# 12 important learnings over the last two decades of Investing.

*Over the past two decades of managing public money, we have learned many valuable lessons. Investing is about understanding company management, balance sheets, cash flows, valuations, and, most importantly, managing oneself. We believe it is appropriate to share some key insights that have helped us navigate various market cycles.*

1. **Forecasting the Future:**

- It's impossible to accurately predict the future.
- **I am sceptical of my ability to forecast future accurately and instead focus on building a portfolio that can withstand any scenario**.
- Even experts, like the Federal Reserve, struggle to predict interest rates, inflation, and economic growth, despite it being their job. No one truly understands the future; we can only make attempts.

2. **Consistency more important than isolated greatness in any year:**

- With decades of managing public market funds, we have learned that pursuing top decile annual performance every year is not only challenging but imprudent.
- **Instead, it's more effective to aim for slightly above-average results each year. This approach is less likely to result in extreme volatility and less likely to cause huge, irrecoverable losses.**
- **In equities if you can avoid losers, the winners will take care of themselves. Process of elimination more powerful than process of selection. Foundation for above-average long-term performance is an absence of disaster.**
- **Loss avoidance must be the cornerstone of your investment philosophy.**

3. **Simplicity Over Complexity:**

- Simple strategies outperform complex ones.
- However, simplicity is harder to implement because complexity often sounds more intelligent and appealing.

4. **Importance of Holding Period:**

- The timing of buying or selling matters less than the length of your holding period.
- Trying to time market tops and bottoms is for the lucky and the dishonest.
- For most investors, patiently holding investments is more crucial than timing the market.

5. **Long-Term Orientation as a Competitive Edge:**

- A long-term perspective is the greatest competitive advantage for an investor in a noisy, unpredictable world.

6. **Investing in quality businesses:**

- Invest in businesses that can generate superior returns on capital employed over sustainable periods of time, and growth which enables it to reinvest the cash flows back in the business. This leads to compounding of value of the business and the stock price. Focus on earnings capacity of the company rather than earnings itself. The quality of the portfolio would separate you from rest of the crowd during any drawdown and crisis
- Over the long term, quality investing is key to survival.
- The ability to sleep soundly at night should be the top priority.

7. **Importance of Self-Control in Investing:**
- Self-control can be more financially rewarding than almost any other trait in investing.
- Many highly intelligent individuals fail as investors because they lack the right temperament.

8. **Importance of Process Over Outcomes:**
- A strong investment process is more crucial than individual outcomes, though performance does eventually matter.
- Success in investing requires consistently making good decisions.
- It's essential to distinguish between discipline and delusion if your process isn't delivering results.

9. **Optimism as a key source to Investment Success:**
- Successful investing requires being an optimist rather than a pessimist.
- While hope isn't typically considered an investment strategy, it plays a crucial role.
- If you don't believe the future will be better than the present, there's little reason to invest at all

10. **Multiple Paths to Success, Few to Failure:**
- There are many different ways to be a successful investor, with no single "right" approach.
- **However, the paths to failure are few and common, often involving poor behaviours such as: Market timing, Overtrading, Trying to outsmart the market, Overconfidence in investment abilities, Investing based on political beliefs etc**

11. **Building Wealth Slowly:**
- I believe it's perfectly fine to build wealth gradually.
- Jeff Bezos once asked Warren Buffett why, if his investment ideas are so simple and successful, everyone doesn't copy him.
- Buffett's response was, "Because nobody wants to get rich slow."

12. **Digesting success:**
- Not an easy one. Remain grounded and humbled all the time, otherwise markets would humble you very fast.

- **Pankaj Tibrewal**
Founder & CIO
IKIGAI Asset Manager
[www.ikigaiasset.com](http://www.ikigaiasset.com)