Learning from one of the biggest mistakes I ever made that materialized last week – and from smaller mistakes + two-year research platform review

I'll start with a personal perspective on the two last years, discuss the research, the portfolio, the weaknesses, biases and lessons. Thank you all, doing things like this in public is always very helpful! Dalio has 1,500 people working for Bridgewater, I have you!

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Personal perspective on life and business

On the 15th of May, it has been two years since the platform has been launched! Alongside YouTube, it has been the most rewarding professional experience of my life. That is a positive.

Not something that should be important to you, but it partially is. What I managed to do is to create a sustainable business out of my passion. That took a lot of effort and trust me, building a YouTube channel talking about fundamental investing and bringing it to 80k subscribers at the same time building a research platform and creating a sustainable business is not easy.

In any case, YouTube has been a 10 bagger over the last two years, so now I can really focus on making 10 baggers in other segments. Like in ancient Greece, philosophers never had to worry about existential issues so that they could think. I am happy to say I am there now and I can dedicate myself to thinking, the key when it comes to investing. Further, I can dedicate myself to other extremely important segments of life that create a life of balance: family, health, social, business and growth. A balanced life is also what allows one to make rational decisions. During the last shareholder meeting, Warren Buffett said how he never ever worried about financial issues. This consequently allowed him to make the right decisions.

I thank you for supporting me through this process and I'll do my best to pay it back. This letter is part of that.

Room for improvement on personal level:

- Health (I started eating less and exercising more – suddenly my mind is sharp up till midnight – great, and I feel this is just the start)
- Family life personal – we moved form the Netherlands last year and we are pretty settled now in Slovenia, finally a part in life when all is calm.
- Social – by allowing yourself to be you, you meet many likeminded people, like you, so that is going great – we will organize some gatherings in the future!
- Business – solved and going good!
- Self-actualization (to use Maslow) – now that all the other 4 are solved, full dedication to what is likely the most important part of the pyramid. Reading a lot of books, analyses, research and trying to systematically improve all that I do.

The goal

My goal is simple, have a full life, adding value to others and living in balance. This makes me happy and I don't have any regrets so I wish to keep in that way. I also love to research and learn, so onto the next part of this review.

Research review

The basics of investing is research and looking back over the past two years, it was good. I would give it a 6 out of 10. Thus, there is also room for a lot of improvement which also is a positive for me.

The research process did find a lot of good trends (gold, Brazil, solar, even commodities up to this crisis - which shows potential) and the knowledge base is growing and growing. Plus, when I look back at the research over two years, when I see what materialized what not, I see that I didn't miss much from a research perspective. I even nailed the risks that materialized in my portfolio with incredible precision and I avoided many risks like airlines and other analysed sectors like REITs. But, and where I find more room for improvement is to improve the connection between the research and the execution part. That is the hard part. I am reading Ray Dalio's book and he discusses how it is to be on the other side of the jungle, where you can get killed easily. However, it is also worthwhile and possible. You can have cake and eat it too.

Room for improvement

- Apply **better systems** to what has been done in order to lead to better decision making and an easier reach and use of past knowledge.
- Also, what I fell gives the most value, **is more depth**, it is easy to say ah this is risky, but understanding why it is so, is something that compounds knowledge in the long-term. For example, airlines were simply risky for me, but understanding why in detail, would lead improved understanding of the risks in other sectors and long-term investing.
- Also, the key is to create dynamic models that include a few cycles and the developments over those cycles – for example reading the 2007 Annual report etc. to get to know the company and its DNA really well – helps in avoiding negative surprises and increasing positive ones.
- More dedicated time for research. Now that the business part is solved, research is the basis.

- As you have seen, I am turning the covered stocks list into the large portfolio – this will increase the quality of the businesses analysed and followed as I have to focus only on quality if I own something.
- I should be happy with just 1 great investment a year, back to the 20 Buffett punch card – that is about it! More about that in the portfolio part!

The goal

Increase the knowledge base that will allow for good investment opportunities. After 5 years of doing research I have figured that it is possible for a dedicated researcher to find market irrationalities. I think that with some stocks, at some point in time I was the one that knew most about them next to the management, on a global level. After all, there is only a few thousand professional analysts out there and more than 30,000 stocks. Plus, they are paid to focus on the most known stokcs.

The more such interesting businesses I find, the better will my investing odds be. So, more reading, more research, more writing as the thoughts settle best in writing.

To sum up, the research was good, can be significantly improved but it delivered. However, the execution was mediocre at best, there were some clear mistakes and it missed a clear sticking to the strategy part which didn't fully lead to what I expect.

