



Learning From Failures – Vallabh Bhanshali

Financial Literacy

April 2021

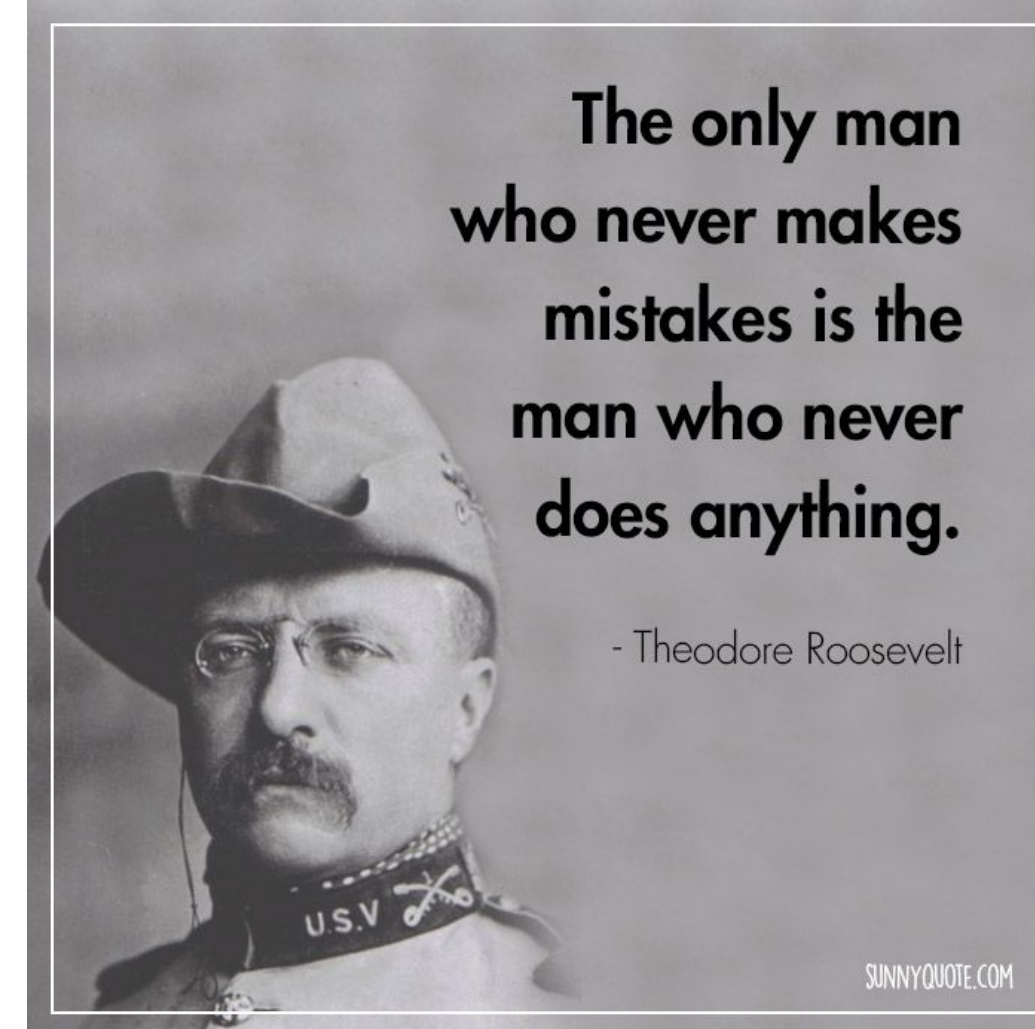
Wisdom through the ages

A man who has committed a mistake and doesn't correct it, is committing another mistake.
— Confucius



