NETRA

A Tribute To Charlie Munger

June 2024

DSP

"I tried to be useful"

\- Charlie Munger

A Tribute To Charlie Munger

“I knew after I met Charlie, after a few minutes in the restaurant, I knew that this guy’s going to be in my life forever. [I knew] we were gonna have fun together, we were gonna make money together, we were gonna get ideas from each other [and] we were both going to behave better than if we didn’t know each other." – Warren Buffett

If the most eminent investor of our era, Warren Buffett, finds wisdom in Charlie Munger, then undoubtedly, there is much to gain from emulating his principles.

Charlie Munger's influence extends far beyond the realm of investing. His wit and sagacity possess the potential to elevate us not just as investors, but as thinkers and individuals striving for personal growth.

This rendition of #DSPNetra serves as a tribute to the remarkable wisdom of Charlie Munger. His words have served as a beacon for the authors of this report, inspiring not only comprehension but also practical application in our lives. We extend our gratitude to the various investors and market participants who have contributed to this edition of #DSPNetra, offering insights into how Charlie's teachings have shaped their own journeys.

All quotes in this report are from Charlie Munger, unless otherwise mentioned. The title of each of the following slides is ‘the right stuff’ that Charlie Munger espoused.

Warren Buffett once said: “Charlie and I think pretty much alike. But what it takes me a page to explain, he sums up in a sentence.“ We aspire to emulate this brevity in our discourse, even as we acknowledge that we are still on a learning curve. We invite our readers to join us in honoring one of the preeminent minds of our time, Charles T. Munger.

Patient, Disciplined & Ready To Learn From Mistakes

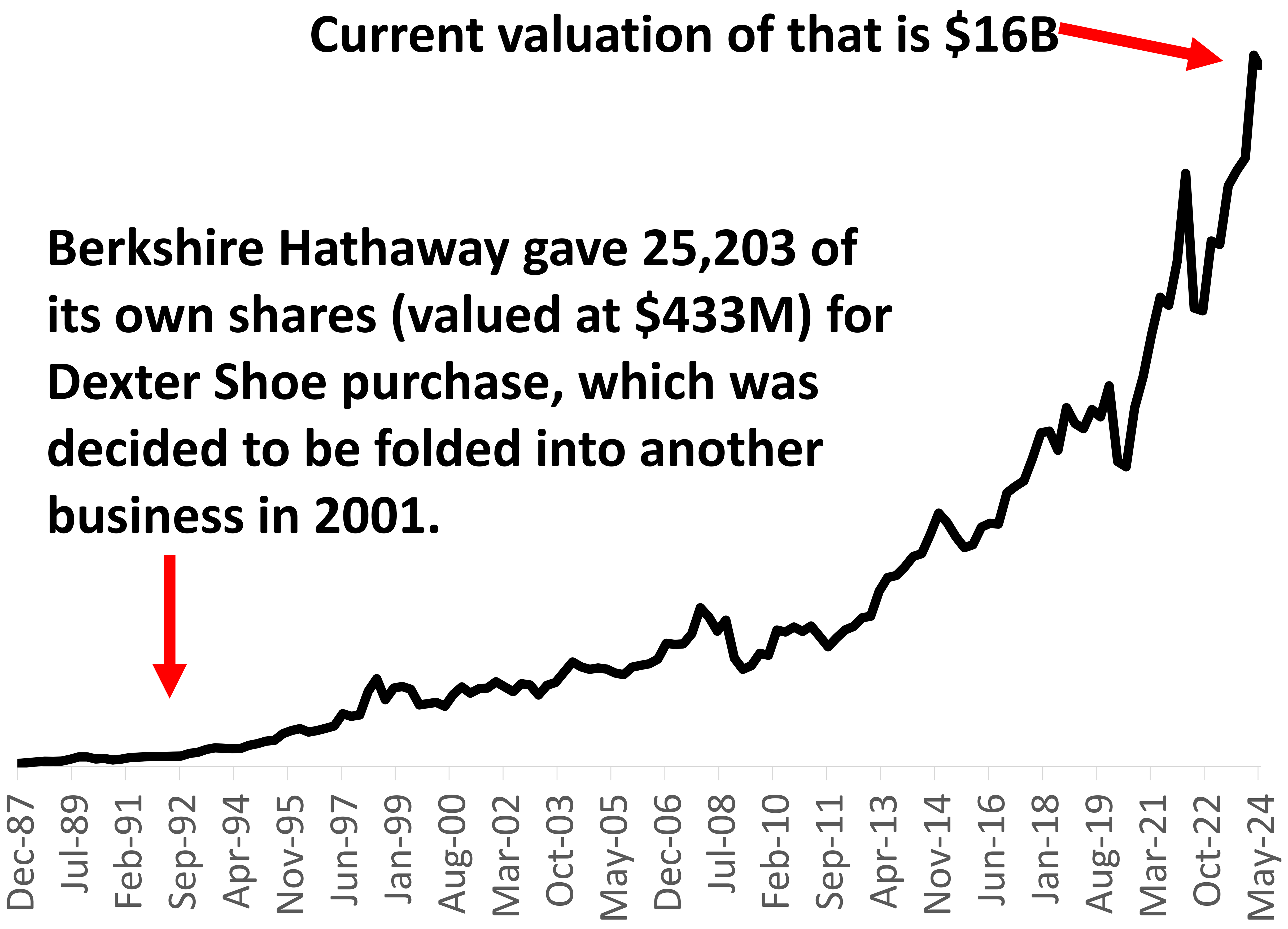
"We don't feel some compulsion to swing. We're perfectly willing to wait for something decent to come along. In certain periods, we have a hell of a time finding places to invest our money." …"Patience combined with opportunity is a great thing to have. My grandfather taught me that opportunity is infrequent and one has to be ready when it strikes. That's what Berkshire is….We've got great flexibility and a certain discipline in terms of not doing some foolish thing just to be active—discipline in avoiding just doing any damn thing just because you can't stand inactivity."

"'How long can this continue?' Well, there's only one way I know to answer that. And that's to think about why the results are occurring now- and then to figure out what could cause the results to stop occurring."

In 1993, Berkshire Hathaway bought Dexter Shoe, a Maine-based shoemaker, for $433 million by giving equivalent amount of Berkshire Hathaway shares. They thought Dexter Shoe was one of the best-managed companies they had ever seen, they expected it to continue growing and earning high returns on capital. However, later they realized that they had made a costly mistake because Dexter shoes faced intense competition from low-cost foreign producers, especially Chinese. Dexter Shoe could not keep up with the changing industry dynamics. Berkshire Hathaway's shoe profits plummeted from $85 million in 1994 to -$46 million in 2001, largely due to losses at Dexter Shoe.

The opportunity cost of using Berkshire shares to pay for Dexter Shoe was staggering: the 25,203 Class A shares that Buffett handed over were worth $433 million in 1993 which are now worth **$16 Billion.**

Lessons to be learned from this mistake:
"We learned how awful it is to have somebody who's really way lower priced [than the business invested in] come in hard and how no amount of managerial skills could protect us."
– Charlie Munger



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Source: DSP, Bloomberg; Data as of Apr 2024.

Long-Term Oriented

"The penultimate hurdle is myopia (or "hyperbolic discounting," if you happen to be a geek). This reflects the idea that consequences, which occur at a later date, tend to have much less bearing on our choices the further into the future they fall. This can be summed up as, "Eat, drink and be merry, for tomorrow we may die." Of course, this ignores the fact that on any given day we are roughly 26,000 times more likely to be wrong than right with respect to making it to tomorrow. Or, if you prefer, this myopic bias can be summed up by Saint Augustine's plea: "Lord, make me chaste, but not yet." —James Montier

"Almost all good businesses (and investors) engage in "pain today, gain tomorrow" activities."

"It is remarkable how much long-term advantage people like us have gotten by trying to be consistently not stupid, instead of trying to be very intelligent."

Most investors will be better off by doing away with all activity and hyperactivity. Often during our interaction with clients and partners we highlight that if you start a SIP (Systematic Investment Plan) and never stop, you don't have to do anything. You don't have to listen to experts, nor read any reports (including #DSPNetra). That's because by averaging your investments over the long term, you accept average valuations, average returns and average volatility. In investing, most investors don't even make average returns.

So as Charlie says, let's try and be a little less idiot rather than trying to be the smartest.

	Lumpsum returns	Lumpsum Real Returns	SIP Returns	SIP Real Returns
Country	Last 30 Years (All Returns in local currency, real returns adjusted for inflation)			
China (HK Listed)	0%	-3%	2%	-1%
Brazil	16%	9%	11%	4%
Hong Kong	2%	-1%	1%	-2%
Philippines	3%	-2%	5%	0%
China Mainland	5%	2%	4%	0%
UK	3%	1%	3%	0%
France	5%	3%	4%	3%
Malaysia	2%	-1%	2%	0%
Mexico	11%	3%	10%	2%
Indonesia	9%	1%	11%	2%
Canada	6%	4%	5%	3%
Korea	4%	1%	5%	2%
Australia	5%	2%	4%	1%
India	10%	4%	12%	6%
Taiwan	5%	3%	6%	4%
USA	8%	6%	8%	5%
Japan	2%	2%	6%	5%

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Source: DSP, Bloomberg; Data as of May 2024.

