(This copy is an AI-assisted translation of the original transcript in Chinese)

E11 Your Investment Fails Because You Know Too Much

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Is it really that difficult to invest well if you haven't studied finance or economics?

If you can't figure out geopolitics, interest rates, monetary policy, market trends, profit forecasts, valuation models, and derivatives, do you still have a chance?

If you've lost money and want to start over, what is the key thing you need to correct?

This episode is about the investment knowledge you need to uninstall from your brain: things to unlearn about investment. Of course, I have a feeling the premise of this episode might be flawed. We are in a massive bull market where everyone seems to be a stock market god—is there anyone who *isn't* successful at investing right now?

Well, let's wait a while and see. No rush.

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Introduction: The Investment Paradox of Knowledge Overload

Hello everyone, welcome back to *Slow is fast*. I am Patrick. Today, we are talking about why your investments might not be successful: it's because you know too much. I often hear people say, "I'm not successful in investing because I don't understand it well enough, and I didn't study finance or economics." But I want to tell you that the truth might be exactly the opposite. Most of the time, unsuccessful investing isn't because you know too little, but because you know too much. Of course, it's completely understandable why people think this way. If we look at the function of successful investing, at first glance, it has many variables. These include macro-level factors like great power competition, demographics, exchange rates, interest rates, monetary policy, and government support; micro-level company issues like product innovation, consumer feedback, and internal management; and even the endless noise in the market, such as expert forecasts, analyst reports, opinions of key opinion leaders (KOLs), and the movements of state-backed funds. It seems like you really need to figure all these elements out to succeed. If you haven't studied economics or finance, don't understand macro and microeconomics, and don't know how to quickly acquire and interpret information, investing truly does seem hard to master.

In reality, however, the so-called professionals—such as economists, finance professors, and industry veterans who have navigated the stock market for years—are mostly unsuccessful in their investments. From another angle, if merely studying economics or finance guaranteed investing success, everyone would study those fields because it would be a direct path to making money. Logically, economists, finance professors, and financial practitioners should have the best investment performance. Yet, there are numerous counterexamples in the real world where highly learned individuals or industry insiders have terrible investment records. The most classic example is the US-based Long-Term Capital Management (LTCM). They gathered several Nobel Prize-winning top minds in finance, but the company ultimately went bankrupt.

A counterexample in the opposite direction is a lady I met at the last shareholder meeting. She didn't have a background in economics or finance, nor did she understand grand macroeconomic theories. She simply said, "When this company IPOed, I felt the management was reliable and the product was quite good, so I bought it and have never sold it since." This lady, who looked to be in her fifties or sixties, had held the stock for over a decade, and this investment had brought her incredibly handsome returns. She should definitely be considered a highly successful investor. Yet clearly, she didn't possess the massive knowledge systems that economists or finance professors have.

For something as seemingly complex as investing, people naturally tend to overcomplicate things. Internally, when you learn too much about investing, economics, and finance, you inevitably absorb incorrect knowledge. When correct and incorrect information mix together, you become completely lost. Because on one hand, this theory seems right, but on the other hand, that viewpoint also seems correct, making it all feel extremely complicated. The more you learn, the easier it is to be contaminated by wrong knowledge.

From the perspective of acquiring external information, even if you are highly capable and can obtain vast, timely data, you will still feel overwhelmed if you can't distinguish between noise and signals. Once you fail to tell them apart, you will receive highly inconsistent feedback. Faced with this information, you become confused: should I act on this news or not? Sometimes acting on it seems to make money, but other times it results in heavy losses. This tendency to overcomplicate things is directly related to learning too much and experiencing information overload.

Colin Huang and Duan Yongping's Business Common Sense: The Power of Simplicity and Common Sense

I previously read an interview with Pinduoduo's Colin Huang by *Caijing* magazine in 2018. I'd like to quote some of his brilliant insights on "learning." The reporter asked him: "In 2006, Duan Yongping bid $620,000 for a charity lunch with Warren Buffett and took you along. You were only 26 at the time. Was that an important day for you?"

