

Practitioners' Insights: Simplicity in Investing



Saurabh Mukherjea, CFA

Date: 21 August 2020

Time: 5:30 pm to 6:30 pm IST

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INDIA'S ECONOMY HAS TRIPLED IN THE LAST 20 YEARS BUT..

Most equity mutual funds
have given barely **5%**
returns in the past five years

NPAs in the banking system are up
4x in the last 10 years



Indians willing to give
up **10%** of their
salary for job security

Only **20%**
employees are
satisfied with their job

...WHERE IS THE PROBLEM?

“We think we know far more about the world than we actually do. In fact, most of us don’t even understand how basic things like bicycles, toilet flushes and zippers work...”*

Nick Chater



Julien Tasse

Source for photo: Amazon

Royal Bengal Tiger



Source for photo: Wikipedia

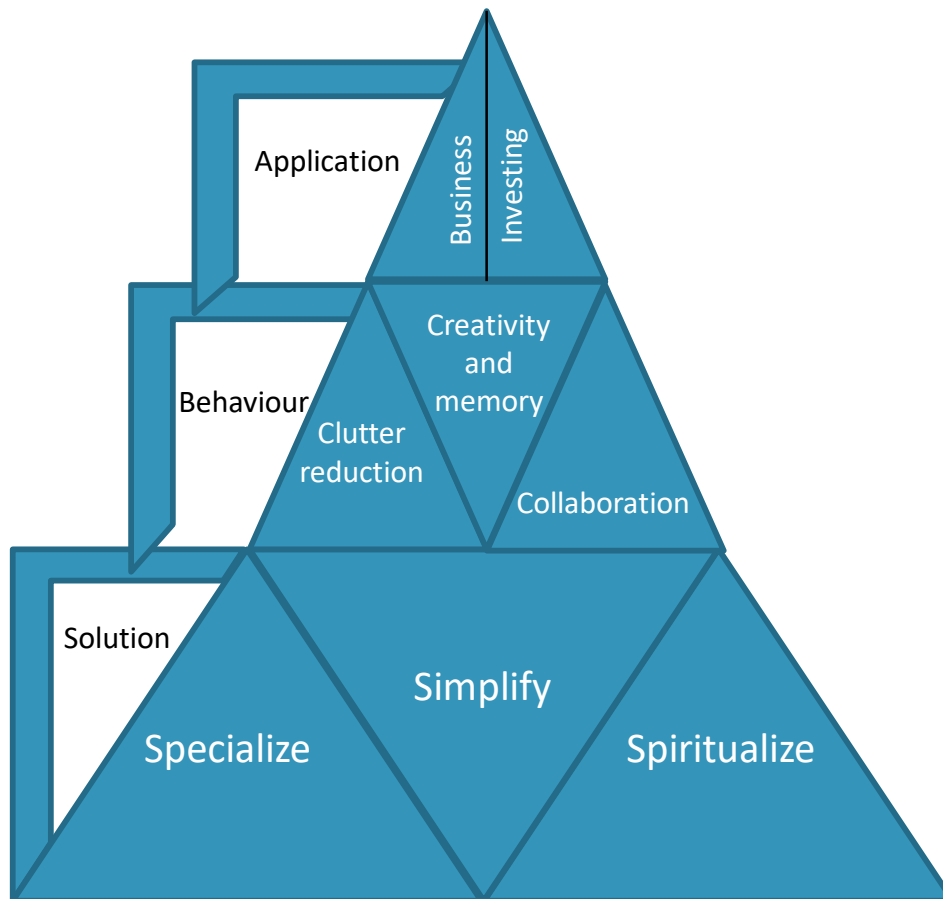
‘My wife and my mother-in-law. They are both in this picture – find them’



Source: W.E. Hill

THE SIMPLICITY PARADIGM*

“The relentless application of these six skills sets apart the best from the rest”*



The top tier is the result of the toil – achieving outstanding results in business, in investing, and in life

On top of the Foundations come the three more advanced skills: Clutter reduction, Creativity & Collaboration