SIP Real Returns > = 5% shaded in green; SIP Returns > Lumpsum Returns shaded in green

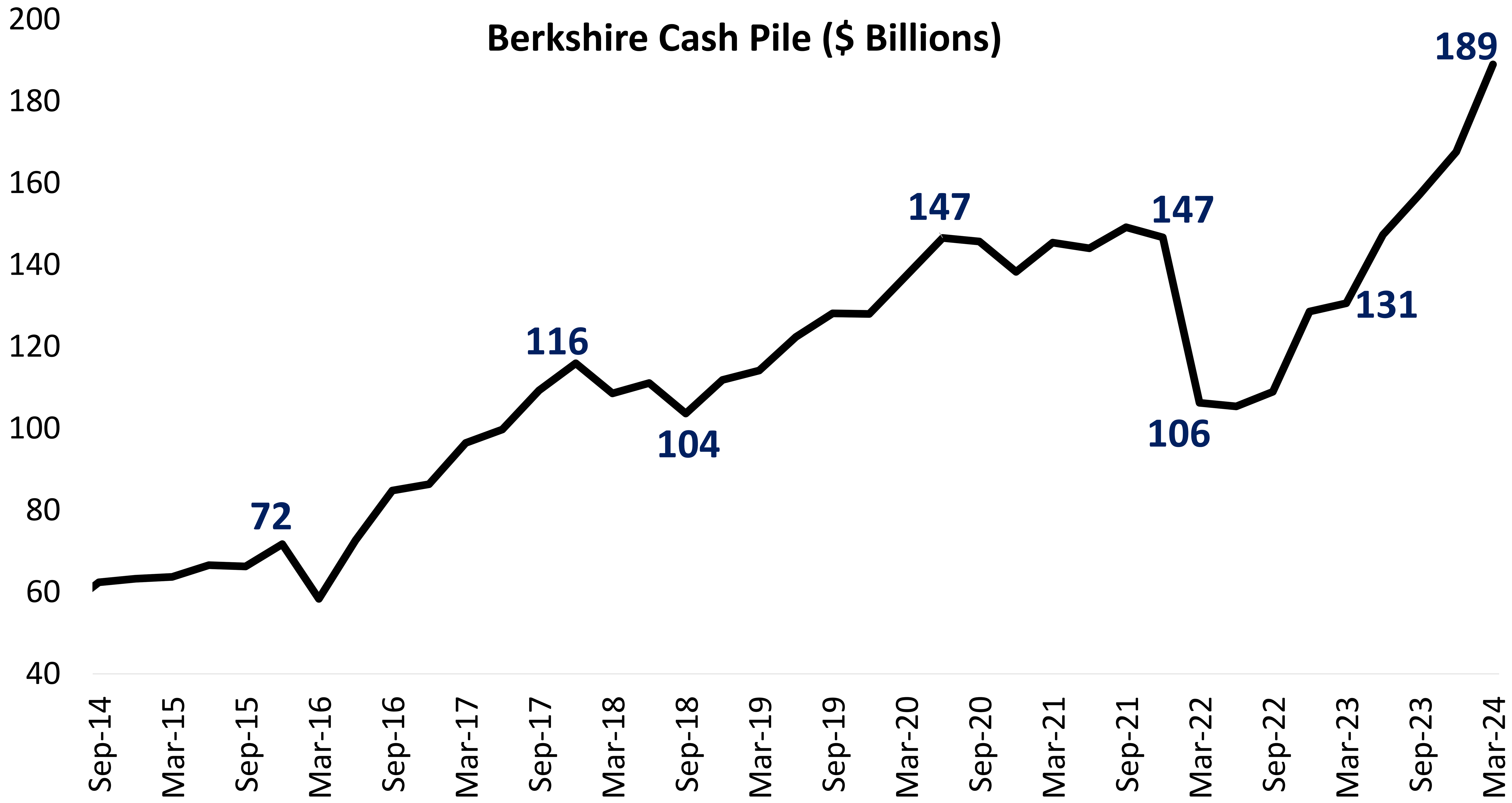
Frugal & Risk Averse

"You can easily see how risk-averse Berkshire is. In the first place, we try and behave in such a way that no rational person is going to worry about our credit. And after we have done that, we also behave in such a way that if the world suddenly didn't like our credit, we wouldn't even notice it for months, because we have so much liquidity. That double layering of protection against risk is as natural as breathing around Berkshire. It's just part of the culture."

"Every two years I'm part of an informal group that gathers to have fun and explore a few subjects. Last September, meeting at Bishop's Lodge in Santa Fe, we asked [Ike Friedman, Borsheim's managing Genius] to come by and educate us on jewels and the jewelry business. Ike decided to dazzle the group, so he brought from Omaha about $20 million of particularly fancy merchandise. I was somewhat apprehensive—Bishop's Lodge is no Fort Knox—and I mentioned my concern to Ike at our opening party the evening before his presentation. Ike took me aside. "See that safe?" he said. "This afternoon we changed the combination and now even the hotel management doesn't know what it is." I breathed easier. Ike went on: "See those two big fellows with guns on their hips? They'll be guarding the safe all night." I now was ready to rejoin the party. But Ike leaned closer: "And besides, Warren," he confided, "the jewels aren't in the safe."

—Warren Buffett, 1989 Berkshire Shareholder Letter, 1990

"Excess cash is an advantage, not a disadvantage." –Charlie Munger



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Source: DSP, Bloomberg; Data as of May 2024.

Calm but Courageous

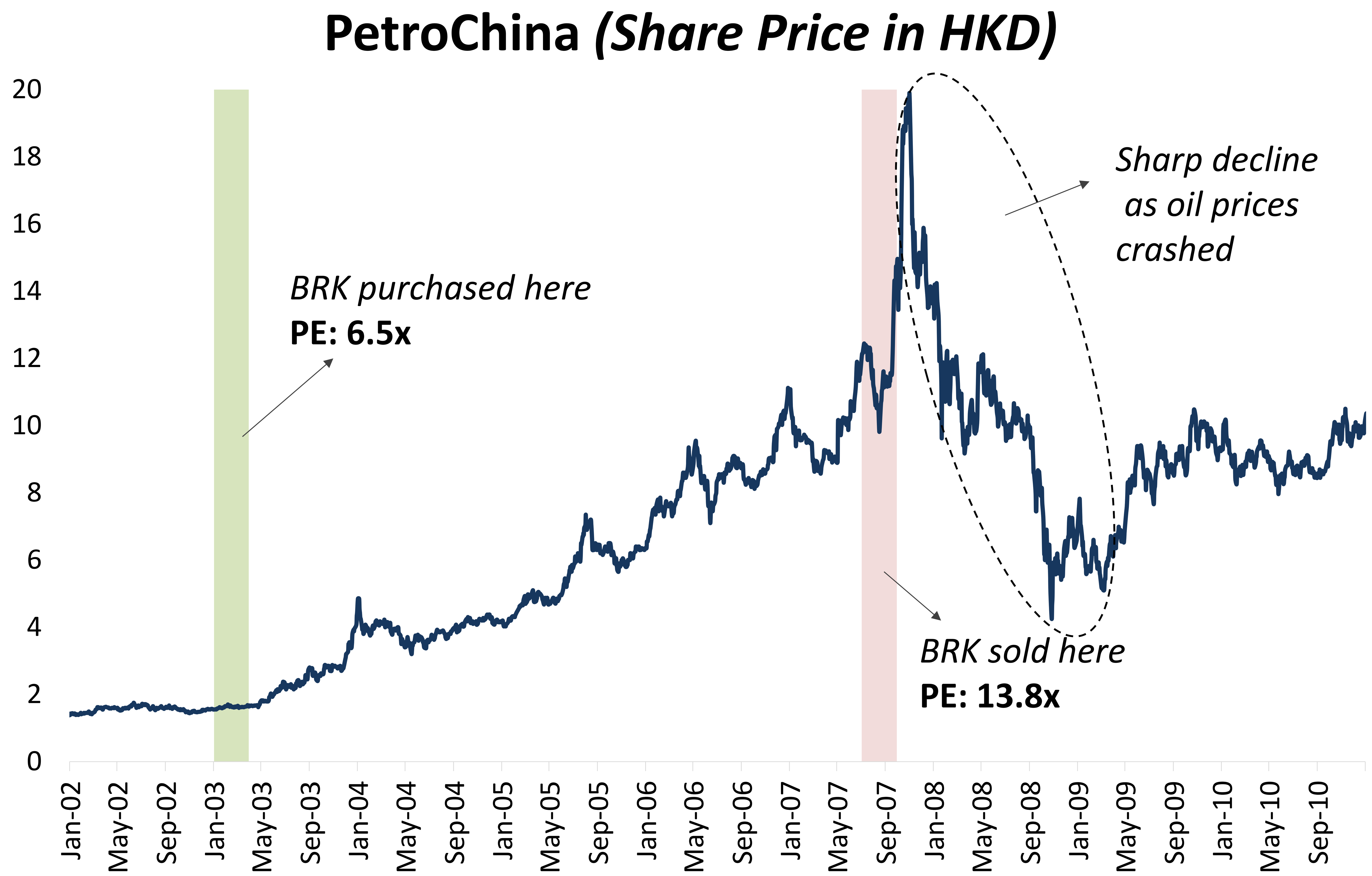
"The wise ones bet heavily when the world offers them opportunity. They bet big when they have the odds. And the rest of the time, they don't."

