platt

platt created an internal fund and move all of his star traders from the firm fund into the internal fund, and the investor fund chronically unperformed because it was managed by an algo. copying the trades of the internal fund with a one day delay for a period of 4 years.

icahn

the earnings U.S. corporations have been reporting in recent years are a **mirage and earnings guidance often doesn't account for stock compensation**, **neglects to amortise intangible assets**, and **ignores restructuring and takeover costs**.

big buybacks at companies like apple for years, said in an interview that share repurchases are not appropriate for all companies and should not be as ubiquitous as they are these days.

a lot of midget CEOs/companies that are going 30/40x earnings via buying back stock. They buy back these stocks at very low interest rates in order to financially engineer and inflate earnings.

many companies don’t amortise intangible assets (overstated earnings)

companies are not depreciating accurately. they disregard GAAP earnings. They go and acquire companies that has a product (the compound) however its going off patent relatively soon. they disregard amortising this as they believe they are so good and proceed onto purchasing even more companies. alot of these companies are not R&D so they’re at expense to it.

investment made into a pool -> high-tax income -> low-tax

icahn (cont)

napoleon: battle of friesland before he lost it all due to hubris.

doesn’t stay forever if you’re not careful.

a lot of people become neurotic when they attain what they long desired.

what is the gap? (The difference between the current stock price and your valuation).

greenmail (Acquire large interest + threaten hostile takeover).

“Had a nice conversation with [X] today. Discussed my opinion that a larger buyback should be done now. We plan to speak again shortly.”*

druckenmiller

- 60 hour weeks
- buy the market 2 years before the general election and sell it on the general election because they always rig things to be good on election year. (The US had major bottoms in 1978, 82, 86, 90, 94, 98 and 2002).
- when you’re right and you know something, you really feel it. you can’t have enough. It’s not whether you’re right or wrong, you just have to have the max on when you’re right.
- in the midst of crisis, purchase many bank debts right before the country is about to recover.
- trades with large margin of safety.
- no leverage.
- the one year trend starts in January.

influencers are: news, spread, price liquidity, volume

debt

- distressed debt/bonds (common, preferred and junior subordinated debt)

to be success in fi

good memory:	to recognise patterns
need to be curious:	obsessed with how businesses make money and efficiencies everywhere
sell fast:	don't be emotionally attached, you can always buyback
grow:	focus on your personal growth curve
doubt yourself:	allow fluidity for your thesis to change
mentors:	find mentors who you can learn from
deals, deals, deals:	be focused on where deals can be made - where can you make more money or make more savings?
remain hungry:	be competitive
try not to solely focus on time:	when you plant the seed ensure you do all the right things. now the market will do what it does and triple the assets value in three weeks however that is not due to my skill.

to be success in fi (cont)

be wary of undeserved confidence:	one of the biggest mistakes you can make is to make a lot of money by doing the wrong process(es) as the fool starts to proceed with the hubris that they were actively knowledgeable on the subject and in turn, lose all that was accumulated.

hohn

fund	(0.5% of fund value)-->	charity foundation
	(0.5% donated, if earn more than 11% gain)⬏	

laffont

invest in 3's:	invest the first third immediately, keep a third if the stock market goes down 10-15% and use the last third if the market goes down 30%.
investors advantage:	being an investor is great as you get to live vicariously
know when to speak:	vengeance at times is best served by not saying anything.
cash is vital:	liquidity is the vital element of any business.

laffont (cont)

the golden cfo:	the CFO’s of today have to be far much more than a mere bookkeeper.
patience is virtue:	people tend to overestimate what they can do in the short-run and underestimate what they can do in the long-run.

thiel

hero/outcast model:	says that the best entrepreneurs are going to be out on the edge of the bell curve on a lot of different axes. Either they’re excellent students or they’re bored by school and pay minimal attention to grades. Either they’re star athletes or they won’t have anything to do with sports.
	*exceptional behaviour, either good or bad, yields exceptional results. conventional behavior, on the other hand, yields conventional results.**

thorp

“Chance can be thought of as the cards you are dealt in life. Choice is how you play them.” “A lot of big choices that you make at some point or other, and then there are things that you can’t control like who your parents were, and what kind of economic circumstances you were brought up in, where you started. Did you start 20 yards behind the start line or 20 yards ahead of it, or right on it? People start in different places. Those are cards that are dealt.”