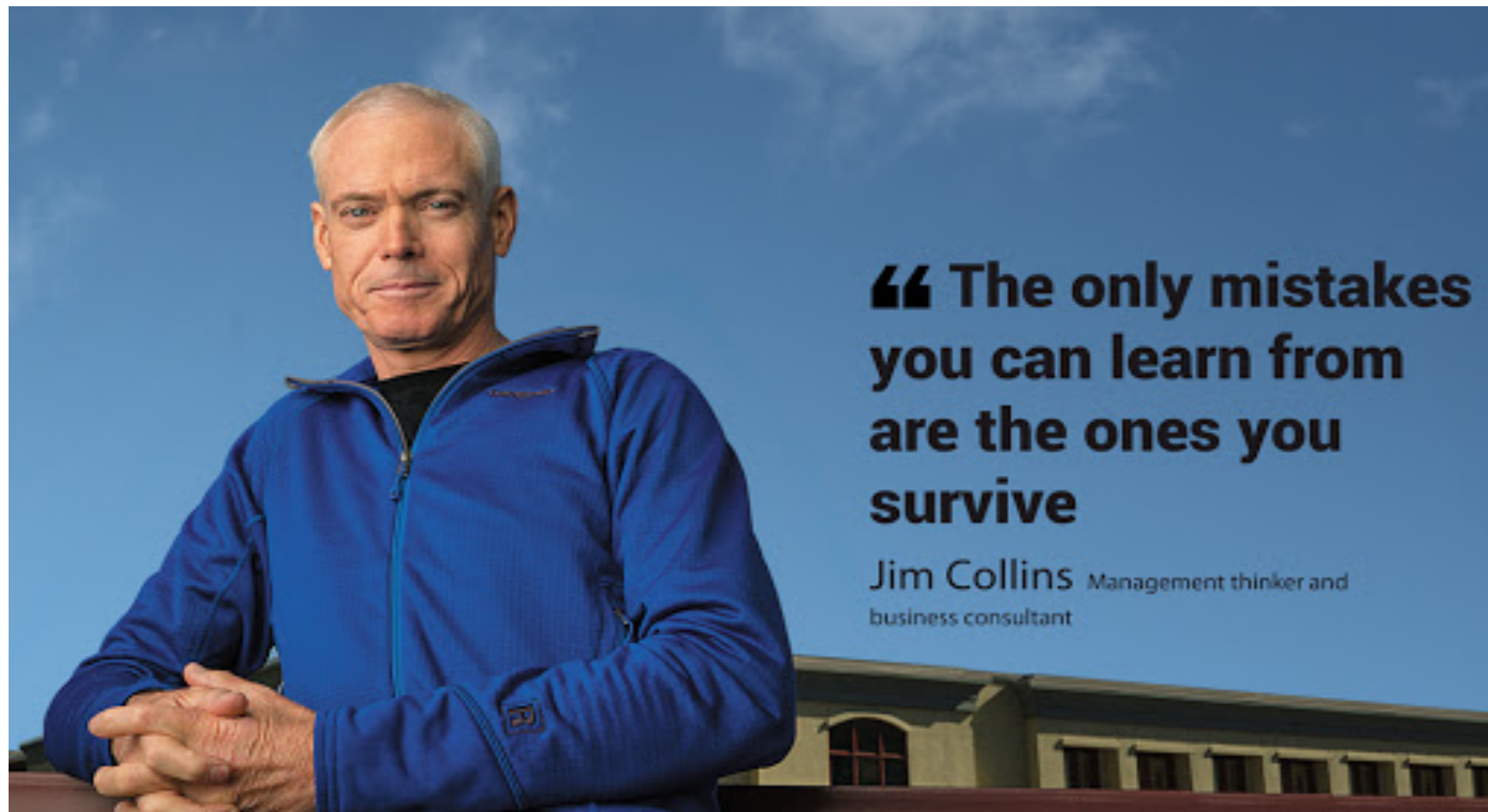
The only man
who never makes
mistakes is the
man who never
does anything.

- Theodore Roosevelt



“The only mistakes
you can learn from
are the ones you
survive

Jim Collins Management thinker and
business consultant



“We do not learn from
experience. **We learn from
reflecting** on experience.

John Dewey, Educator and Philosopher



“

Before coming to FLAME, I aspired to become a professional athlete and I completely dedicated myself to it for a number of years. However, I was unable to make it and it left me in a very disturbed state. Just accepting and getting over it took a major toll on me. It affected every aspect of my life, from my academics to my relationships and I felt a detachment from myself. This added toll also triggered a domino of failures in my life, wherein I lost my relationship, friends, etc., switched careers a number of times to find where I fit in and fell prey to the failure labelling system which is prevalent in the Gen Z world. As is said, 'A defeat that humbles you is better than a victory that serves your ego', this failure gave me an opportunity to start over, aspire for new things, focus on improving myself and most importantly it gave me an assurance that I can take a hit in life and still come back. It changed my life by making me focus on learning and improving myself rather than being distracted like people my age can often be. In a way it instilled a 'everything becomes a lesson to a mind willing to learn' kind of attitude in me.

“

So far, I don't feel that I have made a breakthrough big enough to be termed as 'success'. Nevertheless, I try to learn from each and every small thing I accomplish, be it getting decent grades or finishing a book or getting an award in any extra curricular activity.

“

Staying humble to the people around you no matter what heights that you reach in life. The success of Mr. Rakesh Jhunjunwala has always fascinated me and I became an even bigger fan when he said, 'I am what I am because of his choice and the blessings of my parents'. This highlighted the fact that remembering your roots no matter how high you reach in life is very important.

Your replies – wisdom at its best

“

I had been extremely good in mathematics throughout my school life. Not only was I interested in the subject but also put in a lot of effort. Yet in the board examinations (both 10th and 12th), I lost majority of marks in the mathematics paper.

“

I moved from the US to India and was eventually able to make friends here. Hence successfully being able to adapt in a new country has made me appreciate it more and learn so much about its culture and people.

“

The failure that I learnt the most from is when I was not able to present my project in the science fair for which I had worked very hard just because I was late for the fair. I became punctual.

“

In 9th grade, I jumped from 57 to 90 in Maths which boosted my confidence that all I needed was to practice in order to do well in this subject. It finally ended with me scoring 100% in my ICSE Mathematics board exam.

“

My parents' marriage failure. Learned the need to be patient. Changed my life completely.

“

I lost several races and realized that I was focusing on winning when all I had to do was be the best version of myself and have fun doing it. Now I focus on me and no one else.

Futile to suggest – learn from failures!



It is fundamental to life! But a lot more difficult in the financial world!

What is at the heart of 'try, fail, learn'?



- Uniqueness of every creature
- Success is public but failure is private. It cuts deep and therefore...
- Builds deeper references and memory – physical, intellectual, emotional

How does one remain a child?



- Open minded
- Fluidity of thought
- Curiosity
- No hard self-image

Ambition vs Fancy / Fantasy



- A is ability to learn, do and do more...becoming humbler along the way
- The ambitious fail when they stop learning or being humble....to fall and.....

Readiness to fail is not a desire to fail....



