

[Building a compounding engine](#)

Ever since reading [The Intelligent Investor](#) many years ago, I subscribe to the “[value investing](#)” school of thought. It boils down to buying undervalued companies and being a long-term investor. [What Has Worked In Investing](#) (PDF) is a great start if you are new to the concept.

Here is what I learned so far:

- While learning and reading about investing is very important, it can never be a substitute for actually doing it, with real cash
- You must pick one approach, and stick to it for at least 5-10 years.
- There are many strategies to achieve great returns. Flip-flopping strategies is *not* one of them. I now have the strength to say no to things outside of my approach. Having a clear circle of competence is crucial.
- I am my own worst enemy. To protect me from myself, I had to build checklists and clear systems. I have a clear checklist for when to buy. If I buy a company, I am not allowed to sell for at least 1 year. This protects me from short-term thinking.
- My biggest mistake so far was “averaging down”, meaning I bought more as one particular stock fell. I started with a 3% position, and kept buying more until it was 10% of my portfolio. The company unexpectedly went bankrupt and I lost 80% on this pick (and 8% of my portfolio value). I won’t do that again. Those, by the way, are the learnings you cannot learn from books. You have to learn them the hard way.
- Asymmetric bets are great. E.g. when my downside is protected by a strong balance sheet (lots of current assets, no or very low debt), and the upside is very promising.
- I don’t have to wait for market crashes or a crisis, as I often buy stocks that have crashed or are in a crisis. Gloom is often my modus operandi.

“Compound interest is the eighth wonder of the world. He who understands it, earns it ... he who doesn’t ... pays it.” — Albert Einstein

Today’s book recommendations

- [The Intelligent Investor](#) by Benjamin Graham:
The #1 most important book for Warren Buffett. And my own investing bible. In case you ever consider investing your money in stocks or bonds, read this first.
- [I Will Teach You To Be Rich](#) by Ramit Sethi, crappy book title but great book if you are interested in personal finance
- [The Richest Man in Babylon](#) by George S. Clason, fantastic teachings about how to get out of debt and how to deal with money
- [MONEY](#) by Tony Robbins, great (but very long and detailed) overview about personal finance
- [Rich Dad, Poor Dad](#) by Robert T. Kiyosaki, fantastic framework about how to think about

money, especially assets vs. liabilities