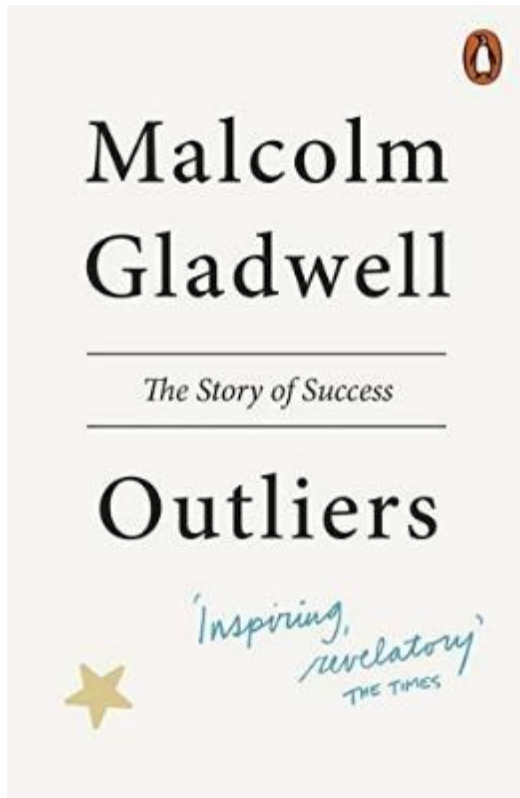
The Foundations consist of three types of practices: Specialise, Simplify & Spiritualise

* Source: 'The Victory Project: Six Steps to Peak Potential'

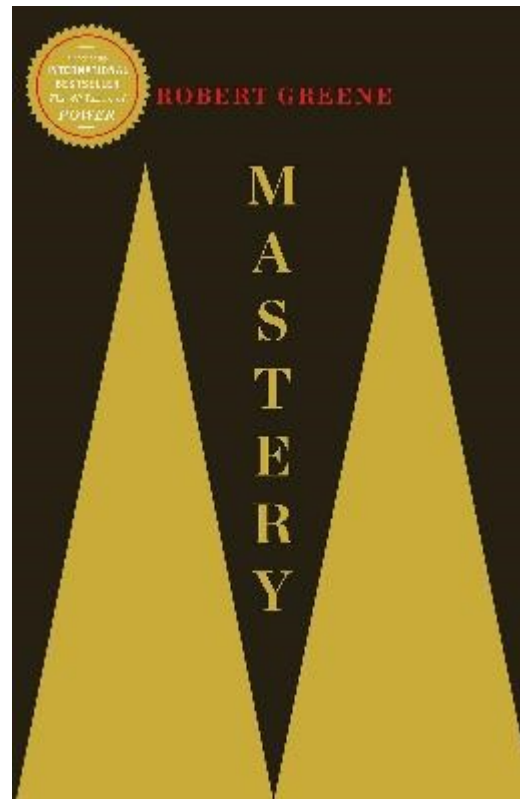
SPECIALIZE

“The two most important days in your life are the day you are born and the day you find out why.”*

Malcolm Gladwell



Robert Greene



Raamdeo Agrawal*



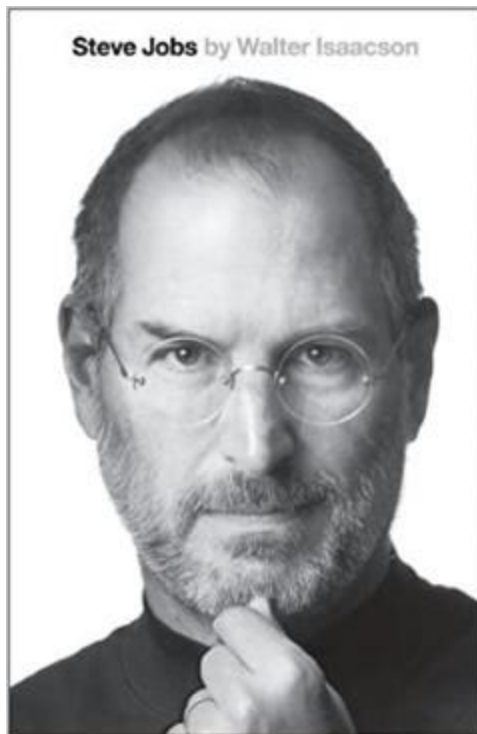
Source for photos: Amazon

* Source: 'The Victory Project: Six Steps to Peak Potential'