- Failure sucks
- Big failure can bankrupt / kill you.
- Yet, the emotional readiness is the greatest strength!
- Strength that opens all the big gates: ambition in true sense, life of purpose, to reset a career / approach

It's about learning – it's harder to learn from success

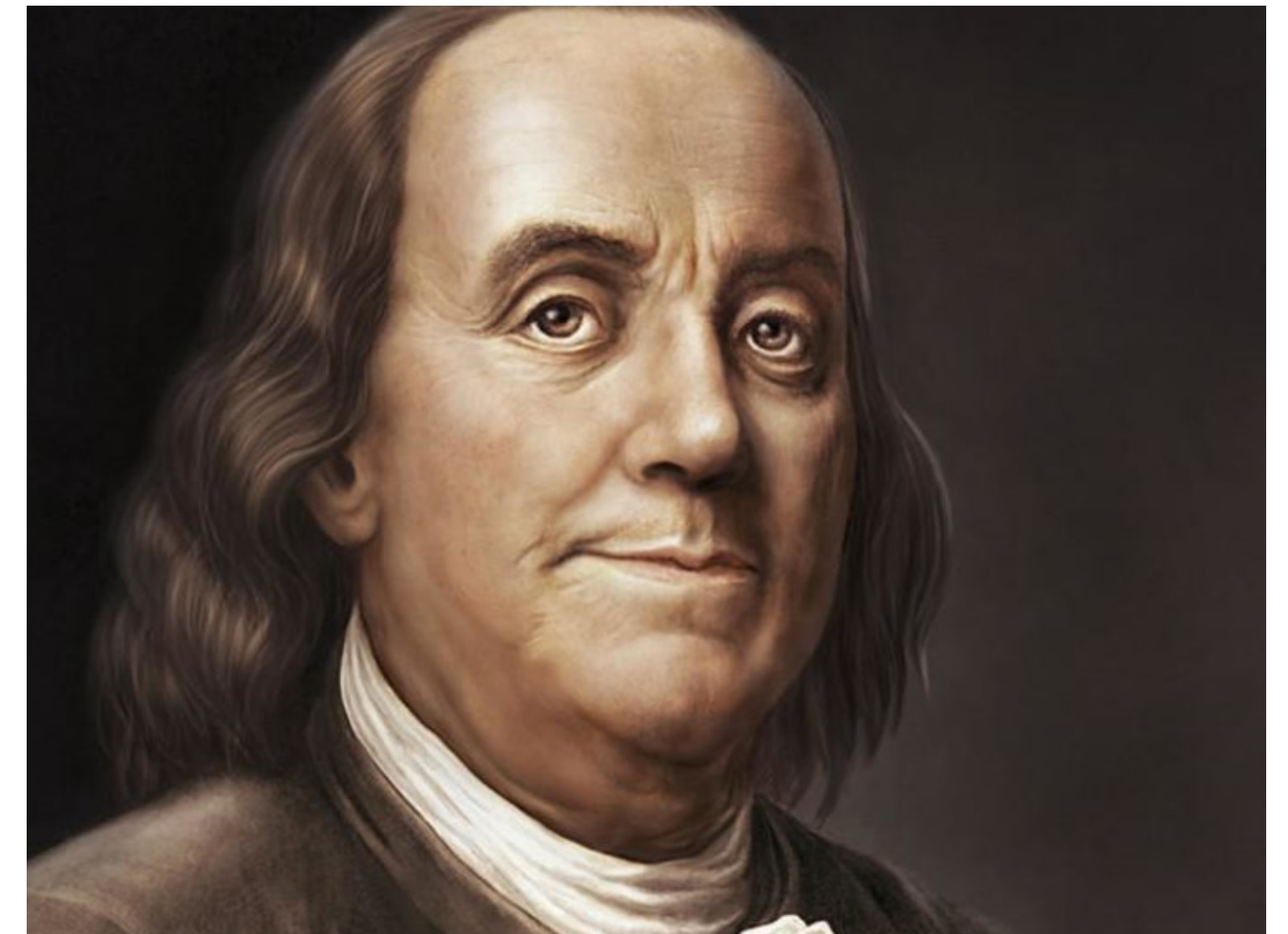
 <p>"India could suffer a whitewash after the Adelaide Test result"</p>	 <p>"No hope in the Indian side. No chance for a comeback. 4-0 to Australia"</p>	 <p>"If Australia win the 1st test & India lose Kohli, this could be 4-0 for Australia"</p>	 <p>"India Can Celebrate for a year if they can beat Australia without Virat"</p>
--	--	--	--

- Has elements of luck, not easy to see or accept
- Makes you complacent rather than alert to learn (India vs. Australia/England, India and Covid-19)
- Shrinks failure facing muscles