thorp (cont)

**figure out your skill set and apply:*	“If you are really good at accounting, you might be good as a value investor. If you are strong in computers and math, you might do best with a quantitative approach.” “If you aren’t going to be a professional investor, just index.”
circle of competence:	stay within your circle of competence, this is the hallmark of people who are rational.

thorp (cont)

four groups of investors:	the **first group prefers minimal work and should invest in indexes**, as they perform better than most active investors paying adviser fees. the **second group enjoys learning about and analysing securities and can experiment with investing, but should not risk most of their resources**. the **third group consists of professionals who may gain an edge, build skills, and earn excess returns**, while the **fourth group focuses on collecting fees and wealth**, however there’s nothing really interesting in what they do.

thorp (cont)

tilt the playing field:	maybe the majority of wealth is accumulated because of tilted playing fields. not because of merit. **It should not be seen as gambling if you define it as a negative NPV activity**. only invest when you have a statistically generated advantage or an “edge”.
the bigger the edge:	the **greater the risk you take, the more cautious you must be**. Charlie Munger compares this to poker, where **knowing when to fold a beloved hand is crucial**. he advises folding early when the odds are against you and betting heavily when you get big edge as you don’t often.
distrust of the whisperer:	**the longer he operated in wall street the more distrustful he became of tips and “inside” information of every kind**.

thorp (cont)

most stock-picking stories, advice, and recommendations are worthless, and it's difficult to identify and predict asset bubbles. the book "Superforecasting" by Dan Gardner and Philip Tetlock reveals that **experts often don't provide valuable insights and tend to make inaccurate claims**, they receive a lot of media attention because they make definitive claims. **people who consider various possibilities can make slightly better predictions** than chance. **inside information can be dangerous, as it often leads individuals to ignore obvious economic facts and act overconfidently**. “given time, **I believe that inside information can break the Bank of England or the United States Treasury**. a man with no special pipeline of information will study the economic facts of a situation and will act coldly on that basis. give the same man inside information and he feels himself so much smarter than other people that he will disregard the most evident facts.”

*most market professionals think card games are too risky, they do not understand its safer than stocks when done right.**

marks

"It's not what you buy, it's the price you pay that makes a good investment."

the qualitative factors that promote and sustain high levels of ROIC and growth - the key metrics driving high cash flow generation and shareholder returns.

extracting the value in distressed assets

there is value -- including margin of safety -- to be found in bankrupt or distressed companies because people panic or are forced to sell those companies' debt at distressed prices, even though there may be considerable marginal value in the underlying assets or businesses that can be realised by those with the patience and liquidity lend money or buy debt when nobody else will.

tailored:	have a sense of what is the right balance for you.
understand the risks:	which is more important to you. keeping what you have or making more? One cannot do both. Every attempt to make more introduces the possibility of not having anymore of what one possess today.
credit:	can accomplish much more in credit than before (distressed credit +)

marks (cont)

top down (strategic):	= what is the economy, rates going to do. Which sectors of the economy are going to do best
bottom up (less strategic):	= what’s cheapest today, where are the sales?
non-performing loans:	example of this. china
mercy of the markets:	if you are investing in stocks and bonds, you are mainly putting yourself at the mercy of the market.
	most investors efforts to improve on the results of the market don’t work (short term trading, market timing etc.) hence why most mutual funds historically have not outperformed the S&P. (Referred to as beta market, if most of your returns come from the market)

marks (cont)

alpha via manager:	alternative investments are much more an alpha market. Meaning that returns are produced from the skill of the manager. *(alt. investments = higher returns)*
niche:	high degree of specialisation
broad prospective:	do not base performance on market forecast/macro forecast as it is difficult to do correctly.
equity type returns from credit instruments:	(loans, corporate loans, loans for buyouts). Can get high single digits on high yield bonds and leverage loans (public, highly liquid) or low double digits on private loans for buyouts.

marks (cont)	
	*returns on credit instruments are much safer as oppose to equities who get the residual after everybody gets paid they get what’s left. Credit gets paid early in the process and if people don’t pay you, you get the company as they go bankrupt.**
true reason of bankruptcy:	most bankruptcies don’t occur because a business is continuously loosing money but from when a business borrows money, times get though and when they go to re-finance their loan the bank assesses them less creditworthy, bank does not have enough more or they have adjusted there standards to match the current economic climate.

