

Twitter Thread by Krishna Bahirwani



Krishna Bahirwani

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What a privilege it was to host @Gautam Baid for my first ever Twitter Spaces event along with @dadalife369 and @Finvents.

While we wait for the YouTube recording. Here are 8 of my biggest takeaways from today's session.

#investing

1 - Start by coming up with a portfolio allocation strategy based on your aims and objectives for investing. Include flexibility, tracking and rebalancing as part of your strategy.

Portfolio Construction, Tracking, and Rebalancing

Concentrated portfolio

- Portfolio on an average comprises of 20-30 stocks
- Aim is to generate a 20%-25% CAGR for the portfolio over a minimum holding period of 3+ years at any point of time
- Sector and market cap agnostic investing approach with bias towards under researched and well-run small to mid cap companies

Allocation flexibility

- No hard cap on contribution of portfolio from any idea or sector or market cap range, but prudence to be maintained
- Weight per stock may range from 3% to 5% @cost; exceptional opportunities may get an allocation of 10% @cost
- Decision to exit investments will solely be based on their business performance or their potential incremental IRR
- Will keep portion of portfolio in cash equivalents if valuations of existing holdings and watchlist become exorbitant

Portfolio tracking

- Track industry trends of portfolio companies like changes in competitive landscape, technology, regulations, supply chains, etc
- Evaluate quarterly results of each company against own expectation & benchmark performance against that of competitors
- Carry out detailed diligence in case the investment's performance is not as per initial investment hypothesis

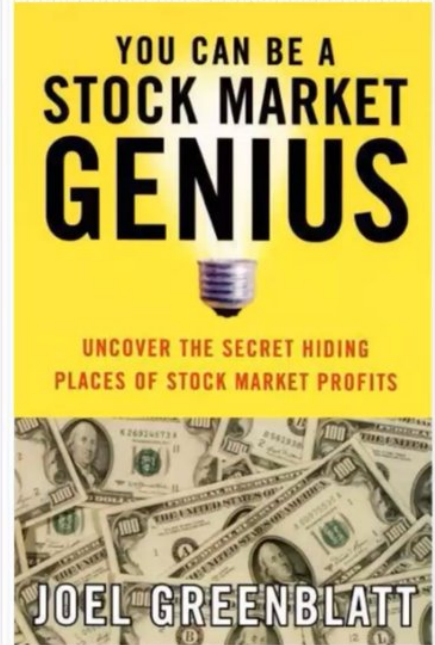
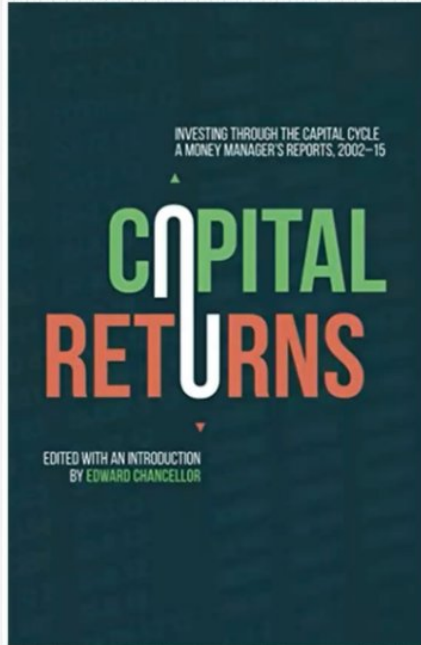
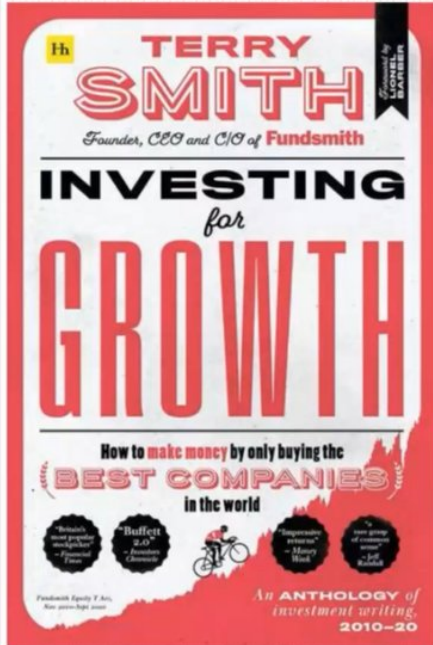
Portfolio rebalancing