To benefit enormously from the stupidity of the world

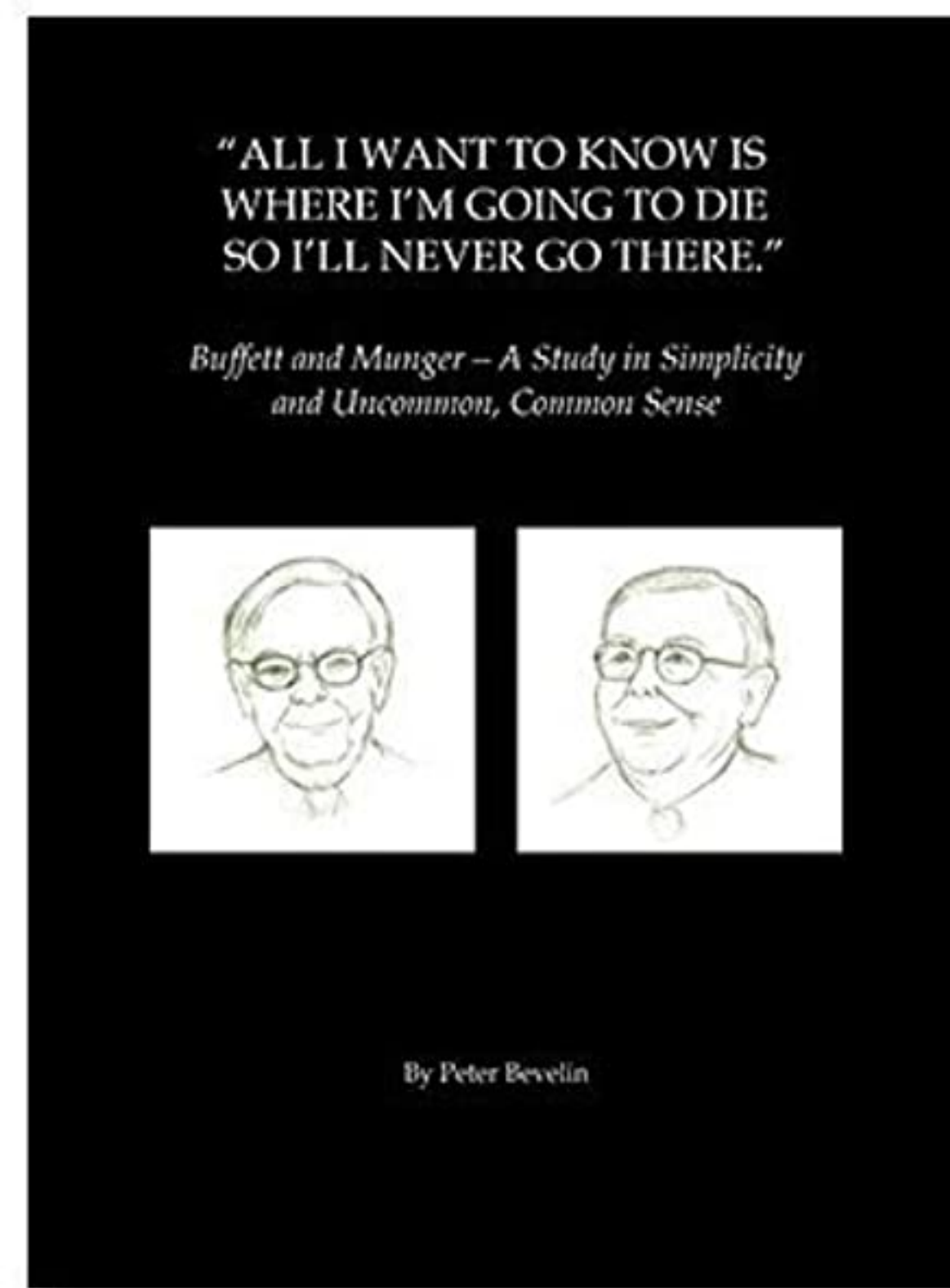
Use these insights about nature's plan to:

- Not be touchy
- Analyze failures to see mistakes and your limits
- But this will make you want to push the limitations all the time, happily!
- It will make you experience compounding - in learning, in relationships, and gradually master it.
- Become alert , common sensical and prepared
- Thus, be ready to act against the crowd
- Remain free from negativity:
 - ✓ Envy (plain stupidity)
 - ✓ Ego (instead be grateful)
 - ✓ Falsehood - it will destroy everything and
 - ✓ Self serving bias!
- Develop and keep up the practice plans to improve the above traits



Tolerate failure but don't allow it or build it into design

What it means for Peter Bevelin - All I want to know is where I'm going to die so I'll never go there



Identifies the kinks in our minds and the traps laid by the world to exploit them!

These lessons echo throughout the world of finance

“

Most of Berkshire's success grew from stupidity and failure that we learned from. I hope that makes you feel better about your own life.

- Charlie Munger

“

An attentive investor, I'm embarrassed to report, would have sold Tesco shares earlier. I made a big mistake with this investment by dawdling.

- Warren Buffett

He admitted the move cost the company a \$444 million after-tax loss.

“

To date, Dexter is the worst deal that I've made.

But I'll make more mistakes in the future — you can bet on that.

- Warren Buffett

In 1993, Warren Buffett purchased Dexter Shoe Co. for \$433 million in Berkshire Hathaway stock.

In his 2007 letter to shareholders, Buffett explained the poor decision, admitting it cost investors \$3.5 billion. At the time, this was 1.6 percent of Berkshire Hathaway's net worth.

