**Gary Mishuris**

Gary starts by auctioning off a $100 bill. The hitch is, if you are the second to last person to bid, you still have to pay your bid. This resulted in a war between two audience members that pushed the bid past $100.

Gary saw this routine first from a former professor.

The professor assured Gary that every time the same thing happens, there's always someone, usually has a pair, that get locked into this bidding war. And all every the $100 bill gets sold for more than it’s worth.

It's just, we're human.

Gary also wonders about the phenomenon of dieting. No one sticks to their diet 100% of the time.

It’s because we know the theory, but the practice sometimes deviates…

The reason, again, is that we're human. We don't always do the things we should do.

Gary shares his evolution as an investor. About 25 years ago, he was studying at MIT as a double major in economics and computer science. He planned to go into computer science. And he joined Fidelity right after listening to Warren Buffett come on campus to the Sloan School of Management.

Buffett’s talk immediately resonated, to talk about long term intrinsic value. So he became a value investor. He figured classic value investing is the only right way and you want who doesn't do it as an idiot, right?

Gary was 21 and still naïve…

His theory was working and he had some small successes with it. But then he went too far and lost $100 million in a day.

He fell for a cheap stock, for a CEO narrative that sounded good on paper, but it really wasn't. He ignored all the other yellow flags and doubled down and told people to buy more. It was a dark moment.

How could this happen? Gary thought value investing was supposed to be flawless. He started to question things. His understanding of value investing wasn't complete. And so he built his skills.

He got more successes, his confidence started to grow and he eventually came to a more nuanced understanding of value investing.

It was combining the classical ideas of value investing with behavioral finance. This helped him guard against bad deals… like overbidding on $100. A slick guy trying to sell you $100 bill for $5 is something you should be nervous about, after all.

By the way, when Gary participated in the auction, it was happening so quickly he just didn't bid.

By the way, the professor told Gary the highest he's ever sold a $20 bill for is $400.

So investing is hard, right? It's simple, but it's not easy. And I think, you know, Charlie Munger, who is known for his very blunt language says, “It's not supposed to be easy, and anyone who thinks that is easy is stupid.”

What makes it hard? There are a few things.

One is the long feedback loop between action and outcome.

Two is you have that we all have behavioral biases, you have weaknesses that we're hardwired to have.

Gary has been in the business for 22 years. He observed that some people are wired to behave a certain way under pressure, others are wired to do very different things.

And you can maybe tweak it and prove it and build on it, but you cannot unlearn these patterns.

And finally, we like predictable programmatic things. But that's not how it works. And there's judgment involved. And it feels kind of wishy washy and not rigorous to some of my background, but that's just the reality.

First, take the long feedback loop. Investing takes over a decade to have a statistically significant track record. That’s despite all the people pitching you on their three year track record. Those are garbage basically, but you know, people fall for that anyway. It takes a long time.

That means trial and error won’t work. It takes too long.

The main problem is lack of humility. Just the act of entering the markets frequently is a very arrogant thing.

Plus, we have behavioral biases. For example, we take whatever happened recently and assume more things like this will happen again.

Temperament is the key to investing success.

Gary used to work for a guy who was supposedly a value Portfolio Manager and this person, every time the stock went down, his tendency was to sell. Of course this was a mistake. But he was just wired to be afraid when everybody else is afraid.

Gary can take any student and teach them how to create a model…

But there's a lot of other qualitative stuff that needs to happen. How do you assess company managers? How do you assess the quality of the business?

In addition to studying theory, Gary says we must study successful investors of the past… But don’t emulate them too close.

You are not Warren Buffett. You don't have his skill set, temperament, situation, you name it. So you have to **learn** from people rather than just **copying** people. Practice, with feedback from someone who's a Master Investor. This can reduce the length of the feedback loop compared to trial and error. And you also need to trust that that person is themselves authentically.

You should also learn mental models from other disciplines. Physics (like potential energy vs kinetic energy) is a good example. It can help you see what the company has right now versus what does that company capable of earning in the field.

And finally, you need to create guardrails for yourself and minimize deviations from your process.

Gary prides himself on his competitive advantage - a combination of temperament that naturally allows him to stay calm under stress, and his behavioral mental models. It gives him a unique take of value investing.

He even wrote down his process in great detail in an “owner’s manual.”. Not as marketing – as data for himself.

In the story of Odysseus, he straps himself to the mast to avoid temptation, because he worries that the sirens are going to lure him away from his plan...

In the same way, this owner's manual keeps Gary honest, because he can explain all of his decisions to his partners in context. He encourages you to write a similar document.

That might be very simple, ie “I dollar cost average into Vanguard Index funds.” So when you hear a talking head on TV, saying how terrible this geopolitical event is, and how you should sell your stocks and buy bonds, look back on what you wrote and say “No, that wasn't my process. I was going to dollar cost average. So I'm gonna I'm gonna put the fear aside.”

Having something in writing that explains what you intend to do is a proactive preparation. It helps you dodge negative influences. And dodge things that are too good to be true.