- Exit an investment if either its valuations become absurdly expensive or if there is a structural challenge to its business fundamentals
- Periodically rank portfolio companies based on valuations, earnings performance, expected future stock returns, and rebalance accordingly
- Fresh or follow on investment in an idea only if it can deliver an attractive IRR over a period of next 3 years

2 - Learn from those who succeeded before you to ultimately develop your own investing style

Here are three books that influence @Gautam_Baid's investing style - They are some of the best books in investing along with Gautam's The Joys of Compounding.

Books That Define My Investment Philosophy



3 - Develop a robust repository of sources from which you can generate investment ideas.

Here are the ones @Gautam_Baid uses.

It is a super-comprehensive list.

Sources of Idea Generation

- BSE corporate announcements
- Press releases, investor presentations
- M&A deal/Joint venture/Partnership agreements
- Quarterly results – watch out for breakout post a big earnings surprise (PEAD)
- Conference calls (Trendlyne, AlphaStreet, ResearchBytes, Company website IR section)
- Global peers commentary and outlook
- Management interviews
- Screeners (Tijori Finance, Screener.in) – big capex, 52-week/all-time/post IPO new high
- Equity research reports (Ambit, ICICI Securities, Spark Capital, IIFL, Nirmal Bang, Axis)
- Annual reports, credit rating reports, DRHPs, QIP Offering Documents
- Investor letters (Solidarity, SageOne, Equirus), Investing conclaves (TIA, IIC) and webinars
- Fund managers' top 5 holdings from PMS Bazaar website
- Bulk deals+block deals+insider buying (StockEdge), 52-week high volume list
- Magazines/Newspapers/Industry-specific websites
- Discussions with peers and colleagues; views of the leading analysts of individual sectors
- Social media (Twitter, WhatsApp, Telegram) and online forums like ValuePickr, Multipie

4 - Focus on the process as opposed to the outcomes. This is very important.

Developing a superior process leads to the repeatability of exceptional outcomes.

The Key Attribute of Great Investors: Focus on Process

“In a probabilistic environment, you are better served by focusing on the process by which you make a decision than on the outcome.”

“We have no control over outcomes, but we can control the process. Of course, outcomes matter, but by focusing our attention on process, we maximize our chances of good outcomes”