marks (cont)	
risk on high yield:	the longterm average default rate on high yield bond has been ~4%
	*the more risk you take, the higher a return you may achieve.**
nobody really knows for certain:	people believe in the ability to predict the future. Either their own ability or others that they can identify. There are two types of forecasters: the ones who don’t know and the ones who don’t know they don’t know. People need to know what the future holds and nobody else does.

marks (cont)	
others' perception is what moves:	people believe there is a direct and mechanical link if a company has a good event the securities do well and if they have a bad event such as earnings the security does poorly. However, that is not the case as there is a intermediate step which is other market participants reactions. It is not solely whether the event was prosperous but how participants react to the event that determines the impact on the security prices.
know when to be still:	if there is nothing clever to do. It’s a mistake to try and be clever.
inflation:	= too much money cashing too few goods causing prices to rise.

marks (cont)

respect the money:	respect your money or other market participants will take it from you.
be calm to outperform the herd:	do not let your emotions dictate your trading. If your thinking and emotion is the same as everybody else then you cannot do the “out-thinking” or “second level thinking” which is required to act against the herd to sell at high prices which are high because others are optimistic and buy at low prices because others are depressed.

market summary

- Investing comes down to two things: **fundamentals** and **attitudes** (psychology).

fundamentals:	= things that will happen in economy and companies (sales, profits etc.)
attitudes:	= how will people view the fundamentals

buffett

stable/general stocks like sector funds	take 20-50% (compounded ~20% a year)

leverage trades, 2x-4x

good basket of equities, strong cash, flow returns(use to pay down debt should you have to sit on it a while)

acquisition of insurance companies (bypass LP/GP partnership and perfect the concept of capital allocation)

"I'd rather buy a great business at a reasonable price than a reasonable business at a great price."

cohen

biggest mistakes

- they make trades without good reason (for instance, buy every 5% or more drop during a crisis)
- stepping in front of freight trains
- shorting stocks that are up
- know what you are and what you are not

- plan before, not during a crisis
- the stock price changed for a reason (there’s always a reason and the real question is whether it’s worthwhile to find out, as this takes precious time)
- policy makers play by their own rules (rookies say “they can’t do that”)
- valuations don’t matter (math is not an investment edge). the most important thing is why its cheap or expensive and “how” that changes
- misunderstanding time frames (only look at charts where the time period shown matches your holding period. If you plan to hold US equities for 20 years, look at a 20-year chart).

cohen (cont)

avoid being too illiquid:	this means having a comfortable share of your portfolio in assets you can sell quickly for a fair price. Some illiquid assets might include real estate and fine art. Having a high level of liquidity allows investors to swiftly move their money when and to where they see fit.
don't be over-leveraged:	using leverage means investing with borrowed money. The upside can be substantial when using leverage, but this also means that the downside can be disastrous.
focus on your losers:	if you feel like something is changing or feel like you don’t know why, reduce positions.
extra time to analyse:	use the weekend to analyse why its happening and be thoughtful about it as oppose to attributing it to “I’m not working hard enough, I’ll just work an extra two hours.”

cohen (cont)

remain calm:	lean into crisis' with equanimity instead of being reactionary
managing drawdowns:	if you have drawdowns at the start of the year it's the toughest as you don't have any profits to off-set them.

trades

a stock's move is 40% down to the market, 30% to the sector and only 30% down to the stock. Conceptually the idea makes sense.

the **best trader makes money 63% of the time**. Most are 50% to 55%. So you must ensure your losses are as small as they can be and that your winners are bigger.

move with your feet if you think you're wrong. **if you think you're wrong on a position - half it**...

know who you are as a trader.

you can't control the market, but you can control your reaction. We can't control whether the market is going to crash or rally but we can control our response to the market.

*if you have drawdowns at the start of the year its the toughest as you don't have any profits to off-set them.**

ackman

- the key is owning business that have pricing power.

- many businesses can do well with 3% inflation, it is hard to manage a business in a world were inflation is volatile.

ackman (cont)

- own royalty orientated business (universal - royalty on music, hilton - royalty on people staying in hotels or going to events etc.)