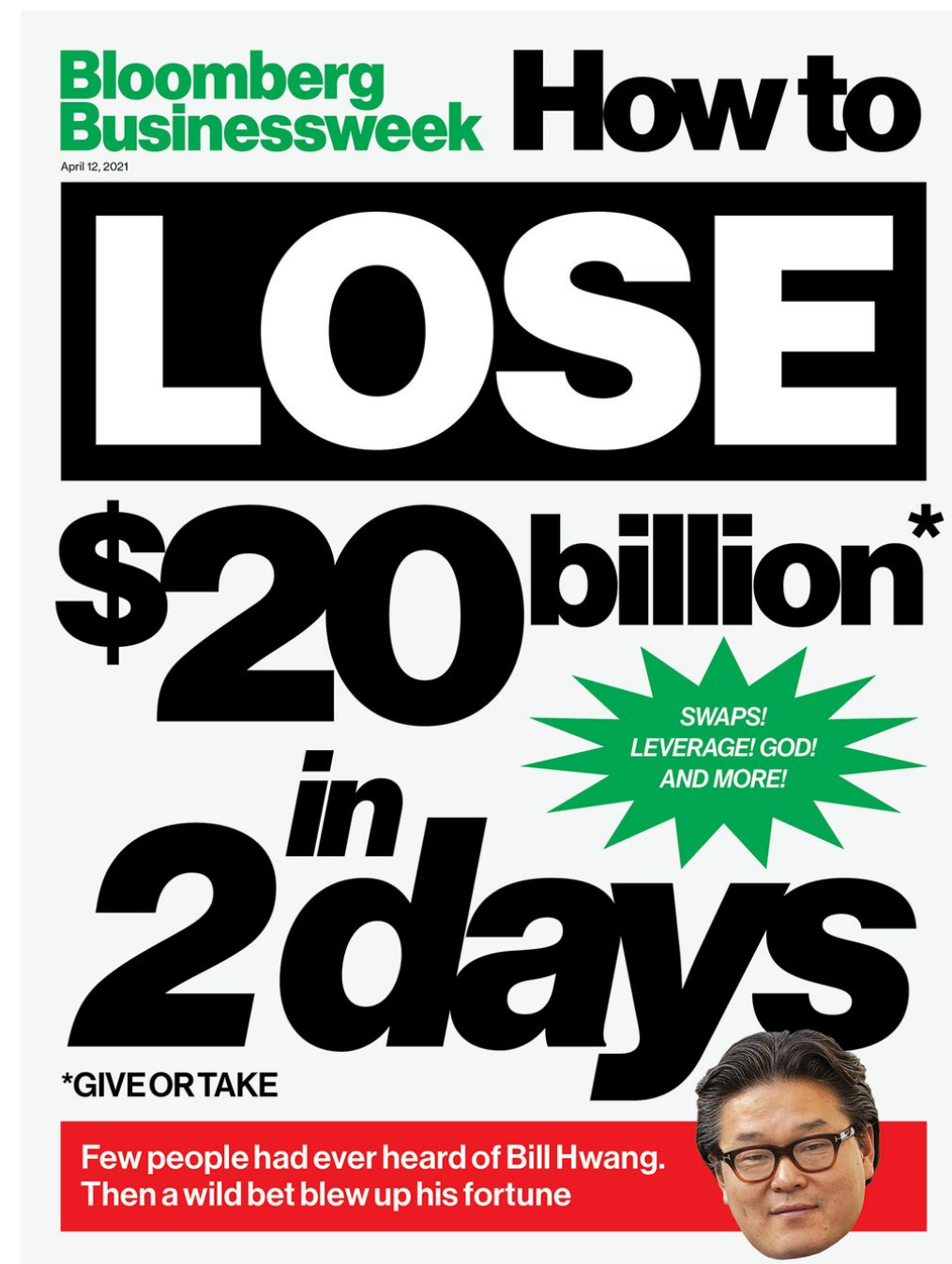
“

Without urging from Charlie or anyone else, I bought a large amount of ConocoPhillips stock when oil and gas prices were near their peak. I in no way anticipated the dramatic fall in energy prices that occurred in the last half of the year.