"Good investing requires a weird combination of patience and aggression. And not many people have it."

In 2002, PetroChina (a Chinese Oil & Gas major) produced ~3% of the world's oil and earned $5.7 billion in profits. However, the company was trading at a market cap of $37 billion – Price to Earnings of 6.5x. While low valuations do not guarantee good returns, PetroChina's underlying business fundamentals were very decent. The company had large oil & gas reserves and the leverage levels weren't high. Plus, it had a dividend policy which distributed 40-50% of profits.

Berkshire had thus far never invested in China, but this one was a no-brainer to Buffer and Munger. They bought 1.3% stake in the company in 2003 for $488 million. By 2007, the company's market cap soared to $275 billion (helped by high oil prices and good execution by management) and valuation rerating. Berkshire sold its entire holding for $4 billion in the second half of 2007.

Fun Fact: Berkshire paid tax of $1.2 billion on the gains - Warren in 2008 BRK annual report notes that this sum paid all costs of the U.S. government – defense, social security, you name it – for about four hours!



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Source: DSP, Bloomberg, Berkshire Hathaway & PetroChina Annual Reports

Playing To Strengths & Nonideological

"It's amazing how fast Berkshire acts when we find opportunity. You can't be timid- and that applies to all of life."

"Knowing what you don't know is more useful than being brilliant. Acknowledging what you don't know is the dawning of wisdom."

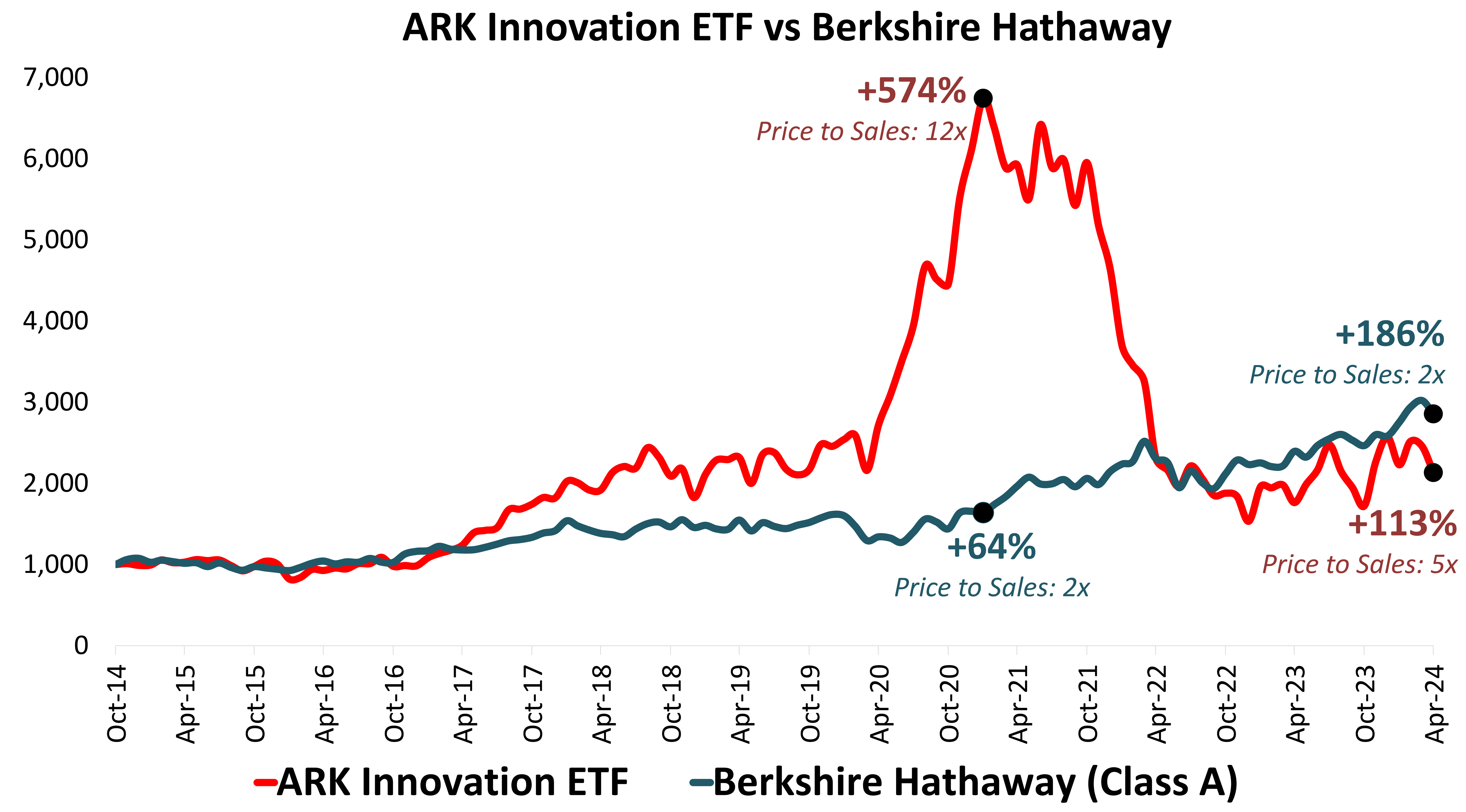
"Warren and I only look at industries and companies which we have a core competency in. Every person has to do the same thing. You have a limited amount of time and talent and you have to allocate it smartly."

Between 2020 and 2021, new-age technology stocks did extremely well, benefitting from the low interest rate environment and stimulus measures in US.

This led to a sharp underperformance of Berkshire Hathaway versus new age portfolio managers such as ARK Innovation ETF. At one point, the underperformance differential was as high as 500%. However, as the interest rate cycle reversed starting 2022, the performance of new age stocks got pulled down by earnings growth (or the lack of it). The old tortoise eventually caught up and surpassed the fad stocks.

A large part of Warren Buffet and Charlie Munger's success rests squarely on two things:

1. Knowing their process
2. Sticking to it



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Source: DSP, Bloomberg, Morningstar Direct. Data as of April 2024. Values rebased to 1000 on 31-Oct-2014 (inception of ARK Innovation ETF).

Capacity to Suffer

"If you're going to be in this game for the long pull, which is the way to do it, you better be able to handle a 50% decline without fussing too much about it."

Irrespective of where you invest, you are very likely to face a correction of 50% or higher at least once in your investing life.

For example, let's take the top 10 listed companies (based on free float market cap) in India and US. These stocks become giants due to their consistent business performance across years. But **almost all of them have gone through drawdowns of 50% or higher at least once in the last 30 years.**

Volatility is not a choice. However, you can manage the extent of pain with your asset allocation.

"The availability of a quotation (stock price) should never be turned into a liability whereby its periodic aberrations in turn formulate your judgments." – Warren Buffet

If the ride up was nonlinear, the ride down might be too.

India - Max Drawdown of Largest 10 Listed Companies		
Company	**Max Drawdown in Last 30 Years (%)**	**Drawdown Period**
HDFC Bank Ltd	-55%	Jan-08 to Mar-09
Reliance Industries Ltd	-68%	Jan-08 to Oct-08
ICICI Bank Ltd	-82%	Jan-08 to Mar-09
Infosys Ltd	-83%	Mar-00 to Oct-01
Larsen & Toubro Ltd	-77%	Jan-00 to Sep-01
Tata Consultancy Services Ltd	-66%	Jan-07 to Mar-09
ITC Ltd	-58%	Sep-94 to Jan-96
Bharti Airtel Ltd	-57%	Oct-07 to Aug-12
Axis Bank Ltd	-78%	Jan-08 to Mar-09
State Bank Of India	-61%	Jan-08 to Mar-09

US - Max Drawdown of Largest 10 Listed Companies		
Company	**Max Drawdown in Last 30 Years (%)**	**Drawdown Period**
Microsoft Corp	-75%	Dec-99 to Mar-09
Apple Inc	-82%	Mar-00 to Apr-03
Nvidia Corp	-90%	Jan-02 to Oct-02
Amazon.com Inc	-94%	Dec-99 to Sep-01
Alphabet Inc	-65%	Nov-07 to Nov-08
Meta Platforms Inc	-77%	Sep-21 to Nov-22
Berkshire Hathaway Inc	-51%	Dec-07 to Mar-09
Eli Lilly & Co	-75%	Aug-00 to Mar-09
Broadcom Inc	-49%	Dec-19 to Mar-20
JPMorgan Chase & Co	-76%	Mar-00 to Oct-02

Source: DSP, Bloomberg. Data as of May 2024. Top 10 stocks of Nifty 50 and S&P 500 are considered. Maximum drawdown since inception is shown for companies that have been public for less than 30 years.