- value of a business is the present value of the cash you can take out of it over its life discounted back at an appropriate interest rate (most discount using 2%, use 8-15%) as this will discount the uncertainty inherent of investing in equities

- if something changes that makes the predictability of the business extremely difficult from when your initial investment was made, i.e. a big change in business strategy/model, exit.

- shoudn't keep a few hundred million dollars sitting in a bank forever. Other than cash one needs for daily needs this number should be kept pretty small, everything else should go into a U.S. treasury money market account or to ownage of U.S. treasury bills directly. Through this, one is not taking bank risk and only facing the U.S. Sovereign.

- the minimal cash that is kept on hand can be parked at J.P. Morgan or a prime broker like Goldman Sachs or UBS and monitor these institutions very carefully.

ackman (cont)

- in past history there's been a recession every 7-8 years. Assuming tomorrow follows the very same pattern. This is already factored in to the value of the enterprise. The only reason why a recession destroys value is usually due to the fact that a company is highly leveraged. If revenue declines and cash flow goes negative. The company can't support their debt and they go bankrupt, however if it is a well capitalised business a recession shouldn't have a meaningful impact on such company beyond the short term.

- complexity, by its nature, provides more opportunities to be fraudulent. Even more for financial institutions.

the ackman
place short position -> cause panic -> sell the short position -> purchase beat down stock assets -> repeat the process

soros

hayes

dredge

on convexity

modern portfolio theory "optimise based on a risk appetite, maximising expected returns".

kelly criterion rule:	formula used to determine the optimal size of a series of bets to maximize long-term wealth, balancing potential profits and the risk of ruin.

agnostic buyer of volatility.

dredge (cont)	
cheap volatility is inherently implicit leverage.	
the world isn’t about unanticipated exogenous events. The worlds is about built up accumulated endogenous risk in the system (In physics this is known as self-organised criticality).	
long volatility, long convexity (defensive side/ tail-risk strategy)	
guy with the best brakes wins	
denominator is the most important factor in compounding:	the denominator is more important than the numerator
“prevention is better than cure”	
middle players on football pitch, result is determined within 2% on either end	
rarely do you earn asymmetric returns betting on the expected outcome	
the longer time passes without anything happening the more risk there is	
the endogenous risk is due to the lack of capital behind supporting of the buildup of this risk taking	
very leveraged, 0% RWA, slightest change in the assured correlation in those mortgages wiped out all the capital in the whole banking system	
who’s going to take the 40?	
government bonds treated as riskless-risk reducing (levered gilts, LDI, pension schemes)	
ask is Sharpe world closing? Is money leaving?	
there is no transitory part in the debasement of a currency	

s. klarman	
overview	
do a typical value style npv analysis:	klarman prefers **cashflows not dividends**.(†)
liquidation value:	estimate the liquidation value of the assets.(††)
find comparables:	try and find stock market comparatives it is trading more cheaply based on (†) and (††). For more complex companies break the company into pieces and compute the value of parts.
strive for a margin of safety:	when investing, always aim to purchase assets at a significant discount to their intrinsic value to protect against potential downside risk. This is especially critical in volatile or uncertain market conditions.

s. klarman (cont)	
understand intrinsic value::	know the true value of an investment, rather than relying on market prices or trends, to make informed decisions and avoid overpaying. By understanding intrinsic value, you can make better-informed decisions and avoid overpaying for an investment.
be a contrarian:	seek out undervalued assets that the market may be overlooking, to find hidden gems with substantial growth potential.
mind the market psychology:	understand how emotions and perceptions can influence market trends, so you can better anticipate market movements and make informed decisions.

s. klarman (cont)

be ready to act:	don't miss out on potential investments due to hesitation or procrastination. Be prepared to act when opportunities arise. By being ready to act, you can capitalise on market opportunities and achieve superior returns.
Practice discipline:	true value investors must be unemotional and willing to hold onto their investments for the long term, even when others are panicking.
conduct due diligence:	analyse the financial and qualitative aspects of a business, such as its management, competitive position, and industry trends, before making any investment decisions.
maintain a long-term perspective:	focus on building wealth over time, rather than trying to make quick profits or time the market.

s. klarman (cont)

be patient:	avoid hasty decisions and remain patient, even during short-term market fluctuations. This will help you avoid costly mistakes.
avoid speculation:	steer clear of high-risk investments and focus on finding undervalued assets with a margin of safety for better returns in the long term.