Huang replied, "What Buffett talked about was actually incredibly simple—things even my mother could understand. The greatest significance of that lunch for me was that it made me realize the power of simplicity and common sense. Human thoughts are very easily contaminated. When you make a judgment about something, you need to understand the background and facts. After that, what you need is not profound wisdom, but the courage to use rationality and common sense when facing those facts. Common sense is obvious and easy to grasp, but we are often blinded by the biases formed through our upbringing and education, as well as our pursuit of personal interests. Duan Yongping also taught me a piece of business common sense: price fluctuates around value. Prices will inevitably fluctuate, but as long as your value increases, the price will ultimately converge with it. This common sense allows you to focus peacefully on increasing the intrinsic value of the enterprise, rather than worrying excessively about price fluctuations in the capital markets."

The reporter then asked, "When encountering an unknown field, how do you go about understanding, thinking, and judging?" Huang answered, "I usually adopt a rather primitive method: I go experience and feel it myself. Most people overthink. In reality, most things are obvious and don't require much thought; you just need to use common sense." The reporter pressed further, "For example, in e-commerce-related logistics or finance, how do you learn and understand them?" Huang replied, "Why do I need to understand them? Most knowledge is useless; just solve problems as you encounter them. Duan Yongping taught me to lack 'grand ambitions'—just do your current job well. I don't plan for the next five or ten years. I think about a very distant goal and a very immediate execution. It's like dating: is the person you eventually end up with exactly the one you planned for? Can you decide who the next girl you meet will be?"

This Q&A with Colin Huang touches on a similar issue. Driven by a desire for personal growth, we study hard and learn a lot. However, this is actually mixed with too many biases and errors. Overloaded information will instead mislead you into making wrong judgments when making decisions. Human thoughts are easily contaminated, which is why he emphasized returning to common sense and not overthinking, as most knowledge is ultimately useless.

This reminds me of another book called *Think Again* by Adam Grant. The synopsis roughly goes like this: "Traditionally, intelligence is viewed as the most critical ability in the thinking and learning process. But in today's rapidly changing world, rethinking and unlearning might be the most important skills. Dramatic changes in the global situation and economy force many to re-evaluate their beliefs and decisions. Yet, we still prefer to stay in the comfort zone of certainty, rejecting the discomfort that comes with doubt. We favor views that make us feel good over ideas that require hard thinking. For many problems, intelligence is not the cure; it might even be a curse. The smarter people are, the easier it is for them to turn a blind eye to their own limitations."

This book revolves around the same core idea. They all point to one question: why do we feel investing is so complicated? It's because we shouldn't just continuously learn knowledge; we must also continuously discard it. If we cannot update our cognition and unlearn what we already know, we actually cannot progress.

Investing is classically "simple but not easy." Its principles are extremely simple and absolutely not complex. For those aspiring to invest well and succeed, the roadblock is rarely that we don't know enough, but rather the preconceived notions deeply rooted in our brains. We carry too many prejudices—some of which are not only useless but actively toxic and harmful. They need to be completely uninstalled from our operating system. So today, we are going to discuss the incorrect investment knowledge that needs to be unlearned and uninstalled from your brain.

Four Incorrect Investment Cognitions to Uninstall from Your Brain

Next, I will break down point by point the concepts that often seem like irrefutable facts but are actually wrong and must be unlearned.

Incorrect Cognition 1: Opportunities in the stock market are equal for everyone, and anyone can change their destiny through stock trading.

Many people believe that all are equal before the opportunities of the stock market, and we must strive to seize them; only then can we achieve financial success or alter our destinies. In my view, this "common sense" is flawed. In reality, most people shouldn't participate in the stock market at all. Over 80% of people in the stock market are destined to lose money—this ratio remains unchanged whether it's a bull or bear market. As long as you stay out, you have already passively beaten 80% of retail investors. Yet, many refuse to accept this, thinking the stock market is such a great chance for upward mobility, and since everyone is equal before opportunity, why shouldn't they grab it? The mistake here is failing to assess whether this opportunity is truly "your opportunity."