Collegial With A Sound Temperament

“Even Einstein didn’t work in isolation. But he never went to large conferences. Any human being needs conversational colleagues”…. “I hardly know anybody who’s done very well in life in terms of cognition that doesn’t have somebody trusted to talk to. Einstein would not have been able to do what he did without people to talk to. Didn’t need many but he needed some. You organize your own thoughts as you try and convince other people. It’s a very necessary part of operations. If you had some hermit sitting on a mountain, he wouldn’t do very well.”

“Warren and I aren’t prodigies. We can’t play chess blindfolded or be concert pianists. But the results are prodigious, because we have a temperamental advantage that more than compensates for a lack of IQ points.”

“People calculate too much and think too little.”

It’s no secret that Charlie Munger and Warren Buffett have seen their wealth multiply because they gave it time. Holding on to your investments with a clear focus on margin of safety is a recipe that the two greats have espoused.

For most people who aren’t professional investors or money managers, a financial planner, who can inculcate discipline and make one focus on time can be a source of greatest support.

In the compounding formula,
$A = P(1 + r/n)^{(nt)}$, its the time (t) that causes compouding rather than just return (r). Unfortunately, most investors are focussed on maximizing returns (r) and not time (t).

Buy & Sell investor: Books profits at 50% gains and re-invests when markets are down by 15% in last 2 years.

Buy & hold investor outperforms the investor who sells by 2.5% CAGR over long term

“The big money is not in the buying or selling, but in the waiting”

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Source: DSP. Data as of May 2024.

Working In Your 'Circle of Competence' (From @ContrarianEPS)

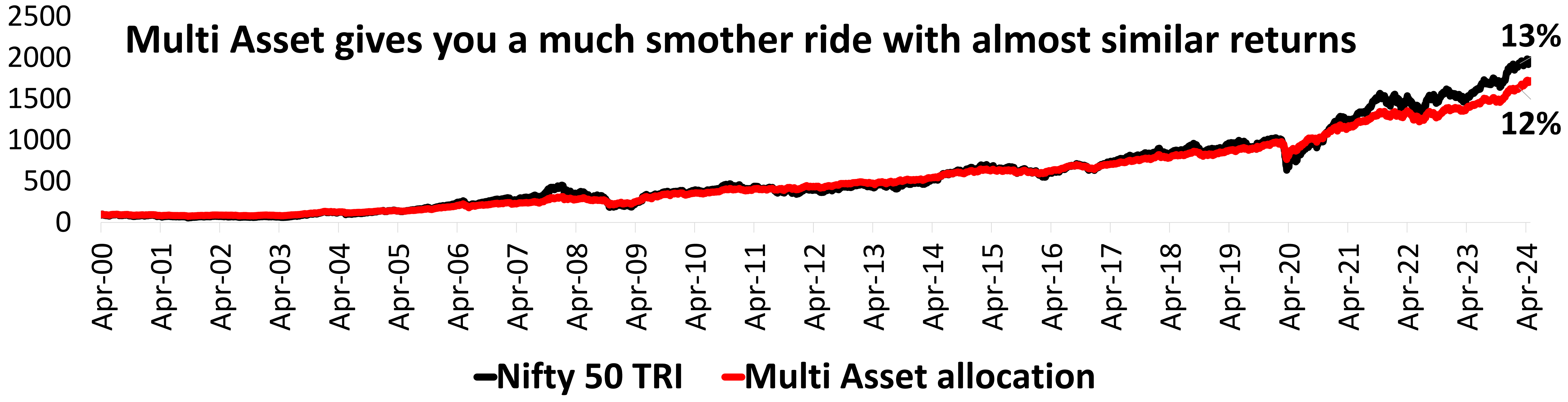
"To get what you want, you have to deserve what you want. The world is not yet a crazy enough place to reward a whole bunch of undeserving people"

You get return you deserve. Do you have a psychological edge? Can you zig when markets zags? Can you invest in value or Equal Weight Index Fund when market is rallying behind Momentum Investing?

Do you have an analytical edge?
It is not a lot to understand a couple of sectors, following them for a few years and make reasonable sized bets when the time is right. Stocks/Sector funds - You don't have to learn it all. Buffett and Munger know few sectors like Financials, Insurance and Consumer/Retail very well. 75% of their bets are just in these few sectors.

Luckily if you don't have any edge, Investing is quite benevolent. You can simply buy and hold Multi-asset fund which gives you a smooth ride to your financial goals.

"If you can't beat the market, be the market."
- Seth Klarman



Period	Debt	Gold (INR)	International Equities	Domestic Equities	Multi Asset Allocation
1 Year	8%	18%	20%	27%	21%
3 Year	6%	14%	9%	17%	14%
5 Year	6%	17%	13%	15%	14%
7 Year	7%	13%	14%	15%	13%
10 Year	7%	9%	12%	14%	12%
20 Year	7%	13%	11%	15%	14%
Since Inception	7%	12%	8%	**13%**	**12%**
Standard Deviation	1%	17%	15%	**22%**	**12%**

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Source: Contrarian EPS, Bloomberg, DSP. Data as on May 2024. Data is since 2000. Data taken for Debt - CRISIL Ultra Short Term Debt Index, International Equities – MSCI ACWI TR, Domestic Equities – Nifty 500 TRI. Multi Asset Allocation is 15% Debt, 20% Gold, 15% International Equities, 50% Domestic Equities.

Not Delusional and Realistic (From Symphonia Wealth Research)

"The first rule of a happy life, is low expectations. With unrealistic expectations, you're going to be miserable."

"It's not possible for investors to consistently outperform the market"

Charlie Munger has often remarked that it is not feasible for every investor to consistently outperform the market. Nevertheless, Munger also emphasized that wealth can be generated through patience and perseverance during challenging times.

We conducted an analysis of active equity funds that have been operational over the past decade, and which have never gone into last quartile. Our findings revealed that only 38 funds out of 151 funds have outperformed the major Large, Mid, and Small cap indices during this period. However, achieving this outperformance has not been straightforward. These funds have experienced significant volatility, ranging from being in the top quartile in one year to falling below average the next.

Ultimately, it is the diligent investor, endowed with the temperament to remain steadfast and committed, who can navigate these fluctuations and achieve long-term success.

MF Schemes	Returns (2014-23)	Rank in the respective Calendar Year									
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fund A	27.41	5	126	66	2	140	141	17	2	39	2
Fund B	26.47	1	108	124	1	145	81	8	24	22	112
Fund C	24.95	40	39	4	90	61	118	4	8	10	71
Fund D	24.18	3	145	7	38	150	127	11	10	101	11
Fund E	23.72	11	139	76	71	99	1	30	11	80	43
Fund F	23.49	12	101	8	16	73	12	35	51	114	81
Fund G	23.26	33	106	141	72	34	108	5	14	17	113
Fund H	22.89	32	147	44	30	110	143	3	12	14	75
Fund I	22.5	25	129	29	33	141	96	7	3	133	35
Fund J	22.47	9	114	19	37	119	60	39	25	51	59

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Source: Symphonia Wealth Research. Data as of May 2024.

Never In Denial (From Wise Turtle Finserv LLP)

“I figure that I want to swim as well as I can against the tides. I'm not trying to predict the tides.”

“If I had to name one factor that dominates human bad decisions, it would be what I call denial.”

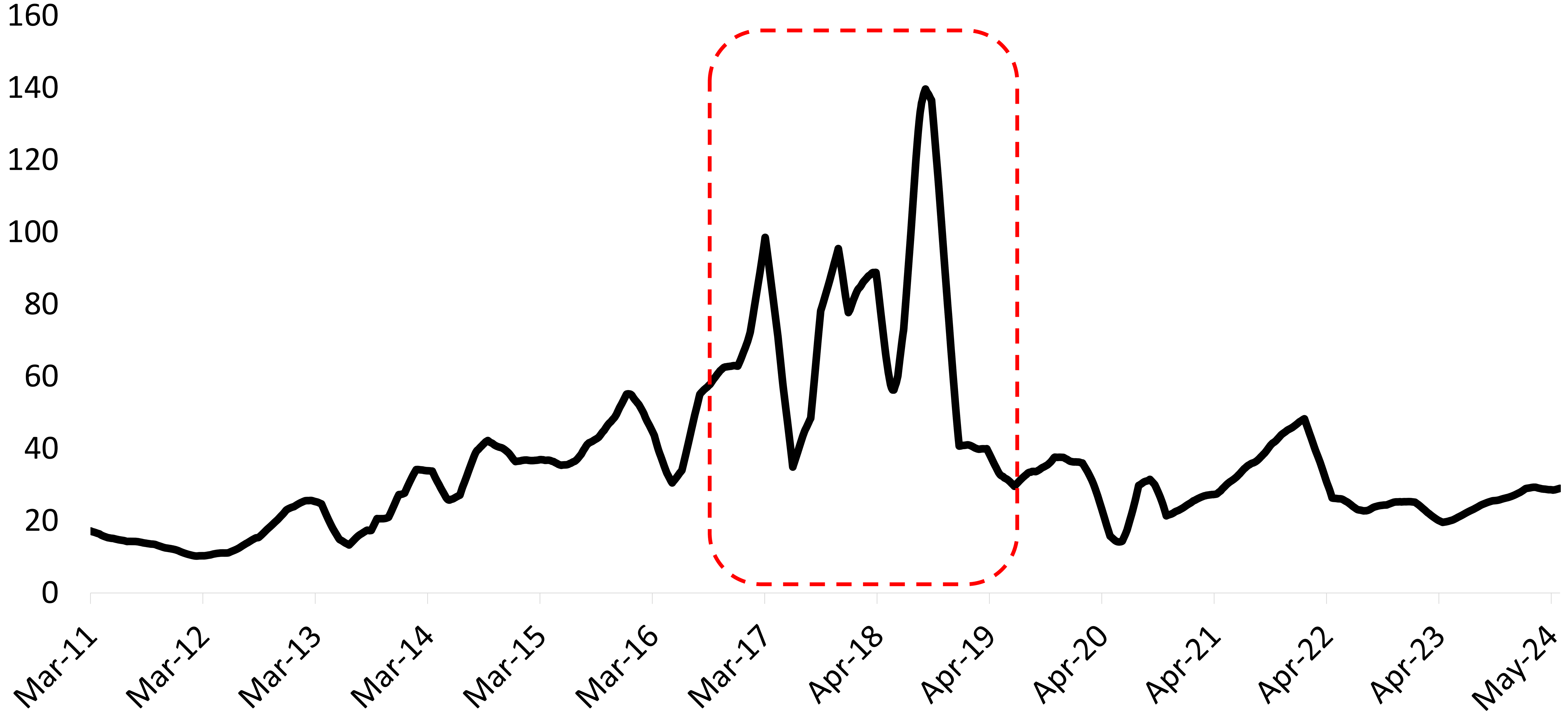
One of Charlie Munger’s favorite stories is about the little boy in a Texas school:

The Teacher asked the class ‘If there are nine sheeps in the pen and one jumps out, how many are left?’
Everybody got the answer right except this boy, who said, ‘None of them are left’
And the teacher said ‘You don’t understand arithmetic’
And the boy said, ‘No teacher, you don’t understand sheep’.

This lesson is equally applicable to markets as it is to sheep. Following the froth of extremely high valuations in the BSE Smallcap 250 Index in 2018, about 90% of the stocks gave negative returns from January 2018 to February 2019.

Returns during that period (Jan 2018 – Feb 2019)
S&P BSE Smallcap 250 Index - -28%
Average stocks return during that period - -32%

In 2018 when the valuations were exceptionally high. About 90%* of the BSE Smallcap250 stocks delivered negative returns.



BSE Small cap 250 (3 Month Average PE)

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Source: Amit Marathe – Wise Turtle Finserv LLP, DSP. Data as on May 2024. *Period considered is Jan 2018 – Feb 2019.

Reasonably Intelligent but Not Blinded by High IQs (From Ramneek Kundra, DSP Pension Fund)

"You need to have a passionate interest in why things are happening. That cast of mind, kept over long periods, gradually improves your ability to focus on reality. If you don't have the cast of mind, you're destined for failure even if you have a high IQ."

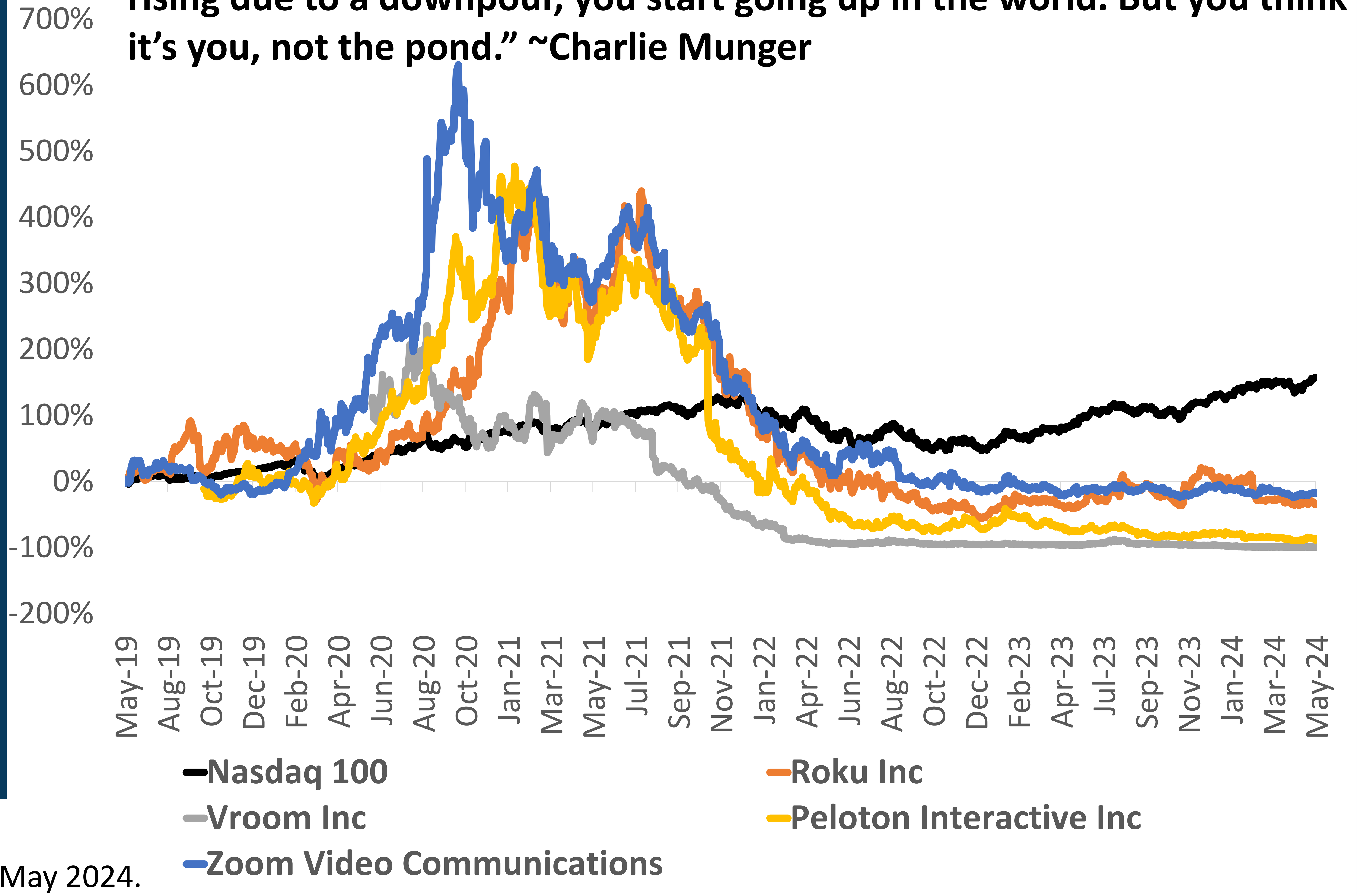
"A lot of people with high IQs are terrible investors because they've got terrible temperaments."

The roaring bull market that ignited on March 23, 2020, post the Covid-19 market downturn, spurred a frenzy of digital apps, services, and platforms reminiscent of the 1999 dotcom bubble. Unlike then, some businesses actually boasted solid earnings and free cash flow growth. However, this surge was short-lived, driven by heightened digital infrastructure usage during lockdowns, shifting market focus from traditional valuation metrics to Total Addressable Market (TAM).

From Mar'20 to Nov'21, euphoria persisted, spawning numerous books and blogs on "making millions" through stock picking, often mistaking luck for skill. Retail investors, riding popular stock picks, outpaced the NASDAQ-100. Berkshire had made >3x return on its large Apple purchase in 4 years, but investors in their 20s had begun calling Warren Buffett a washed-up old man.

Yet, as the Federal Reserve raised rates to curb inflation, market momentum waned. The NASDAQ100, climbing from under 6,900 in Mar'20 to 16,440, plunged to 10,440 by Nov'22, a 37.63% decline. Concentrated portfolios in bubble stocks suffered substantial losses, dashing hopes of recovery.

"Bull markets go to people's heads. If you're a duck on a pond, and it's rising due to a downpour, you start going up in the world. But you think it's you, not the pond." ~Charlie Munger



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Source: Ramneek Kundra, CIO, DSP Pension Fund, Bloomberg; Data as of May 2024.

Margin of Safety (From Tariq Hussain)

“I've always believed that nothing was worth an infinite price.”