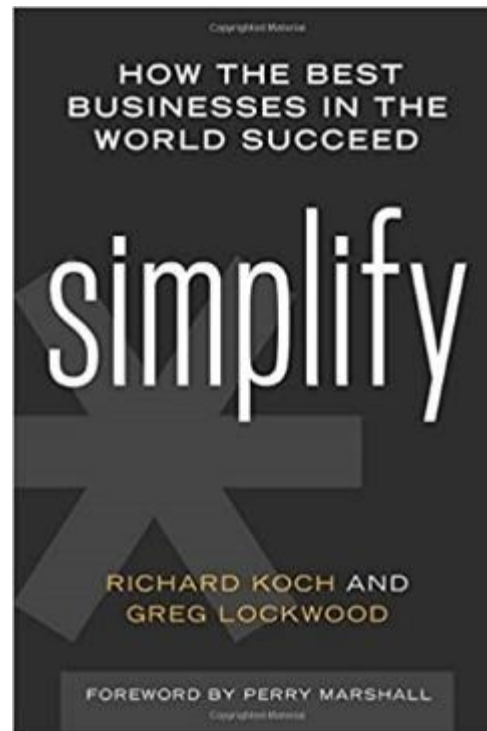
SIMPLIFY

“...the iPhone Xs Max has more than 300 parts. These parts, in total, cost around \$450 and yet the iPhone retails for more than \$1,100.6 The delta between those two numbers is the ‘simplicity premium’...”*

Steve Jobs



Simplify



Professor Sanjay Bakshi*



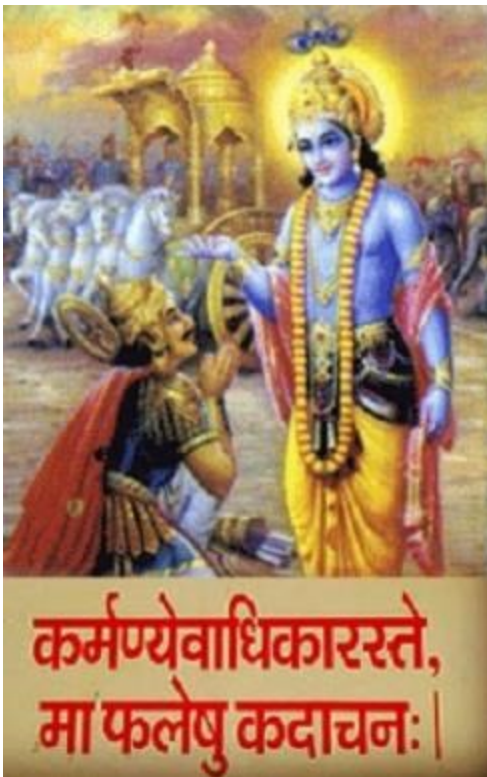
Source for photo: Amazon

* Source: 'The Victory Project: Six Steps to Peak Potential'