The initial intention for many entering the stock market is wealth management, hoping for their wealth to grow. But once you buy a stock, you might not be playing the "investing" game at all. The underlying logic for making money is always the same: you forego the opportunity to spend and enjoy your money now, hoping to get more back in the future. However, there are two entirely different games for getting your money back in the market: One way is buying an asset that will continuously generate cash flows, allowing you to profit. This is very much like playing a "farming simulation" game; you need to manage the farm well, and when the crops mature, they can be sold for money, creating continuous cash flow. The other way is not caring at all whether the underlying asset is actually making money; you simply hope someone else will be willing to pay a higher price to buy the chips out of your hands. This is more like a game of Baccarat or Roulette. Everyone must first reflect and clarify: which game are you actually playing right now?

This often reminds me of the "Farmer Hypothesis" mentioned by Liu Cixin in *The Three-Body Problem*: there is a flock of turkeys on a farm, and the farmer comes to feed them at 11:00 AM every day. A scientist among the turkeys observes this for nearly a year without exception, proudly announcing the discovery of a great universal law: "Food will descend at 11:00 AM every day." However, at 11:00 AM on Thanksgiving Day, food did not descend; instead, the farmer came in, rounded them all up, and slaughtered them for the holiday table. This hypothesis asks: are the tried-and-true laws humanity has derived in the physical world so far truly eternal truths? Placed in the context of investing, you must likewise figure out whether you are the "turkey" or the "farmer." The farmer plays a simulation management game, focusing on the yield of the land and crops. If you are a turkey, the technical indicators and laws you deduce within the turkey game are likely meaningless in the eyes of the farmer (the real business world). Trying to succeed in the stock market, we see many cases of making money through speculation. Even while playing the turkey game (the speculation game), you might sometimes make money out of sheer luck. This is the most subtle and illusion-inducing aspect of investing. But if you become addicted to this game, you are essentially still just a turkey.

An asset generating cash flow is a gradual process; it is destined to be slow. Pinning your hopes on someone else paying a higher price is often an emotion-driven, irrational, short-term explosive trade. You have to figure out exactly what kind of money you are making and what game you are playing. If you explicitly know you want to play this emotion-driven, highly volatile speculative game, that's fine—after all, casinos are never short of natural gamblers. But if your initial goal is truly asset allocation, steady wealth management, and sustainable wealth growth, you must explicitly warn yourself: never become a turkey playing the turkey game. You must break out of your mental confines and return to the farmer's management game. You must abandon all unrealistic fantasies of getting rich overnight and accept that you are not some chosen, divinely favored lucky soul. What you need to do is work hard to improve your business acumen to identify good farms, good land, and good crops, grounding yourself to achieve the goal of getting rich slowly. Otherwise, if you can't even tell what game you are playing, your best option is to stay out of the stock market entirely, because by doing so, you have already easily defeated 80% of retail investors.

Incorrect Cognition 2: Treating the market as a supreme overlord and positioning yourself as a tiny trader.

We often have massive deviations in how we define our roles in the investment game. Let me ask you to ponder a question: when you think of the word "investing," what kind of image comes to mind?

Image 1: Walking into a stock exchange packed with crowds, the air thick with the scent of frenzied testosterone.

Image 2: A person sitting alone in front of a computer, opening trading software to constantly screen companies, watching the market, and executing trades, staring at the red and green charts while their heart rate accelerates with the rising and falling stock prices.

Image 3: Like a professional Wall Street trader, sitting in front of four or five giant monitors, mind racing with calculations, fingers clacking frantically on the keyboard.

The commonality in these images is that the individual actively steps into the market, and within this role setup, the market reigns supreme. The individual appears insignificant in the face of the grand market, merely drifting with the tide.

Now let's look at a completely different image: you happen to see a company today and find its products very interesting. So you search it on Google, look at its official website, download its latest financial reports, and read them carefully. The next day, you track down some news about this company. After a few days of information gathering and independent reading, you spend the next few months occasionally pondering and deeply reflecting on a few core business issues regarding this company. Once you have truly figured it out, half a year later, when the market price triggers your margin of safety, you calmly place an order to invest.

Clearly, this image is fundamentally different from the previous ones. In those earlier images, entering the stock market—whether you consider yourself a retail investor or a big whale—essentially means you treat the market as your master. But in the definition of value investing, "Mr. Market" is purely your servant, existing exclusively for your use.