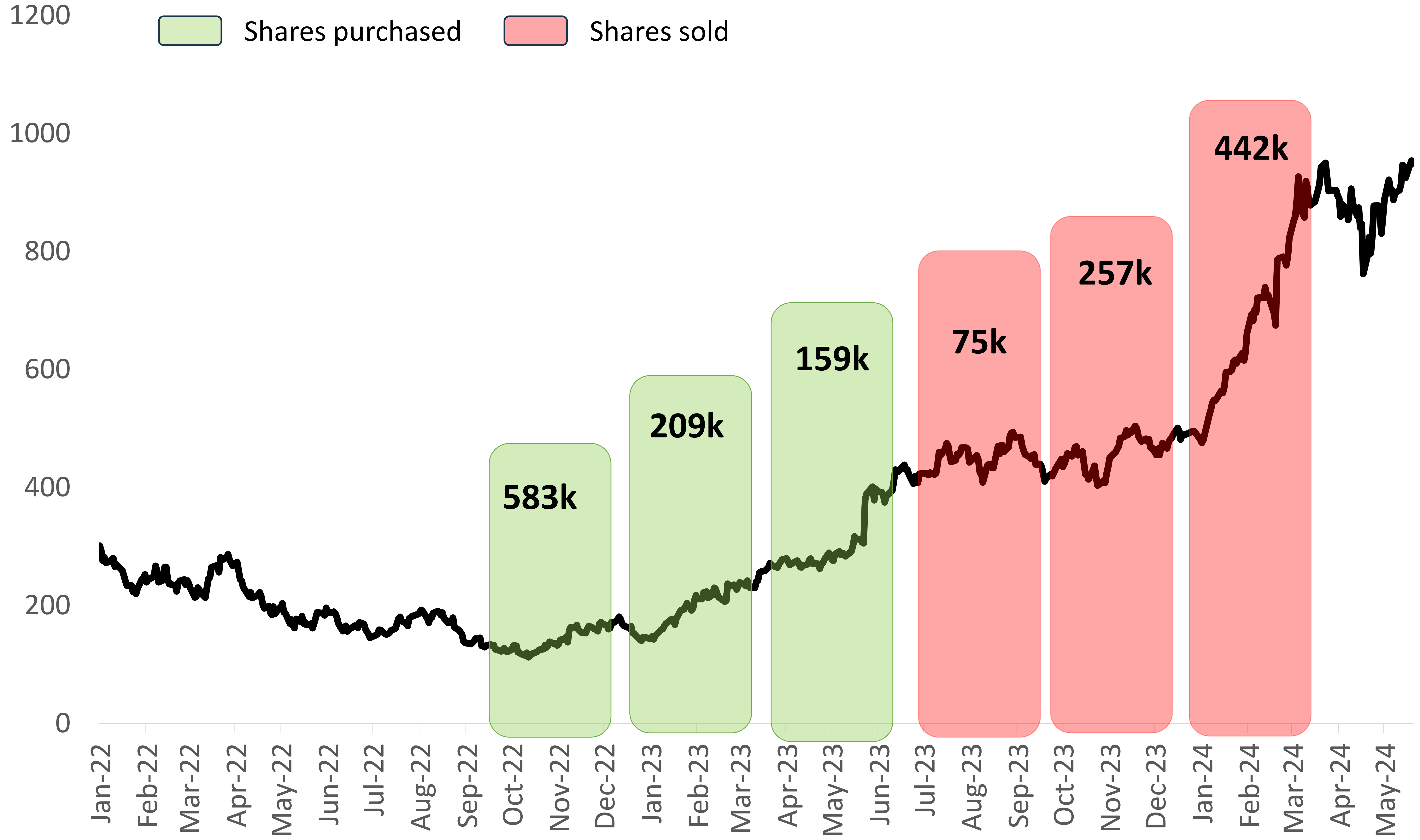
"The idea of a margin of safety, a Graham precept, will never be obsolete."

Great investors are not rigid in their option. They know markets and factors keep evolving and as such adapt to the same. Stan Druckenmiller with a legendary track record in investing attributes his ability as the main factor behind his success in investing.

In late 2022, Druckenmiller was cautious on US economy as inflation continued to rise much above US Fed target of 2%

On 30th Nov 2022, ChatGPT was launched. Same week, Druckenmiller bought a USD 100 Million position in Nvidia at ~ USD 150/share and continued to buy it for the next six months.

Post Nvidia's rise to $950/share, he has sold 30% stake so far and still netted a gain several times over his investment.



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Source: Tariq Hussain, Stockcircle. Data as of May 2024.

Decisive With Mountains of Patience (From Kumar Saurabh)

"It takes character to sit there with all that cash and do nothing. I didn't get to where I am by going after mediocre opportunities."

"Is there such thing as a cheerful pessimist? That's what I am."

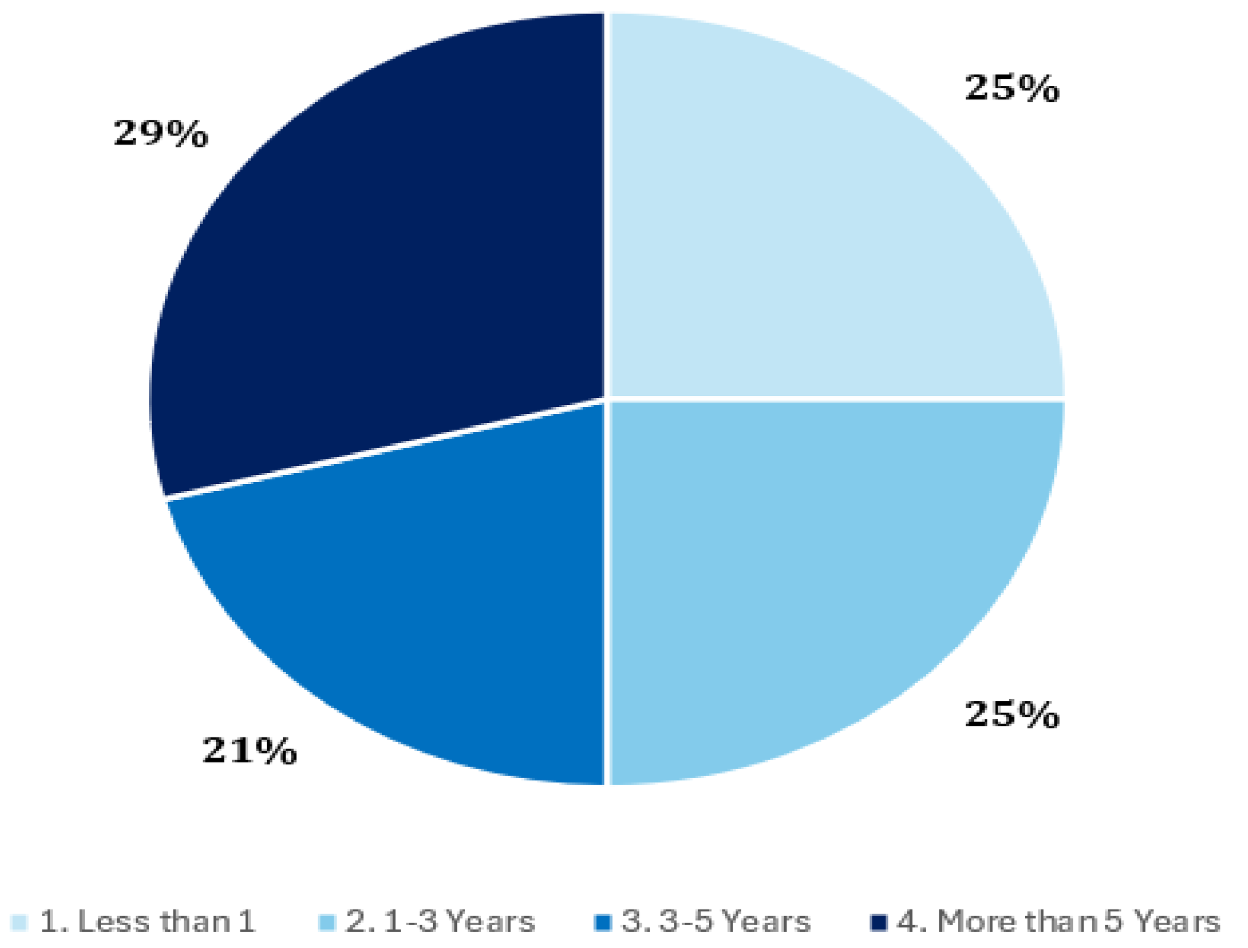
When Buffett and Munger say that their favourite holding period is forever, many people forget that they run an entity which holds these fabulous businesses. The idea behind an investment portfolio is to look at the quality of the businesses versus the opportunity cost.

