

# WATHEEQA INVESTOR DIGEST

## About WID

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Some of the world's renowned investors when asked what makes them great – the unusual but common answer is “We read and think”. The main goal of WID is to bring our clients the best interviews, articles, research and thought provoking material that we come across, read and thoroughly enjoy. Our collections are old, nevertheless timeless treasures while some are recent and highly recommended.

We thought; why not put these gems together each month and share the collective wisdom of what we read. WID is our contribution from that inspiring idea. We truly believe – what you read and how much of that you internalize; reflects who you are. We suggest you archive our premium collections; read them and re-read them.

## Deliberate Practice – Becoming a better investor

In 2009, Charlie Munger recommended Malcolm Gladwell's book “Outliers” which studies outliers throughout history and discipline to find commonalities. One of the ideas professed by Gladwell is a 10,000 hour rule, where if you want to master something you must practice it for at least 10,000 hours. Gladwell uses the Beatles as evidence of this rule, pointing out that their time in Germany was spent constantly performing live which helped them gain the mastery needed to become great musicians when playing concerts and on TV.

For any investor seeking to become better, deliberate practice is essential. The key is figuring out what deliberate practice should consist of in investing. Most of us read newspapers and blogs daily. This helps keep up to date with what is going on in the world. But is that enough? I am not too sure.

Source: [www.streetcapitalist.com](http://www.streetcapitalist.com) WID

## The Myth Of The Rational Market; Justin Fox Interview

First, I would say the argument that you can't beat the market unless you have inside information. It completely misses why value investing works- value investing works because it's hard to stick to as a professional investor. To practice value investing you must be willing to be out of fashion a lot of the time. So yes, it's hard to beat the market, but there are approaches that work. The reason these approaches work has to do with the structure of the investing industry and human nature (and emotions).

There is another idea which isn't identified directly in academic research, but it goes as follows: “the more resources you throw at trying to beat the market, the closer to perfection market prices will get.” I think this is a real misconception. In reality, you can get to the point where you are throwing so many resources at

anomalies that although one anomaly disappears others arise from this overallocation of attention. Doyne Farmer, a physicist at the Santa Fe institute who has become a semi economist, likens it to the fluctuations of predator and prey.

A group of predators keeps growing to the point where the predators eat too many of the prey and then the predators start to die off (due to a lack of opportunities). As the predator population dies off, the prey population grows, and then again the predators start to grow.

To apply this to finance, the market anomalies are the prey and the hedge fund managers are the predators. And so you have a natural fluctuation that does not bring us closer to equilibrium, but rather causes market fluctuations.

Source: [Miguel Barbosa Interviews Justin Fox: The Myth Of The Rational Market -- GuruFocus.com](#) WID

## Why Good Spreadsheets Make Bad Strategy

We live in a world obsessed with science, preoccupied with predictability and control, and enraptured with quantitative analysis. Economic forecasters crank out precision predictions of economic growth with their massive econometric models. CEOs give to-the-penny guidance to capital markets on next quarter's predicted earnings. We live by adages like: “Show me the numbers” and truisms such as “If you can't measure it, it doesn't count.”

Source: [Harvard Business Review Blog](#) WID

## How Did Economists Got It So Wrong – Paul Krugman

Last year, everything came apart.

Few economists saw our current crisis coming, but this predictive failure was the least of the field's problems. More important was the profession's blindness to the very possibility of catastrophic failures in a market economy. During the golden years, financial economists came to believe that markets were inherently stable — indeed, that stocks and other assets were always priced just right. There was nothing in the prevailing models suggesting the possibility of the kind of collapse that happened last year. Meanwhile, macroeconomists were divided in their views. But the main division was between those who insisted that free-market economies never go astray and those who believed that economies may stray now and then but that any major deviations from the path of prosperity could and would be corrected by the all-powerful Fed. Neither side was prepared to cope with an economy that went off the rails despite the Fed's best efforts.

Source: [The New York Times, 02 September 2009](#) WID

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## Share the wealth

In this age of information bubble, reading materials that truly inspire and further our learning – are far and few. That's the reason we chose to identify the best and share the wisdom with our readers.

Please send us your feedback and any article, reports, links that you find are valuable keeping in mind the spirit of WID. This way we can learn together and much faster.

You may email us at: [intelligentinvestors@watheeqa.com](mailto:intelligentinvestors@watheeqa.com)

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