A true investor is not a nerve-wracked trader, but a pure Business Analyst. Business analysis itself has absolutely nothing to do with the rise and fall of the broader market. Even if the market were to shut down for ten years due to force majeure, as long as the business's intrinsic value is good enough, the investor is perfectly content to hold it. Furthermore, whether you hold 100 shares or 100,000 shares of this company, there is fundamentally no class distinction between retail and institutional investors. Short-term market volatility, so-called liquidity, and target price forecasts given by analysts are all just interference noise provided by the market. If you cannot correctly understand your role relationship with the market, you will unconsciously slide into the turkey game set up for you by the market. You will spend your days guessing the fluctuations of crowd sentiment and executing exhausting trades, rather than acting like a value investor who treats the market as a servant—summoning it when needed and dismissing it most of the time. Doing business analysis requires you to spend weeks or even months studying business models, corporate culture, and competitive advantages. Once you determine it's a terrible business, you won't even have the desire to glance at its stock price; there's no need to summon Mr. Market for a quote. If you determine it's a top-tier company, only then do you summon Mr. Market to ask for the current asking price. If it's too expensive with no margin of safety, you dismiss him. You never need to ask him every single day if it went up a little compared to yesterday.

In Chinese, we translate "Stock" as "股票" (shares/tickets). We often say "炒股票" (stir-frying/speculating on stocks). The words "炒" (speculate/stir-fry) and "票" (ticket) naturally induce an illusion of "playing with tickets," making people feel like they are just playing for the thrill of the red and green ticks. Entering this incorrect role setup right from the start dooms you to become nothing but "chives" (retail victims) dominated by the market.

Incorrect Cognition 3: High risk brings high return.

You might say, "High risk, high return—isn't this common sense in the financial world?" I want to tell you that in investing, this phrase is completely wrong. To an investor, short-term violent fluctuations or even massive crashes in stock prices are not risks at all; they are massive opportunities. The phrase "high risk, high return" has harmed countless people. It provides them with a high-sounding psychological comfort to justify blind gambling, making them feel, "If I want to make big money, of course I must take huge risks."

But the essence of value investing is precisely seeking out and buying low-risk, high-return assets (referring to long-term returns). Though scarce, these opportunities truly and persistently exist in the market due to the irrationality of the masses. It is precisely because the market frequently fails and humans often fall into irrational panic that an outstanding asset capable of delivering high long-term returns can suddenly see its stock price irrationally cut in half. If you can truly understand the company at that moment, it is absolutely not a risk; it is a rare, god-sent opportunity.

The core difference lies in this: do you have a clear "anchor" judgment in your mind regarding the intrinsic value of the company? This anchor assessment might just be a rough estimate and doesn't need to be pinpoint accurate, but you must have a general sense of it. For example, if you think the company is worth between 3 and 5 billion no matter how you look at it, and the market, in a panic, values it at 1 billion, then it's absolutely worth buying, right? If it continues to drop to 500 million, that means the margin of safety has grown even larger, making it even more worth buying as it falls. Because you have an anchor for value, you are investing.

What does speculation without an anchor look like? You follow the crowd and buy into a company currently valued at 1 billion, but you have absolutely no idea what it's truly worth—not even a rough estimate. You only know it went up today and down tomorrow. You are essentially guessing the short-term mood of the crowd's voting machine every day. When you lack a value anchor in your mind, a huge drop in the stock is a very real risk that will trigger massive panic. For true investors, a prolonged bull market where stock prices surge madly is the actual risk. Because this results in you holding onto cash without being able to find any targets with a margin of safety to allocate it to, forcing you to face an extremely high opportunity cost. Therefore, "high risk, high return" is completely invalid in investing. As long as you remain rational and patiently wait for market inefficiencies, you can absolutely find low-risk opportunities that yield handsome long-term returns.

Incorrect Cognition 4: In investing, as long as you work hard enough, you will surely achieve success.

I believe a subset of people enter the stock market absolutely not to speculate; they genuinely want to invest properly and decide to become diligent every day. They spend massive amounts of time learning, closely watching the ticker daily, reading volumes of research reports, scrolling through Xueqiu for analysis and recommendations from KOLs, scrutinizing financial statements, running complex horizontal and vertical data comparisons in Excel, and reading a myriad of books teaching them how to trade stocks. But I must say, on the wrong path, all this so-called "hard work" is entirely in vain.