"Everything should be done in terms of opportunity cost. Opportunity cost is so simple. If you're gonna make a new investment, your opportunity cost of the new investment is whatever the next best choice you have available is. Now, you go through life like that instead of with this gibberish, all I can say is it works better." – Charlie Munger

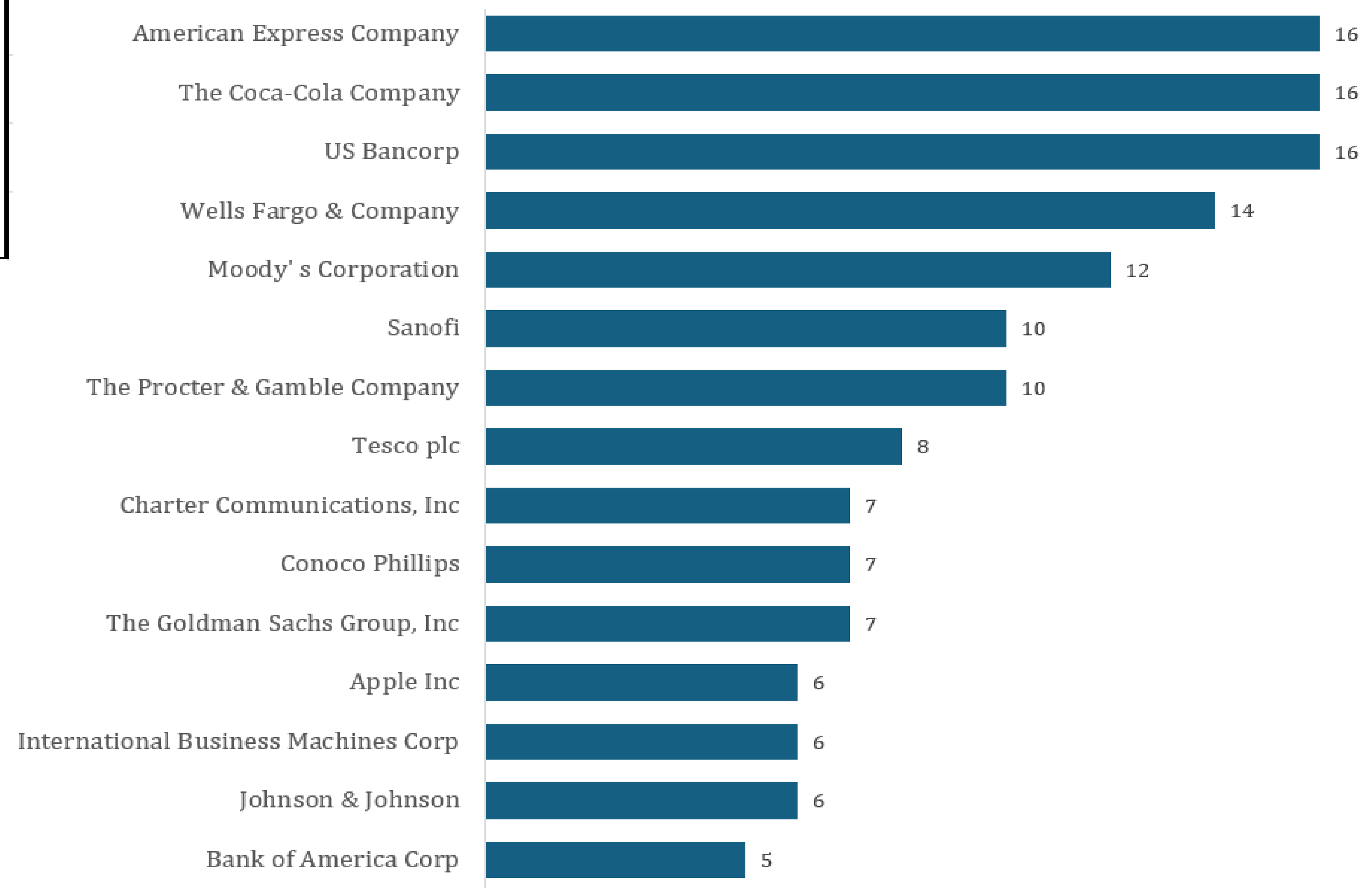
Optically, the ace investors may appear more active than they say, but on an ongoing basis they have the ability to hold businesses for unusually long period of time, as long as they fit their opportunity cost framework. That's being logical.

How Berkshire Invested (2006-2021)

Investing Parameters	Value
No. of Bets	48
Average Holding Period (Years)	4.75
Less than 1 Year	25%
More than 5 Years	29%
Equal or More than 10 Years	15%
Continue to hold from 1st Buy	27%
Multiple Transaction Bets	10%



Outperformed S&P 500 on 69% of occasions b/w 2006-21 based on annual performance



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Source: Kumar Saurabh, Founder, Scientific Investing

Read.

“Life is just one damn relatedness after another.”

Charlie Munger championed a multidisciplinary approach to learning, advocating for the acquisition of fundamental 'Mental Models' from various disciplines—a concept that deeply resonates with us.

Mark Twain once said: “The man who doesn’t read good books has no advantage over the man who cannot read them.”

If you think about it carefully, lollapalooza effects, the really big effects, come from the confluence of factors. Embracing a multidisciplinary approach, wherein one grasps the basics of physics, biology, probability, mathematics, psychology, and other fields, can provide the insight needed to recognize when one is amidst a lollapalooza. And what better way to acquire this foundational knowledge than through reading?

To read, is to have self respect to grow. It’s the passion to know.
“What matters most: passion or competence that was born in? Berkshire is full of people who have a peculiar passion for their own business. I would argue passion is more important than brain power.”

If there is one overarching lesson from Charlie that serves as a gateway to acquiring all other lessons, it is reading.
“Develop into a lifelong self-learner through voracious reading; cultivate curiosity and strive to become a little wiser every day.”

Learnings from Investors

Insights From DSP

My most valuable lesson from Charlie Munger is the principle of inversion. Instead of asking where I can make money, I now ask where is the risk, so I can avoid adding risk to my capital. This framework has guided my decisions in both business and investing. It has steered me away from asset classes or funds nearing their peak cycles. For instance, it prevented me from investing in long-duration debt funds when policy rates were at 4% two years ago. Furthermore, I've learned that stocks rarely make money when price-to-sales ratio surpasses tenfold. This insight spared me from investing in popular tech names in 2020. When considering what causes losses in equities, I've come to realize that it's often due to either poor companies or overpaying for good ones. This understanding led me to invert my approach and design a value fund focused on acquiring good companies that are not excessively priced. My team and I conceptualized this fund with inspiration drawn directly from Charlie Munger's inversion principle.

- Kalpen Parekh (MD & CEO, DSP Mutual Fund)

Charlie lived deliberately. He consistently shaped the future he wanted. Carefully choosing where he lived, vacationed, who he worked with - he manifested his intentions with each decision. He knew why he wanted to be rich ("I thought it was undignified to have to send invoices to other people."). He even designed and funded buildings and boats he believed the world deserved. We are often scared to even ask, “what do I want from life”? It’s a scary question. Charlie asked it. Acted on it. I guess that is the most important lesson I have learnt from him. I have slipped in the past, but I hope I always have the courage to ask that question. And follow through.

- Abhishek Singh (Fund Manager, DSP Mutual Fund)

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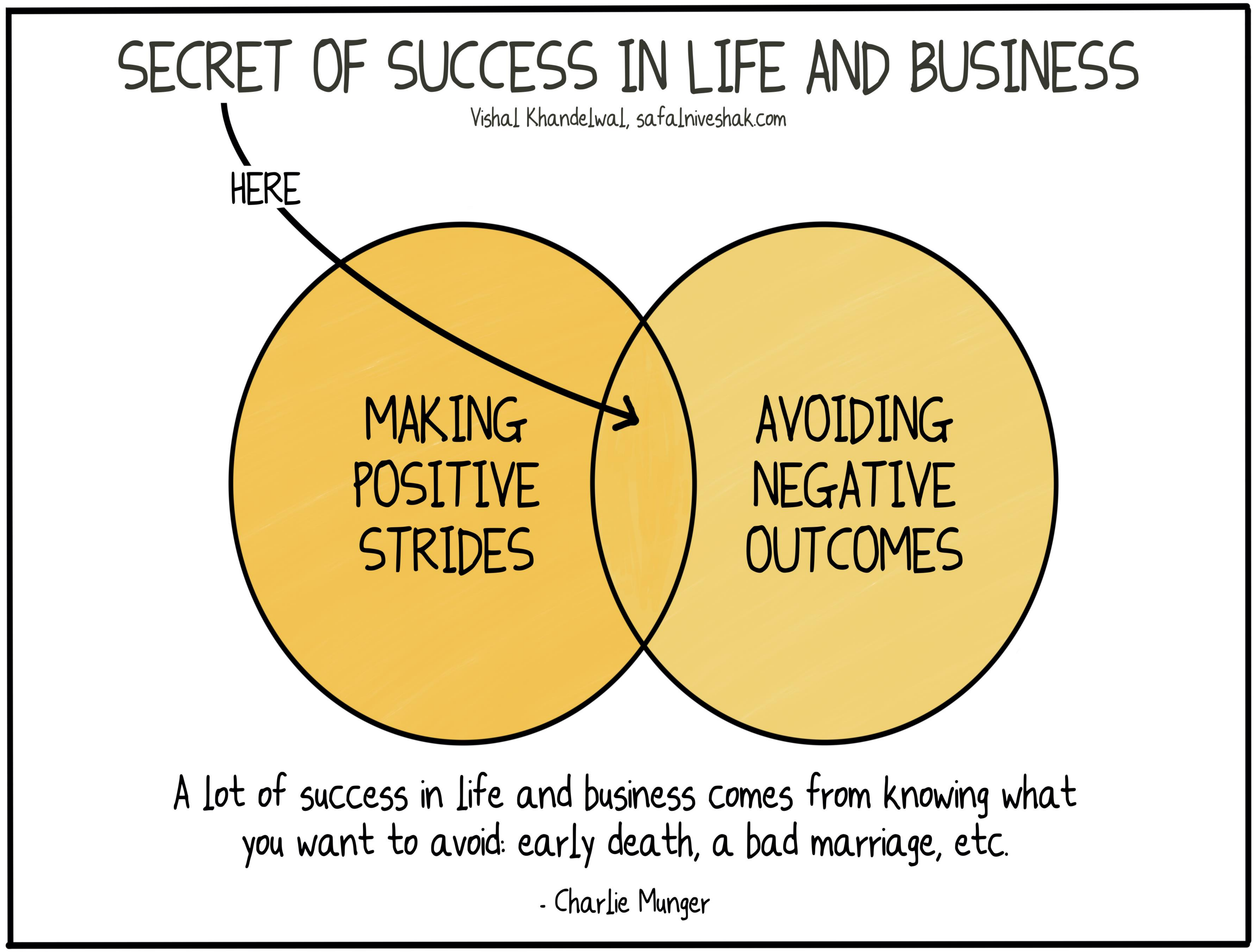
Vishal Khandelwal

- Investing is not just about knowing where to put your money — it is equally about knowing where not to put it. Charlie once said, "**A lot of success in life and business comes from knowing what you want to avoid: early death, a bad marriage, etc.**" This advice resonates deeply in investing too, where the stakes are high and the pitfalls many.