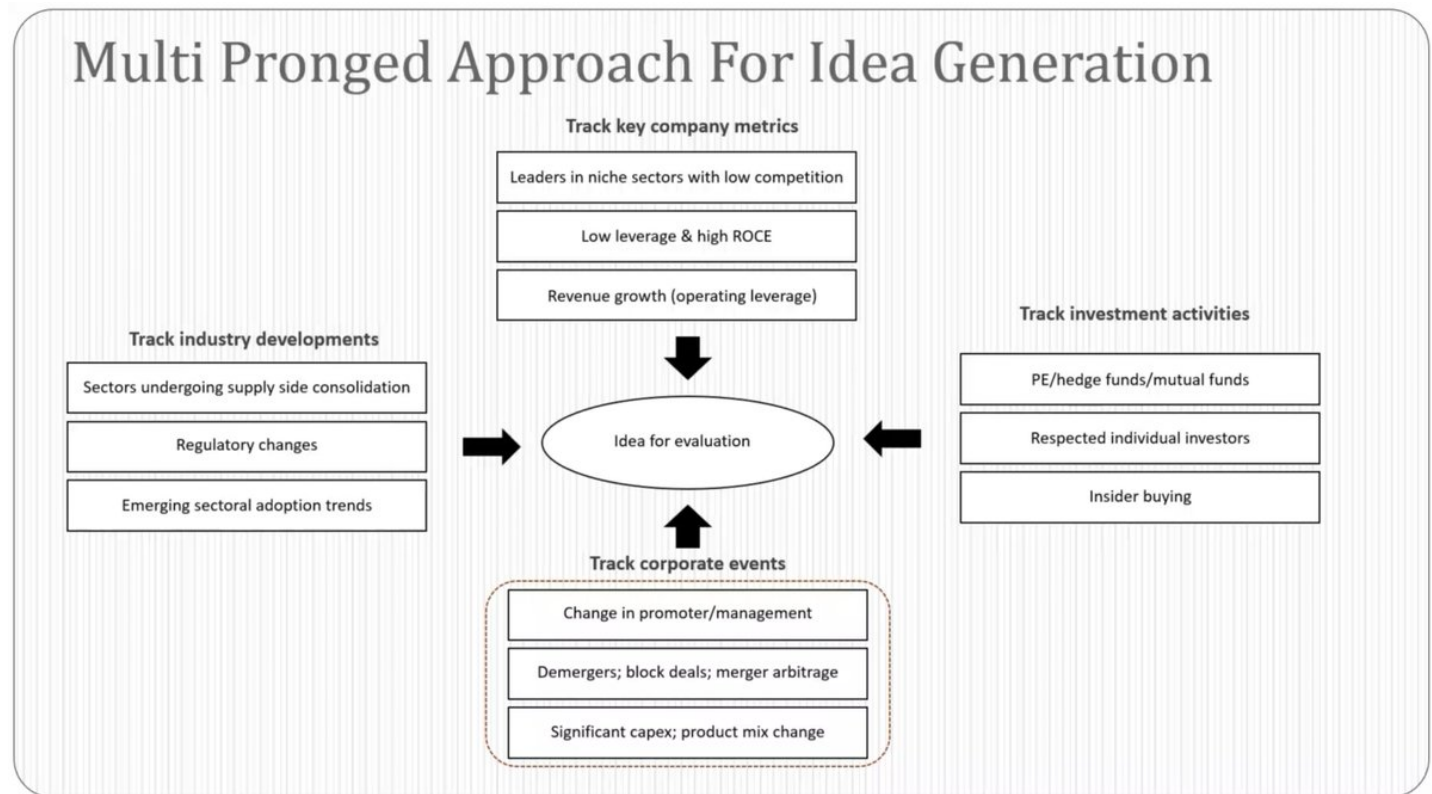
—Michael Mauboussin

“Numerous research studies have identified a common trait among successful professionals in fields of probabilistic activity: they all emphasize process over outcome...If you focus only on the outcome, you are less likely to achieve it. Instead, if you focus on adhering to a sound process, the outcome will take care of itself in the long term, although the short-term results almost always will be driven by luck. Over the long run, a sound process can be counted on to deliver desirable results in a sustained manner and produce more reliable outcomes.”

