The Power and Payoff of Non-Consensus Investing
Rupal J. Bhansali

Rupal's strategy in stocks is similar to the Moneyball strategy... underpay for talent in order to win. The rules of engagement in investing are asymmetric.

Being correct isn't enough... If you think Apple's shares will grow earnings by $10 per share, and it does, the stock might not go up. That's because everyone else also expects it. But if you go against consensus and are right, you make money. The asymmetry is that if you bet against the consensus, and are wrong, then there's not much downside.

Unexpected upside is larger than expected downside. Investing is all about finding the X factor in being non-consensus.

Putting this in practice…

A pair of wheels is low tech... They simply come with a car. They are boring and easy to forget. Yet, they are expensive.

The consensus view is that they are just a pair of wheels. But the reality is that the tire is mission critical... The tire is very important for fuel efficiency.

The tire is also extremely important for safety. The braking distance of a car is about how quickly a tire breaks.

In order to improve the tire's fuel efficiency, the tire shouldn't grip the ground too much. But for safety, you need the tire to grip the ground quickly. The balance of this is extremely important.

When you can solve for a mutually exclusive proposition, you have an in-demand product. That's what modern tires are.

An 18-inch tire can be twice as profitable as a 16-inch tire. Worldwide, people are trending to SUVs. This will help drive profitability.

Tires will be important for EVs because of the heavy batteries. A heavier car means better tires are needed.

Michelin has doubled the return of the MSCI EAFE Index (USD). This is what's possible if you go against the consensus and find the X factor for a company.

The opposite example of this is Blackberry. It was a first adopted smartphone. People loved the stock. It was a huge success story. Yet, they lost their competitive advantage to Apple and Google. That surprise crushed the Blackberry stock.

Rupal compares Apple today to Blackberry back then. Similar success, similar opportunities, and consensus expect more of it.

The iphone doesn't have to disappear, it just has to disappoint in order for the stock to fall. Apple's core business isn't growing. Earnings per share has gone up from buybacks and tax cuts. But those benefits will weaken in the next few years.

Rupal thinks Apple could be like Blackberry in the next few years.

False positives in today’s market, or stocks that the consensus believes in…

Passive, Quant, U.S., growth.
ESG: Tesla
Play on Physics
Cash is a four-letter word.
Tech is New Consumer Staple

Non-Consensus False Negatives…

Active, Bottoms-Up, Intl, Value.
ESG: Phillip Morris
Bet on Biology
Junk is a four-letter word.
Telecoms is New Consumer Staples