SPIRITUALIZE

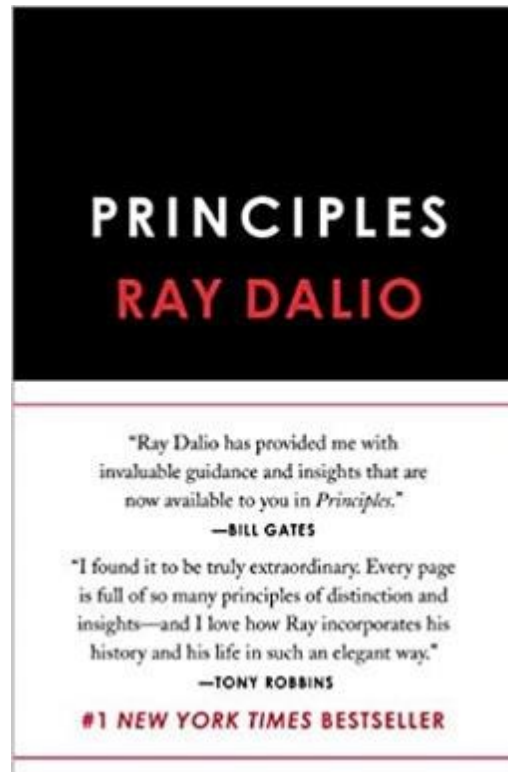
“It is impossible to make a decision which is just based on numbers, because for tomorrow’s world we have no numbers, no ‘future facts’. Our decisions, therefore, have to balance the emotional and the rational.”*

The Bhagavad Gita



Source for photo: Bhagavad Gita Blog

Ray Dalio



Jason Voss, CFA*

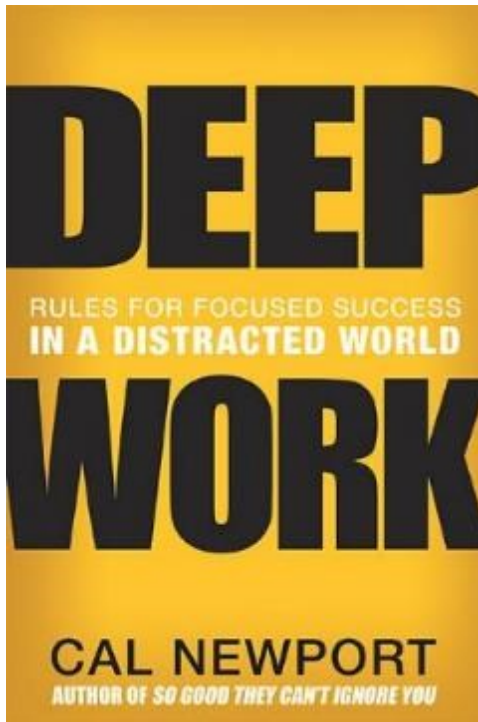


* Source: 'The Victory Project: Six Steps to Peak Potential'

DECLUTTER

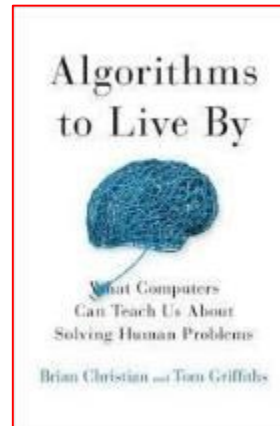
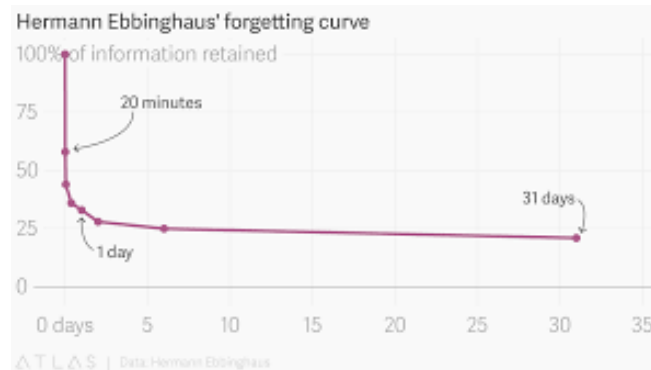
“Harsh [Mariwala] says, ‘I strongly believe that focus will lead to depth and depth will lead to excellence.’”*