Portfolio management

I would say that I have to do more research, go into the details and then actually do less with it. Further, really put the strategy into a system or flexible model in order to find the best way to maximize returns and minimize risks. On thing are the fundamentals, another, perhaps more important are the markets and people. So, I have to add a bit of Soros and Lynch to the Benjamin Graham/Buffett situation. I would give myself a 3 out of 10 for execution on the research.

I've been thinking and looking at the positions and what would be the best strategy, and my conclusion is always the same that each position is different so there is no universal answer. But, each position needs to be approached with a clear strategy where the possible outcomes are adjusted for the business and then compared into an universal system for decision making.

Room for improvement:

- Create clear risk reward strategies for each covered stock and put the outcomes into a comparative model.
- Wait for low risk/high reward opportunities, those always come – key requirement **PATIENCE**!
- Do more research, but do less with that. Be patient for the few opportunities low risk high reward opportunities that come here and there.
- It is not an easy process, research is much easier, but it is the next step.

The goal – increase investment returns in a sustainable way and know my limitations. I can't be Peter Lynch, he also resisted only 13 years and then he was done. Thus, not sustainable for the retail investor. I plan to do this for the next 50 years, so a sustainable long-term model has to be developed. The key word is patience and getting rich slowly how Buffett says.

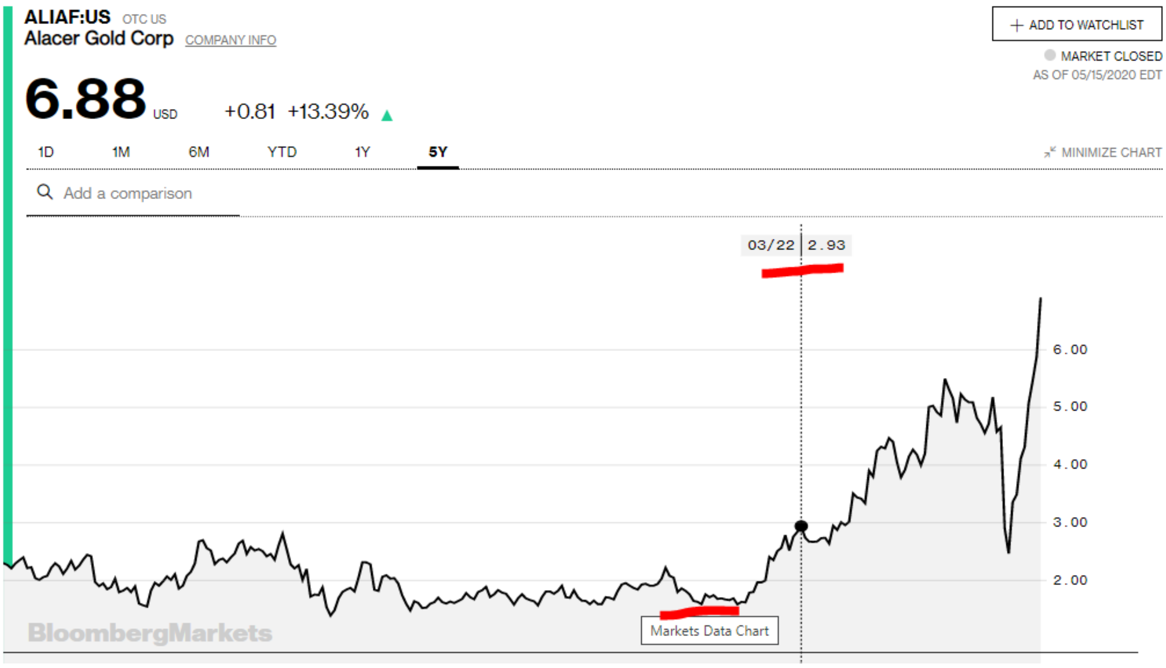
This should also lead to a lower amount of individual investing mistakes, mistakes that one has do address and analyse in order to improve and go forward.

Portfolio positions mistakes

Last week, one of the biggest investing mistakes I ever made materialized and when that happens, one has to sit down and think. Why did that happen, why did it go wrong, what did I do wrongly and whether there has to be an adjustment to the strategy?

The biggest mistake where the mistake clearly materialized last week was Alacer Gold (got you there didn't I?)

Alacer Gold



I remember selling because the value unlocked and the upside was uncertain, but still there in the form of gold prices and exploration activity. The upside materialized pretty quickly and I didn't take advantage of it because I didn't let it run. Key of Peter Lynch's teachings.

Why not? MISSING **Patience** – or trying to manage a portfolio or look smart?!?!. All in all, Alacer became a 4x – a few of those is all you need and it is often worth the risk of not locking in the gains if the business becomes fairly valued and is not extremely undervalued! After all it is an unlimited upside game, limited downside. This could be explained through a Graham/Munger lens. Graham was about exploiting irrationalities, Munger is about exploiting infinite irrationalities.