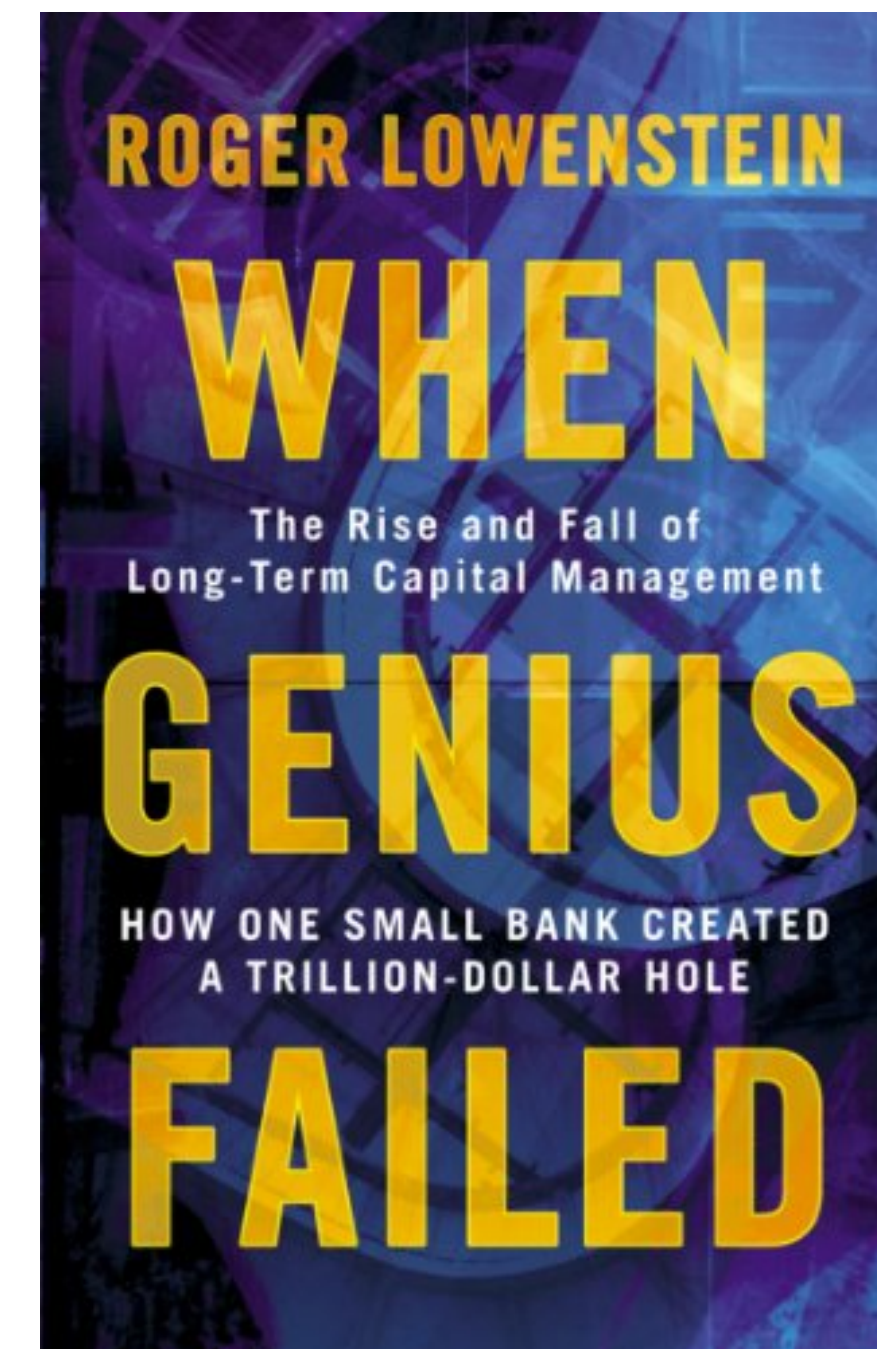
- Warren Buffett

Buffett spent over \$7 billion on 85 million shares of ConocoPhillips, but its market value at the time of the letter was only about \$4.4 billion.

Because money is so powerful and yet so less understood, the ‘greed and fear’ around it, become more acute.



Bill Hwang lost \$20 billion in 2 days!



LTCM, a bunch of the best PhDs in the world collapsed badly, sending a tremor through the financial world and had to be bailed out by Uncle Sam and Warren Buffett.

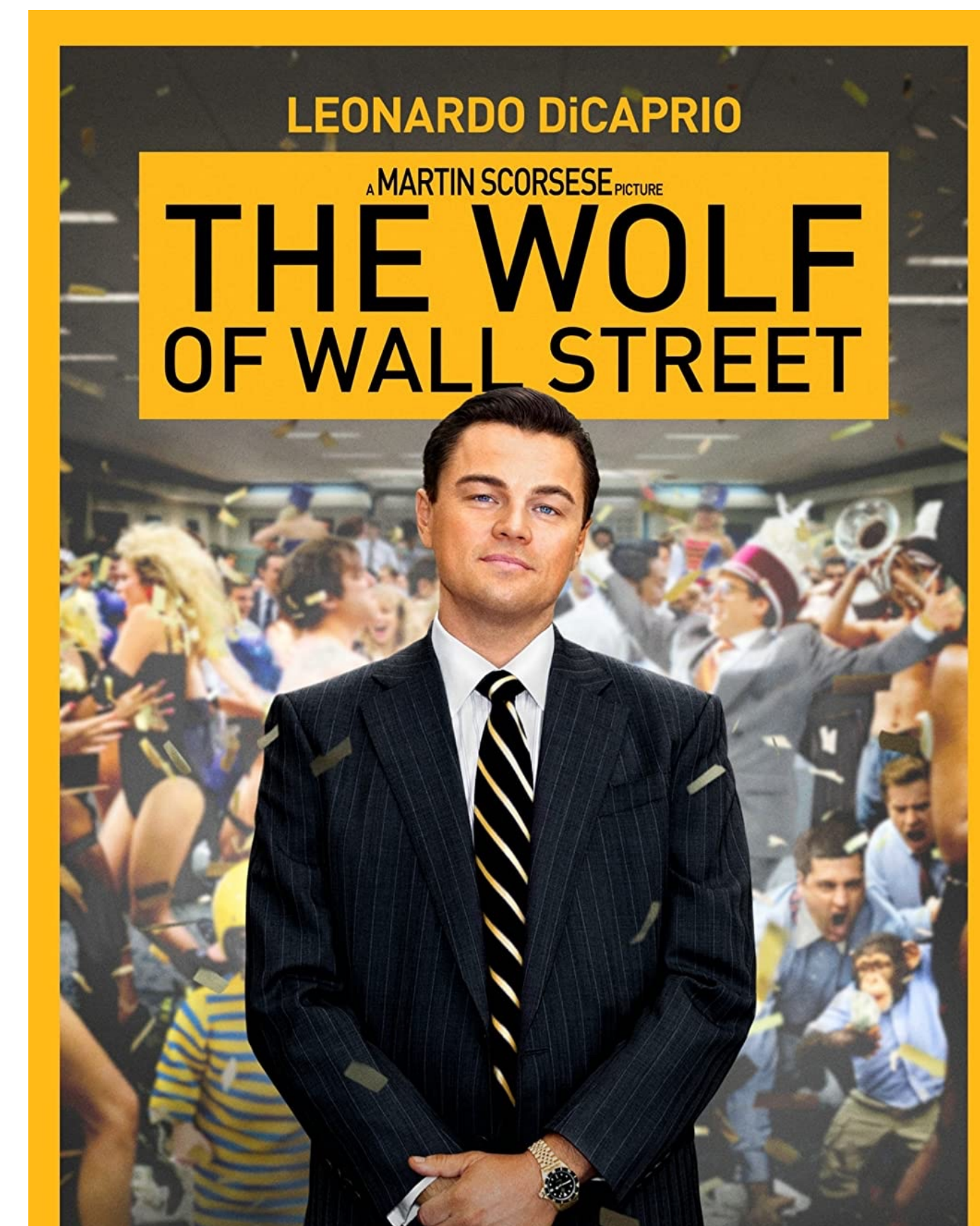
Why is the financial world so difficult?