Cal Newport



Source for photos: Cal Newport website and qz.com

Forgetting Curve



Harsh Mariwala*

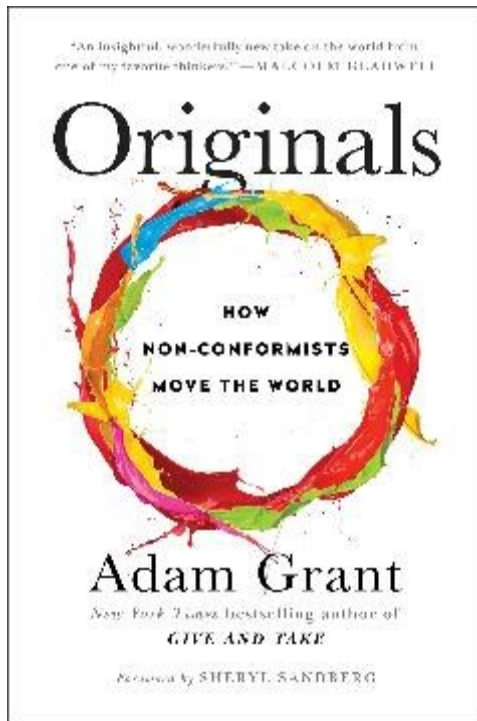


* Source: 'The Victory Project: Six Steps to Peak Potential'

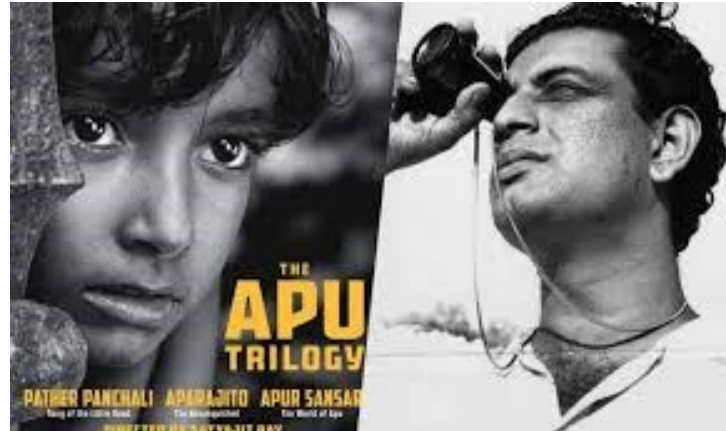
CREATIVITY

“Every single expert interviewed for this book turned out to be a voracious reader.”*

Originals – Adam Grant



Satyajit Ray



Sanjeev Bikhchandani*



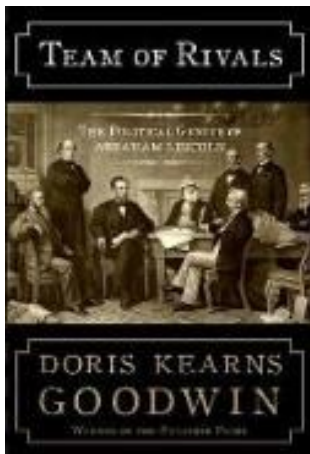
COLLABORATION

“It is this ability to manage conflicts seamlessly that separates the great leaders from the good ones. [Aditya] Puri is a great example of a leader with an uncanny ability to manage conflicts within his team.”

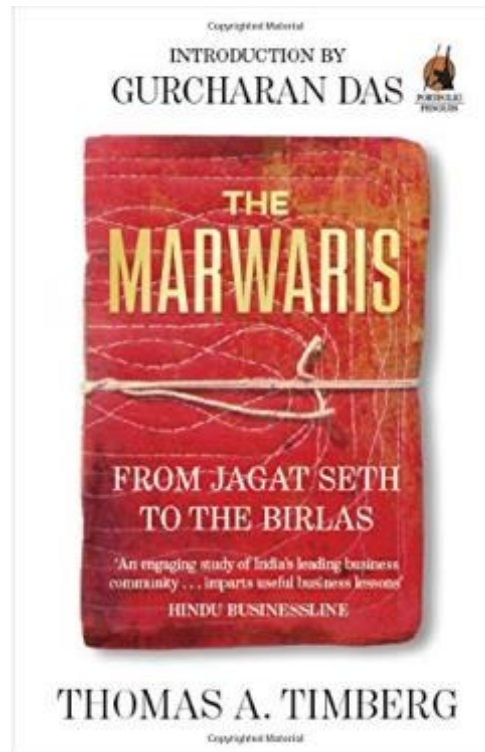
Mahatma Gandhi



Lincoln and his ‘Team of Rivals’



