

Overview

I am Glen Bradford, and I am a naïve falsificationist. Verificationism is more dangerous than anything else as it encourages overconfidence. I seek to understand how things really work, not to understand how they work, but to make things better than they would be without me. Empowering success necessitates that I give to those that can stretch it the furthest.

This last month, I spent a week on a cruise off of Miami. I took with me a book called Fooled by Randomness by Nassim Taleb. As I was reading it, I found myself jotting down notes on my laptop because I wanted to share them with those who are interested in trying to see things from my perspective. For some reason, things like this excite me --- whereas the army of girls running around in bikinis on the top deck of this cruise ship captivates my friends. Nassim puts it a good way, and the same concept is covered in *The Four Hour Work Week*: *"I will refrain from commonplace discourse about the divorce between those who have ideas and those who carry them in practice, except to bring out the interesting behavioral problem; we like to emit logical and rational ideas but we do not necessarily enjoy this execution."* For the same reason, anticipating a change in wealth is often more exciting/terrifying compared to a realized change in wealth.

I want to let you first know my opinion of the author in case you're interested in reading it yourself. The best way to do this is to probably illustrate key differences and key similarities between me and him as I see it, or how in my opinion I have evolved past the latter.

Opinion

Nassim, like myself, got incredibly caught up in the statistics of journalists, financial theories, etc. The good thing is that he realizes they are paid to have news that is popular, not to have news that is worthwhile. I think that he never broke past defeating broken theories. There is a lot of stuff out there that is terribly wrong and is supported by vast sums of people; even when they are proven wrong they live in denial. There are all sorts of cognitive systems that people use and have developed that will enable them to see things how they want to see them rather than how they truly exist. The key takeaway here in my opinion is that it's not even worth your time to argue with people who are wrong. Satisficing would suggest that when the cost to change a poor situation into a better situation is higher than the difference in value between the situations --- the correct action is nothing. For this reason, I question Nassim's obsession with the immense detailing of why people are wrong, when he could just focus on the avoidance of being wrong himself. On a lighter note, I'll be on the lookout for company reports that fail the Turing test, or appear to have been computer generated. One can use Monte Carlo generators (Dada Engines www.monash.edu.au) to construct company reports composed of grammatically sound but entirely meaningless sentences.

Things to Think About

When it comes to track records, prospectuses frequently illustrate that past results may not impact future returns. There is a lot I could say about investor psyche and the pitfalls that plague 99 out of 100 investors, but little of that would be actionable. I personally avoid people who are concerned with such

nuisances as “track record” as I believe that they will try to cash out when it’s time to buy. For this reason, I seek believers in my methods, not believers in my so called “track record.”

I’d like the limited partners to take it upon themselves to think about all the possible outcomes of the partnership thus far and to entertain the idea of the portfolio being down significantly instead, say to 50% or maybe even 25% of the underlying value of invested capital. Given that perspective, the confirmation bias that you’d be emanating would be that of increasing fear and uncertainty. I know that sometime in the future, this is a distinct possibility. In fact, a drop of some sort will be a reality as I am a believer that some of the best investment deals result from stocks dropping over 90% in price without any change in the underlying fundamentals. For this reason, I welcome broad spectrum declines in prices on a global scale.

I’m a firm believer that I’ve developed the ability to sift through rubble and trade out of my positions that may be down 50% and only have 500% upside into positions that are down 90% and have 1000%+ upside. That is to say, I intend to profit from a crisis more than I would without one. So, if you see your holdings with me lose value, it’s time to start getting excited. It’s a little counterintuitive.

I would like to consider myself a student of my own weaknesses. I figure that ballparking my weaknesses and the weaknesses of others should both enable me to see huge opportunity on the occasional basis that it presents itself as well as avoid the unprofitable rationalizations and justifications that plague the 99% of below average investors. Fools argue that Warren Buffett is just a really lucky guy. I’m just going to give my shot at being as lucky as him and I figure you’d be pleased to know that although I’ve never met the man, I’m pretty sure that he’d be a firm believer in my future luckiness.

I’m lucky enough to be one of the few people that gets compensated based on how often I’m right or wrong. I get to pick what I bet on and how much I bet. As exciting as it would be to predict the weather on a daily basis, we all know that nobody can do it. If I were to transpose that same analogy to stocks, I would, and I would also argue that I can make a lot of money by betting double or nothing that it will rain sometime in the next 5 years in the United States. Funny thing is, betting on obvious things isn’t common practice. That is to say that common sense is uncommon.

Quotes I Thought Up

I’d rather admit that I have nothing to say than say a lot of nothings.

Because I have a tendency to question everything, I think it’s worth pointing out that I perceive my sole advantage in life to be that I know some of my weaknesses.

False successes are unknown to their creator, as the perceived fragility diminishes to nothing until the moment when it all falls apart.

In the spirit of the last quote, I realize that I sound crazy to those that don’t understand; and it’s hard for me to spread understanding to those who don’t see from my perspective. This goes back to the ancient times concept of: “to him who has ears, let him hear.” Loosely translated: “I know that a lot of you are not going to understand what I’m about to say, but this isn’t for you anyway.”