—The Joys of Compounding

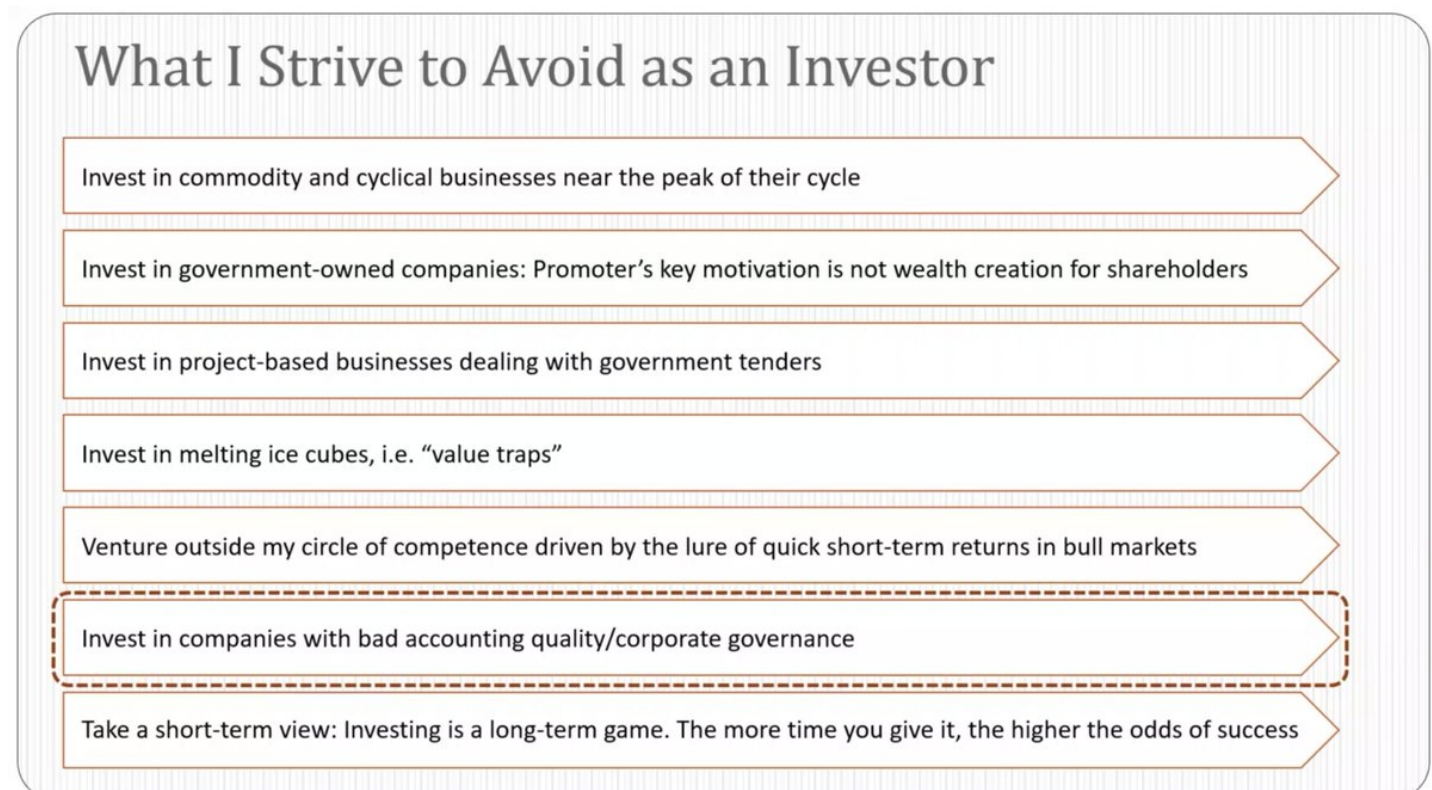
5 - Build a powerful investment framework where you can combine different metrics and processes while integrating what you have learned from your own experience into it.

Example - [@Gautam_Baid](#)'s multi-pronged approach to idea generation and validation.



6 - Avoiding a few basic red flags can go a long way.

Here is [@Gautam_Baid](#)'s list of things to avoid.



7 - Analysing a company's management is one of the most important things one needs to do as an investor.

Here is @Gautam__Baid's checklist that makes this job a bit more process-driven and easier to execute.

<https://t.co/ROZ6k8DTy8>

Today's spaces and WebEx presentation with @Gautam__Baid has been packed with so much insight. Check out this slide on corporate governance, for example, it is a goldmine for investors. @Finvents @dadalife369 #investing
pic.twitter.com/Teyr4jm45N

— Krishna Bahirwani (@BahirwaniKrish) December 8, 2021