Another lesson from Alacer: Modeling investment returns in a better way, seeing where the rewards come from – very often from the unknown, not the known and I have to let the unknown compound too and implement it in the research while, as always, having patience.

For more info: Alacer was merged with another [company last week](#) and gold prices went up, thus all what I discussed in the past.

More mistakes:

Cepu – "40% risk of Kirschner winning" predicted in the initial analysis and stock consequently down – nailed the risk on the spot! Why did I invest in that? Well, because I felt like I needed to do something, take more risk and invest in the 7th best opportunity and create a diversified portfolio. Lesson: **Patience**

Sven Carlin Research Platform 14 July 2018

If there is more negative sentiment towards emerging markets amidst all the trade war mumbo jumbo, if there is more trouble in Argentina or if Kirchner (or any other leftist party) becomes likely to win again, this can easily go into single digits no matter the value. Therefore, we have to include this in our portfolio exposure.

See, how this fits your portfolio, can you handle seeing it go to $5?

There is no other, this is emerging market investing, extremely volatile but backed by huge value.

Qudian – "can go to zero in case of regulation etc" – nailed on the spot – sold within the lump sum portfolio for a gain but that doesn't justify taking the risk again! Same here, **patience and research**, more research for investments not bets.

From the initial research:

10% - value trap, regulatory clampdown, negative earnings decline to book value

5% - default due to Chinese recession, scam, accounting, funding

Vedanta – "biggest risk stock goes down to $4 and takeover at $5" – nailed on the spot in the research, even within the prices! Another risky play, as I always said, took the risk of management misbehaviour for 25% possible yields. So, positive risk reward that went bad. The question is do I need or not this kind of investments/bets? (easy to answer now with hindsight bias but it is actually answered below – keep reading)

So, final warning, if you can't stomach volatility, stay away from this 😉

Perhaps the biggest risk is that the stock goes to $4 and the owner decides to buy out the small shareholders for $5. Another risk to keep in mind on the permanent capital loss downside.

My portfolio strategy

At this price, I will add it to both of my portfolio as a big position. Hope for volatility

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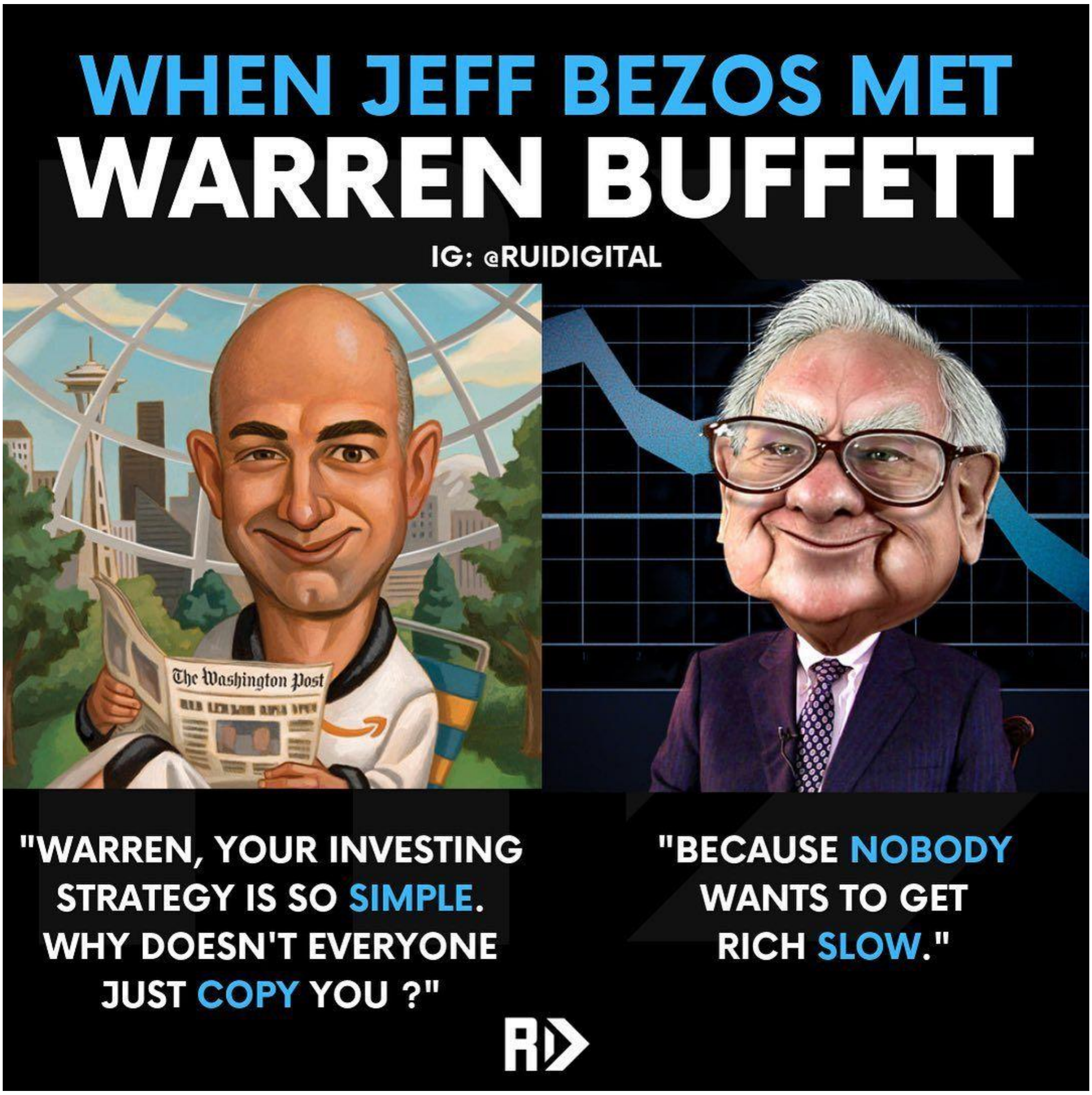
I'll get the answer by creating a comparative system based on the possible outcomes and then weighting that into the portfolio opportunities alongside a risk reward basis. Also, adding patience to the picture and waiting for the low risk, high reward pitch – not the medium risk/medium to high reward pitch**! That is the room for improvement.**