The education we receive growing up constantly instills the idea that "you must work doubly hard." But our education rarely helps us distinguish between two things—something Duan Yongping frequently emphasizes: do the right thing first, and then do things right. You must first choose the correct strategic direction; this is an unshakable prerequisite. If the direction you are heading is wrong to begin with, the harder you try to do things right on the wrong path, the more tragic your death will be. In investing, doing the right thing means positioning yourself as a business analyst, seeking out a few exceptional companies, focusing on the distant future, and completely uninstalling speculation, wishful thinking, and forecasting from your brain. If you redouble your efforts on the wrong path of forecasting prices and following speculative trends, you are just like those diligent turkey scientists: the finer your research, the uglier your demise when Thanksgiving arrives.

To filter out a handful of great companies from thousands of mediocre or even garbage ones, and patiently wait for them to reach the perfect, mispriced level—such opportunities are inherently scarce. Coupled with the fact that everyone has clear boundaries to their circle of competence, there are only a few industries and great companies you can truly understand. Under these circumstances, the problem cannot be solved by the "hard work" of watching a few more charts or calculating a few more metrics every day. Conversely, the more you learn, if you cannot distinguish toxic false knowledge, your brain will be infected with viruses that you won't even be able to uninstall completely.

Therefore, in investing, "hard work" is often an overrated virtue, while "patience" is a severely underrated, rare virtue. The prerequisite for hard work is that you must already be traveling on the absolute right track. And on the right track, the true test of mastery is learning to patiently "wait." For investors, never pretend to be diligent; you must learn to be ruthlessly "lazy." The state I strive for is "not opening for business for three years, but living off one deal for three years." Sometimes you get lucky and an opportunity arises in six months or a year; sometimes you are unlucky and don't see one for two years—this is perfectly normal. Once you wait for the right moment when a great company you understand is mispriced, place a heavy bet, and then quietly hold onto it for three to five years.

In this game, what you truly need to fight and struggle against is never a lack of knowledge, but human greed and anxiety. When the broader market surges daily, when everyone around you seems to be getting rich overnight and making fast cash by speculating on hot themes (like stablecoins in the past, or AI and data centers now), can you restrain your inner jealousy and anxiety? Can you remain unperturbed by this exploding information and stay quietly within your circle of competence? Blaise Pascal said, "All of humanity's problems stem from man's inability to sit quietly in a room alone." It's easy to say, but how many people can truly endure the loneliness of sitting quietly for a year or three? If you inherently lack patience and can't resist the urge to show your "diligence" through frequent trading, your best choice might indeed be to leave the stock market entirely.

For many traditional "good students," this is especially difficult. Because from childhood through high school exams, college entrance exams, elite corporate interviews, and career promotions, their core path dependence throughout life relies on "doubled personal effort and frantic test-taking" to receive positive feedback. So once they enter the investment arena, they instinctively bring this "frantic test-taking" diligence with them, often ending up performing worse than lazy but self-aware bad students. If you cannot mentally accept the objective law of getting rich slowly, you will only plunge into a vicious cycle of trying very hard to "go broke quickly."

Stay Away from Forecasting Noise and the Top-Down "Sunrise Industry" Trap

The fifth point I want to make is this: the vast majority of forecasts in the capital markets are entirely meaningless noise—you could say they bring a hundred harms and zero benefits. Once you are immersed in the market, you will be bombarded daily by a massive volume of information: macroeconomic games, the challenges of an aging population, how many times monetary policy will cut rates, and target price forecasts for various big tech firms. Inside top investment banks and brokerages, chief economists and star analysts in suits and ties pontificate about the future. But in my eyes, they are largely just "turkey scientists" searching for non-existent patterns in a complex system.

If macro trends and stock prices could truly be accurately predicted, they would have no need to write reports to sell to you; they would just quietly place heavy bets, make fortunes, and become the richest people in the world long ago, right? 99.9% of the information you passively consume every day is noise that disrupts your core rationality, not valid signals that can guide your immediate investments. The most fundamental reason Warren Buffett has insisted on living in the quiet, remote city of Omaha for decades is to deliberately distance himself from Wall Street's information noise and the clamor of financial institutions. Because truly elite investors evaluate a good business spanning a timeframe of decades.