Marwaris

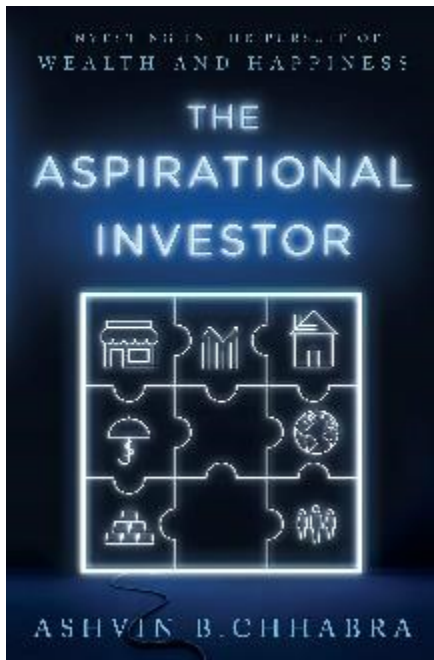


Amul



“It’s obvious that if a company generates high return on capital and reinvests at high returns, it will do well. But this wouldn’t sell books, so there’s a lot of twaddle and fuzzy concepts that have been introduced...” – Charlie Munger

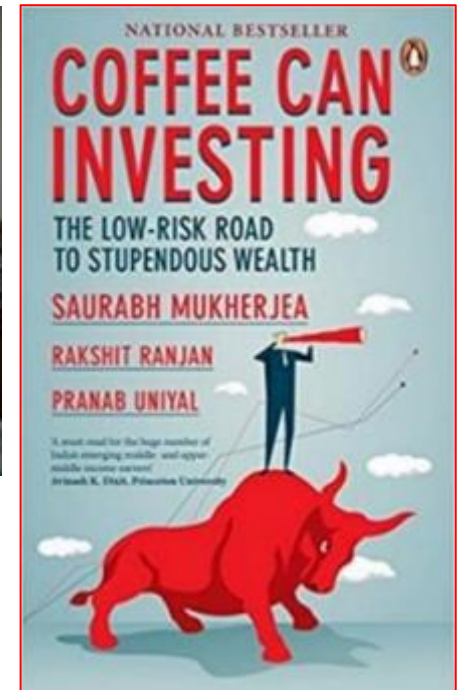
Ashvin Chhabra’s framework



Vanguard’s John C Bogle

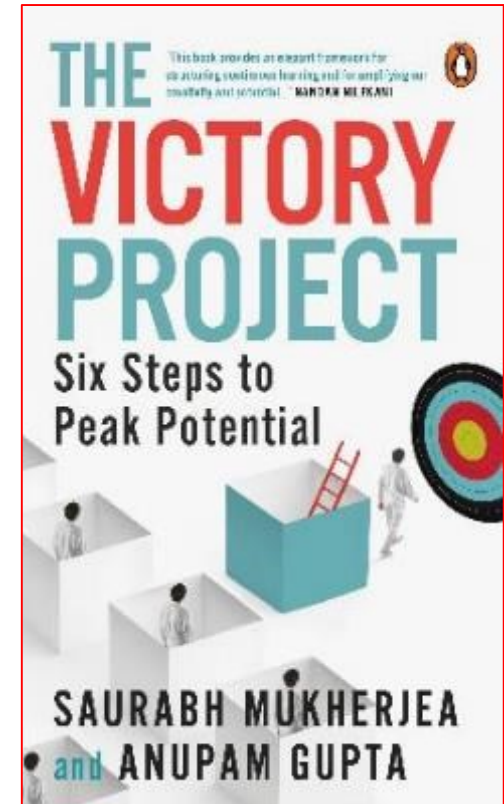
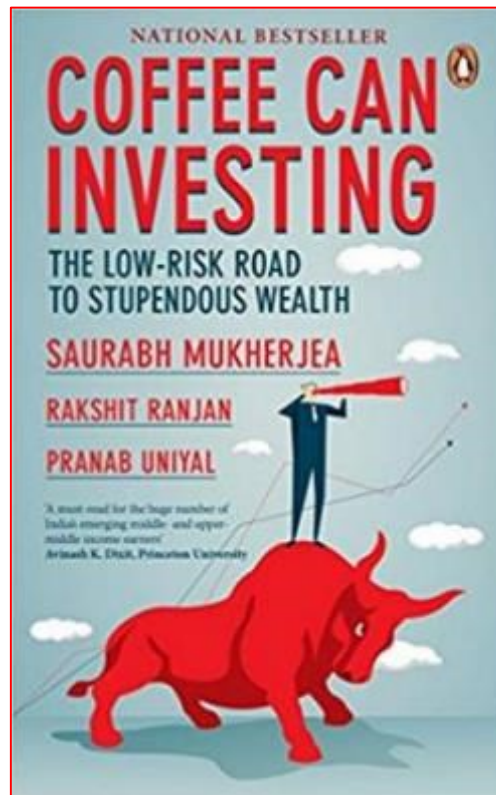
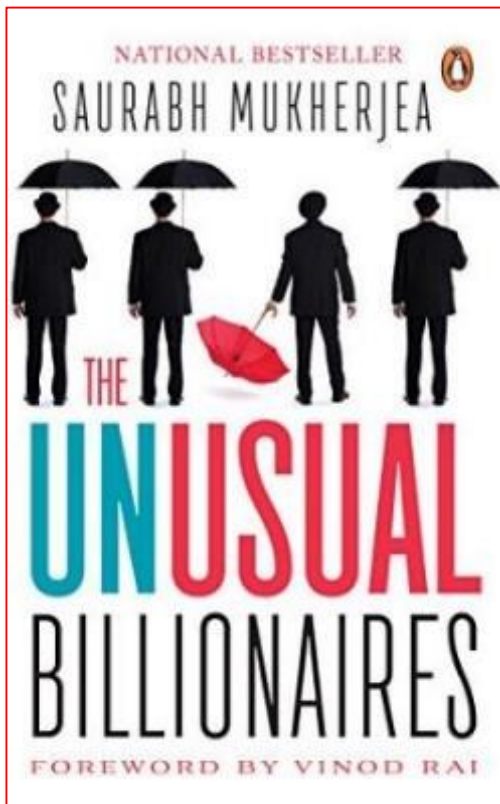


Coffee Can Investing



THE TRILOGY IS COMPLETE

“...a simple strategy is easy for people to follow. When you deviate from the strategy, the in-built simplicity itself ensures that the deviation is spotted early, course corrected, after which the team gets back on track.”*



LEARNINGS AFTER 20 YEARS AND 4 BOOKS

1. **Our minds have limited firepower [due to the 3 illusions]. Understanding these limitations help us do better. This understanding is as powerful as everything else combined we learn in the CFA curriculum.**
2. **Specialisation is the most powerful way to deal with the above.**
3. **Simplification is a sign of advanced specialisation.**
4. **A guru can accelerate your specialisation & simplification journey.**
5. **Spiritualisation helps in two ways: a) it helps the de-emphasise the “Me, Me, Me” attitude drilled into us by our education system; b) it helps us keep things in perspective by helping us rationalise our fears & stressors.**
6. **Creativity is the source of outsized success. Deep work, extensive reading and a range of social & cultural experiences fuel creativity.**
7. **Eliminating superficial items, superficial people and superficial events allows you to reduce clutter and thus focus more.**
8. **Success is a collaborative endeavour. If you want to fulfil your potential, you have to subsume your talent inside that of a larger group of people with diverse talents.**
9. **All of us can succeed in this country and your success does have to come at anybody else’s expense.**