- It is an unreal world created on the base of a small real world!
 - ✓ World GDP = \$90 trn
 - ✓ Assets under management = \$80 trn
 - ✓ World market cap = \$110 trn
 - ✓ Banking assets = \$130 trn
 - ✓ World debt = \$281 trn
 - ✓ Outstanding derivatives = \$457 trn
- 5% of the trading days produced 100% of the gains.
- 85% of the fund managers underperform the indices, as per one estimate!
- Its features are 'exciting':
 - ✓ Numbers and maths – interest, compounding, inflation, actuarial, future value, multiples
 - ✓ Legalities – account opening, settlements, filings, disclosures, succession, 'good title'
 - ✓ Incentives – more than anywhere else enticing all
- Government has a big role – laws, taxation, enforcement



How many of you want?

- Things to be easy?
- To get good returns?
- Have attractive and polite people servicing you?



The finance world has them all!

After you start earning, desires are natural

- To consume and own assets
 - ✓ Holidays
 - ✓ Home, Car, etc.
- To become unbreakable
 - ✓ Insurance
 - ✓ Pensions
- To become rich like an uncle or a friend, through:
 - ✓ Mutual funds, Stocks, etc.
 - ✓ Real estate and other asset classes
 - ✓ Even betting!



Trouble is everybody has the similar desires! And the resources are limited!

So, the options are

- Be docile – bank fix deposits
- Buy what comes to your door
- Ask the chattiest guy or gal - TV anchors, TV stars, newsletters, bloggers
- Do it all yourself – prove you are spectacular and brilliant

OR

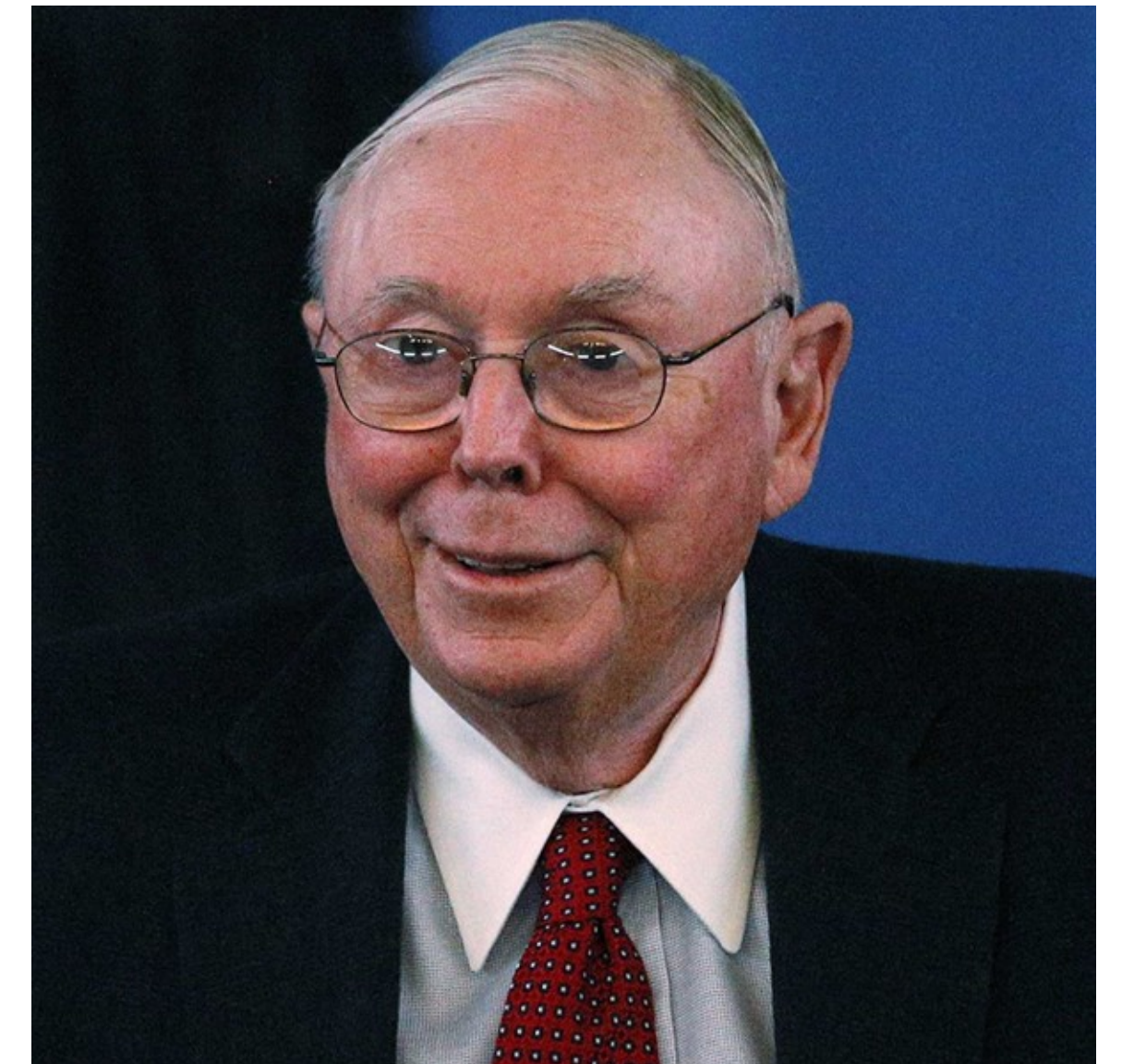
- Learn to be wise (everything discussed so far)
- Learn gradually
- Act when needed
- Find the right people, carefully. Eg. a Berkshire Hathway, Kotak Bank, Infosys, etc. shareholder has made the same returns as its principal owners over many years.

Except the boring effort of

Taking baby steps, making mistakes, never a fatal one.

