booking profits but don't be greedy as consistent streaks of lucks are rare in life.

(4/n)

5. Cut losses when you go wrong don't start praying that your losses will recover rather act quickly take some loss and sell out.

(5/n)

6. Taking losses is difficult as you have
a) Fear of regret what is value recovers - after some time it actually may but very rarely in a short span of time

b) Painful to take losses & most importantly accepting that you were wrong

(6/n)

7. Forecasting is difficult people generally forecast 30 things and 1 goes right and they calmly ignore the remaining 29.

(7/n)

8. Humans love security hence they love forecasting the future.
9. Humans seek patterns even in things full-on randomness - it's difficult to accept a lot of things happen due to luck.

(8/n)

10. "Don't confuse correlation with causation" - it might happen Sachin may hit a century every time it rains but that's pure luck, not the real reason.

(9/n)

11. Never be too attached to your idea always evaluate it against new ideas coming your way.
12. Optimism Vs Confidence - optimism means expecting the best but confidence means the ability to manage the worst - always seek confidence - optimism a lot of time is just hope

(10/n)

13. Disregard what everybody tells you until you have independently verified and thought over it calmly.
14. Being against the crowd can cause anxiety especially in investing as your predictions are based on unreliable future.

(11/n)

15. Sometimes the crowd can be right but not always.
16. Don't average down when something is falling just to lower your cost - ask yourself if you were to be a fresh buyer would you have bought it now at current rates & if the answer is NO then book the loss and move on.

(12/n)

17. Future is unknowable - Expect the unexpected - you should prepare yourself to react to its possibilities which can be both advantageous or disadvantageous

Credits: @FinnacleAcademy

Here is the link to the book if anyone wants to read the full book - https://t.co/Ky4dM4BEBx

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