- When we think about investing, our minds often jump to finding the next big stock or the best mutual fund. But what if the key to success was as much about steering clear of bad decisions as it was about making good ones? Charlie's insight emphasizes the power of avoiding mistakes — a principle that's surprisingly potent when it comes to managing your investments.

- Peter Bernstein wrote in his brilliant book Against the Gods – "Survival is the only road to riches. Let me say that again: Survival is the only road to riches. You should try to maximize return only if losses would not threaten your survival and if you have a compelling future need for the extra gains you might earn."

- Trying to avoid the ruin the stock market system enforces upon people who disregard its workings is rational. Believing that you can beat the system at it, by playing the game mindlessly, isn't.



Source: Vishal Khandelwal, https://www.safalniveshak.com/

Raunak Onkar – PPFAS Asset Management

- **Simplify** problems by deciding big no-brainer questions first. *We can judge spending time on problems by questioning what's worth solving first. It can be a business problem or a problem of studying a business out of thousands of options.*

- **Without Numerical Fluency**, in the part of life we inhabit, you are like a one-legged man in an ass-kicking contest. Numbers do speak louder than narratives in the long run and we must guard ourselves to not get carried away just by stories & also allow numbers to justify the narrative.

- **You must think in a multidisciplinary manner** We choose to become experts in one domain / sector but it's really worthwhile to spend time learning about fundamental aspects of different domains to help build our confidence when we have to switch thinking from our expertise to someone else's.

- **Really big effects come from a large combination of factors**. The world is a complex place and for any massive change to occur it depends on a lot of small things to work in its favor. Enjoy studying the complexity.

Source: Raunak Onkar – PPFAS Asset Management

Ankush Datar – PhillipCapital India

"No one survives open heart surgery better than the person who did not need in the first place"

What does this imply in investing wisdom:

- Buying at reasonable valuations to protect any chance of heart palpitations in the future due to market volatility and down moves.

- Operating in your circle of competence to know exactly why a company or a fund is moving the way it is and knowing this allows you to not pull the plug and continue on your investment journey.

"I'm optimistic about life. If I can be optimistic when I'm nearly dead, surely the rest of you can handle a little inflation"

What does this imply in investing wisdom:

- Investing implies that you are optimistic about something and only by being optimistic can you stick to that investment thesis long enough beyond most of the macroeconomic noise that will keep playing its hand across.

- More often than not, pessimists sit on the side lines and miss out on progress while the optimists have skin in the game working towards something or believing in something.

Source: Ankush Datar

Vishal Sarda – SKCL Capital Pvt Ltd

***3 Investing Lessons* from Munger that I always keep in mind** –

1) "Everytime, you hear "***EBITDA***" substitute it with "Bullshit" earnings." *(2003 Berkshire Hathaway AGM)*
2) Munger on Bitcoin -
   a. "I regard the whole business as - anti-social, stupid and immoral." *(Yahoo Finance Interview, 2019)*
   b. "Bitcoin is worthless artificial gold. I think it is scumball activity. " *(CNBC interview, 2019)*
   c. "Bitcoin is "***rat poison***"." - *(Fox Business Interview, 2012 & 2017)*
3) The nature of human psychology is such that you'll torture reality so that it fits your models. (Poor Charlie's Almanack)

***3 Life Lessons* from Munger that I always keep close to my heart** –

1) "Why, why, why?," if you always tell people why, they'll understand it better, they'll consider it more important, and they'll be more likely to comply. (A Lesson in Elementary Worldly Wisdom)
2) The Charlie Munger formula for career success: (A Lesson in Elementary Worldly Wisdom, Q&A)
   a. Don't sell anything you wouldn't buy yourself.
   b. Don't work for anyone you don't respect and admire.
   c. Work only with people whose company you enjoy.
3) "To get a good spouse, you must first "deserve" a good spouse.

Source: Vishal Sarda - SKCL Capital Pvt Ltd

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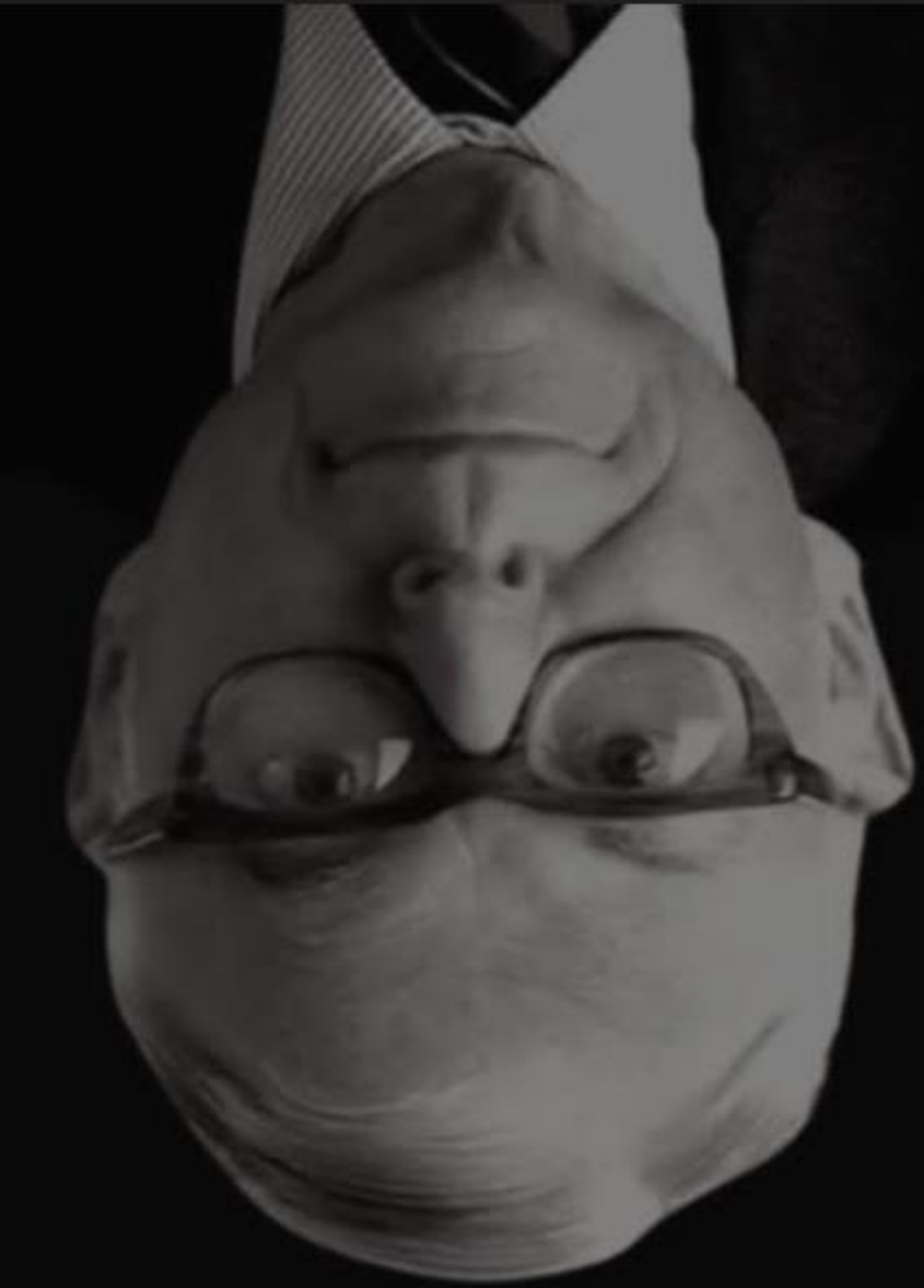

INVERT
ALWAYS INVERT

All I Want To Know Is Where I'm Going To Die So I'll Never Go There

Prescription for sure misery in investing

1. Copying others' ideas without knowing the risks.
2. Envy of other investors' style and performance
3. Resentment (How many multibaggers I missed?)

DSP

Source: Ankit Kanodia – Smart Sync Services

Inspired by Charlie Munger's Harvard school commencement speech June 1986

“I have nothing to add”

- Charlie Munger

Celebrating 3 YEARS

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