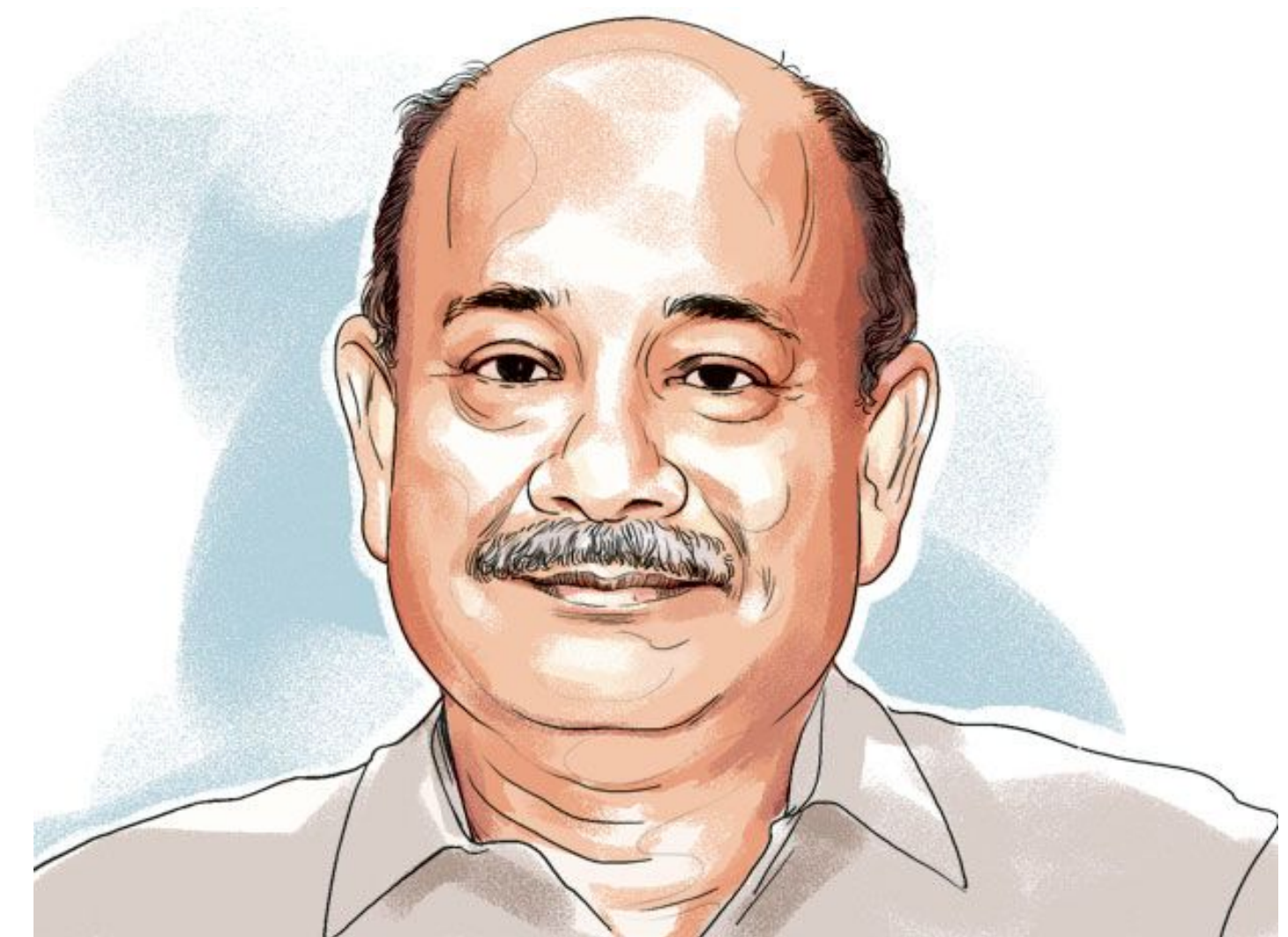
This will give you all the virtues

- Being diligent – for example, rather give money to a friend and lose it but not easily to a ‘schemer’ (Bernie Madoff)
- Tracking what can really make you rich viz. savings pool / your assets. Normally, this receives a fraction of the effort made to earn them
- **Review is more important than radar, research and execution that precede it in all aspects of life**
- Rely on auditors, directors, rating agencies, award givers, government, financial press with skepticism. Use your common sense (Satyam, Deccan Chronicle, etc.)
- Keep away from what appears too good to be true (Tulip mania, South Sea bubble, etc.)
- Don’t take the promise of liquidity at face value. That is at the heart of all traps.
- Get better at long term thinking. It is easier to predict that 7/10 monsoons will be near normal than the next one!
- Good guys will do well in the long term, most of the time! Keeping good company is next only to Nirvana!



This will give you all the virtues

- Remember that liabilities, taxes and death are certain. Income and asset valuations are not!
- Keep away from 'that friend' and 'uncle's friend' who got it right using what is not right
- Watch out... there is no hard earth left to stand on in the financial world - hence negative interest rates and super valuable Swiss Francs etc.
- Look for scarce people, companies. Only scarcity creates lasting value. In today's world real character is the most scarce.
- Keep learning. There is no end in sight. Warren Buffett's late buying of Apple is now 25% of his holding!
- Don't get fooled by new terms (Gambling – gaming; Speculating – trading)
- Acting when needed confidently is as much a part of wisdom as not jumping at the next shiny thing. (bitcoins, gold, etc.)
- Start early - Buffett many times richer than Jim Simmons of Renaissance Technology Fund, even though Jim is producing three times higher annual returns. Why? Buffett started 40 years younger!





Thank You