Whether the Federal Reserve cuts rates three times or not at all this year is fundamentally not a core issue for an evergreen, outstanding business. A truly strong, great company is a living organism; if it cannot resist and adapt to macroeconomic cyclical fluctuations, a few minor interest rate adjustments, or short-term consumer downturns, it simply doesn't deserve to be called a good business. The only reason this makeshift world needs so many forecasters is purely to provide an illusory psychological comfort for overgrown babies terrified of the future, pretending there is always a group of masters with crystal balls who can pierce through the fog of tomorrow.

In reality, there are only two types of forecasters in the world: those who know they cannot predict the future, and those who don't know they cannot predict the future. And the latter group—the extremely confident forecasters who don't know what they don't know—makes up the vast majority. If all investors in the market became extremely rational and stopped blindly believing these absurd short-term forecasts, the "mispricing" in the market caused by collective emotional panic would completely disappear, and we would instead lose perfect opportunities to earn excess returns. It is precisely because a sea of irrational speculators frequently trades off these forecasts and follow the herd every day that true farmers are granted the opportunity to snap up top-tier assets at bargain prices.

Sixth point: our commonly used Top-down macroeconomic analytical frameworks might be completely useless, because the degree of difficulty never determines your investment returns. Researching companies typically follows two paths: One is Top-down: starting from macro-overviews like demographics and great power games, deducting downwards to guess which industries will be "sunrise" (booming) or "sunset" (declining) over the next twenty or thirty years, and then screening for potential winning leaders within those sunrise industries. The core flaw in this approach is that the deductive path is too long; it requires stacking countless "ifs and assumptions" to finally land at the company level, and if just one macro variable is guessed wrong along the way, the final investment result could be a total loss. Furthermore, this obsession with sunrise industries will inevitably draw you into the most popular, bubble-inflated rotational trends of the moment (such as various humanoid robots or AI chip concepts). The other path is Bottom-up: ignoring these grand macro theories and focusing squarely on individual, specific companies themselves. Look at the cash flow of their business models, roughly estimate their future certainty, evaluate if the current price is a good deal, and buy if it fits.

Top-down macro analysis easily traps investors in a narrow "industry determinism," subconsciously slapping labels like "sunset industry" or "boomer stocks" on certain traditional sectors (like coal, electricity, oil, or even liquor), dismissing them as unsexy and completely ignoring them. But looking back at the steel, oil, candy, Coke, and newspaper companies Buffett invested in over his lifetime, none were sexy sunrise industries at the time. Yet, that didn't stop these companies from continuously printing money for him, did it? Whether a business makes money and whether it is a good company has absolutely no necessary or sufficient connection to whether it sits in a trendy sunrise sector.

Many people try to guess every future technological shift in those high-difficulty concept stocks through incredibly complex assumptions; in investing, this is like actively choosing to jump over a seven-foot hurdle. But you must understand that investing is fundamentally different from a diving or gymnastics competition. In diving, there is a clear degree-of-difficulty score; the harder the move you attempt, the higher your score upon completion. But in the world of commercial investing, no judge cares whether you make money through high-difficulty or low-difficulty moves. Making money through low-difficulty moves is actually safer and much more worry-free. So why ignore the one-foot hurdle right next to you and insist on proving your intelligence by trying to clear the seven-foot one?

We can absolutely keep things simple and look bottom-up for the "unchanging things" in the business world. Clean energy is certainly an unstoppable megatrend for the future, but existing technologies will still not completely replace fossil fuels in the next fifty years, and oil remains the essential underlying blood required to run human society—this is the "unchanging fact" you see when buying undervalued traditional oil fields; no matter how times change, humans' genetic love for the dopamine hit of sweets will not change, and the Chinese cultural need for high-end liquor to express respect at social and dinner gatherings will not change. These are the "unchanging" underlying common senses. Focusing your energy on these high-certainty, low-difficulty exceptional assets and buying them when prices are cheap will often bring you far more robust long-term compounding returns than constantly chasing trends and getting battered trying to jump seven-foot hurdles.

Conclusion: Self-Awareness is Far More Important Than Intelligence

Ultimately, investing is absolutely not a profound, mystical discipline requiring complex advanced math and flashy models. Your lack of investment success is rarely because you know too little; rather, it is because your brain is stuffed with too much flashy, incorrect old knowledge.