I wrote in the research reports how all of the above are risky plays, I took the risk and got burned which is ok! This got me thinking, when taking such risks, fortunately on just a few positions and always with a big announcement of the riskiness, mostly likely what will come out of that is trouble. Probably a positive total returns over 10 cases, but questionable as for whether worth the trouble.

A chat between Bezos and Buffett comes to mind! The investing sweet spot – the get rich slowly strategy!



Actually, now thinking in retrospect and from my experience, this is the best investing risk reward, but also the most difficult. Let's model it going forward and to the best to stick to it.

I need a hot line, help me please – "Sven, get rich slowly! P.s. you IDIOT"

If I would, now it is easy to say, but it is a recurring theme which I now see as my main mistake, if I would focus on getting rich slowly, my performance would have been much better over the last 19 years! Even since launching the portfolios, by focusing on the top 5 positions, the performance would have been staggering and also improved as I would have taken better advantage of the situation last few months.

So, whenever something is murky, there is risk, I beg you to pound those comments and not allow me to take any risks that are out there just to take them. I know it is exciting, the risk reward might be tempting, but even if it might be a positive outcome long-term and statistically, no murky waters and no clear risks to be taken.

I COUNT ON YOU FOR HELP HERE! The research fundamentals are sound, but the actions can be improved significantly! If I can count on your comments, it would improve the value of the platform for all!

The goal

Create better systems based on more research and more patience looking for the best possible investment outcomes! Also, let the winners run, even if the things change, the positive unknowns make the biggest difference! Thirdly, don't take risks that are there in plain sight, no matter the possible upside.

My biases – commodities and emerging markets

It is easy to paint everything with the same brush, but this bias might be actually good if the micro risks are avoided and managed, also micro from a country perspective.

If I am right on commodities, it will be great! If I am wrong on commodities and emerging markets but manage things well, it should still be good if managed well and if I don't go into murky waters! Plus, the uncertainty is likely time!

The goal: achieve returns and then over time, based on deep knowledge also diversify, build, improve, create new cash streams with old cash streams etc.

Morale of the story, as always, patience!

To end, for those that love watching my videos, from now on there will most likely be one on Wednesday morning, just a podcast with slides, probably a research analysis and one video about strategy, macro, news or educational or Saturday mornings. Balancing things out from now onward.

To conclude on the room for improvement:

- More focus on what is good as the research is, that can also be improved always but also putting things into better models for execution.
- More patience, more certainty, focusing on the sweet spot which means doing more research and less action. The large portfolio will satisfy the action needs.
- Balanced life, from health to finances etc.

I am really looking forward to the next two years of my work, I feel much better after the first two years and much more confident that it is worth it. Now, here it is still Sunday so I am back to reading (Dalio at the moment) and back to research and modelling from Monday, also Covid is over, so daycare starts tomorrow, finally back to normal life!