You absolutely do not need to figure out complex macroeconomics, predict the hedging fluctuations of interest rates and exchange rates, watch the self-important, boastful nonsense of experts on financial shows, analyze thick financial reports down to the very last line of the footnotes, or build complex Black-Scholes option pricing models or highly precise DCF valuation models. These superfluous skills will either lure you into the abyss of frequent, exhausting speculation, or trap you inescapably in "precise errors."

We strive for being vaguely right. Just like the lady I met at the shareholder meeting earlier, she might have been entirely ignorant of those flashy professional financial terms, but that completely did not stop her from finding a reliable, great company, holding it firmly for over a decade, and ultimately reaping astonishing investment returns. She is the most perfect investment role model for the vast majority of us ordinary people. Conversely, those with extremely high IQs who deeply understand financial theories and derivative models often shoot themselves in the foot, outsmarted by their own intelligence. Because they are too smart and too arrogant, they constantly want to prove their excellence in the market by showing off high-difficulty moves; as a result, they often lose the most disastrously when market inefficiencies arrive.

In investing, self-awareness is far more important than intelligence. Every excellent investor must clearly draw the boundaries of their circle of competence. The absolute size of this circle doesn't actually matter; what is deadly is that you must clearly know where its boundaries lie. Those who hallucinate that their palm-sized circle of competence is infinitely large, thinking they know everything, are destined to take a massive fall in their blind spots. If you look at true investment masters (like Duan Yongping's recent interviews on Xueqiu), when asked about many hot companies, their most frequent phrase is: "I don't understand this, and I don't understand that." This is absolutely not false modesty; it is them knowing extremely clearly and with immense restraint exactly where the blade of their competence should fall. They never feel ashamed that their circle of competence has boundaries. Their core confidence stems from rational self-awareness.

In summary, investing is something whose principles are very simple and not complex, but this absolutely does not mean it is an easy thing to do. It is extremely difficult because it truly requires you to spend the "dumb effort" to genuinely understand a business, rather than obsessing over those macroeconomic technical parameters, right?

How do you understand a business? It's actually not as mystical as people imagine. As long as you can truly figure out how a street-side steamed bun shop sustains operations and makes money, or how much procurement and staff cost a milk tea shop's daily revenue needs to cover, you already possess the underlying common sense of "understanding a business." You merely need to gain insight into how it currently makes its money, and use common sense to deduce whether, over the next five to ten years, it can continue to earn money in such a smart and efficient way. Of course, judging the future is accompanied by a massive amount of complex and uncertain variables, which is indeed extremely difficult. It requires you to observe and accumulate real cases of success and failure across different enterprises over many years, forming a sharp intuition at the base level that can pierce appearances and discern the essence of commerce (like understanding that "hyper-focus often yields a higher win rate than blind diversification"). Compared to profound calculus and option models, this plainest business common sense, along with the calm required to combat human anxiety, is the true deciding factor that widens the class gap between investors.

We must deeply understand: knowledge does not equal common sense, and consensus absolutely does not equal common sense. "High risk, high return" or "following the winds of sunrise industries" are prevalent knowledge and consensus in the market, but in underlying business logic, they are erroneous pseudo-common senses. The method to test and scrub incorrect concepts from your brain is very simple: for any so-called authoritative knowledge, as long as it cannot pierce through to the essential level using the plainest logic, just ask "why" five or ten times consecutively. It will often reveal its true colors in the face of common sense. Do not habitually accept conventional consensus; instead, completely uninstall those redundant, toxic pseudo-knowledges from your brain, allowing your operating system to return to the essential level of common sense. People often prefer to hear things that make them feel good and don't require hard thinking; in reality, it's very hard for a farmer to completely wake up a turkey addicted to its turkey laws. But if you are naturally self-aware, dare to question authority, are willing to think independently, and are sufficiently "lazy" and able to endure loneliness on an execution level, then regardless of whether you have a formal finance background, you inherently possess the perfect mindset to survive on the great path of investing. Heaven helps those who help themselves, just as the old proverb frequently quoted by Charlie Munger says: "My sword I leave to him who can wear it." Alright, that's all for today. Thank you everyone, and goodbye.