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WHY A LOT OF INVESTORS FAIL.

I can think of following factors contributing to poor/less than expected returns in case of investors investing on their own.

1. Lack of knowledge. Most retail investors want free lunches. Very few of them even want to read basic investment books. To suceed in investing, you either have to have natural flair for investing by being street smart, or put in the hard yards and read some good books on investing and digest the learnings described in the book. This process of digestion would entail multiple times reading the book and trying to find where this knowledge is applicable while investing. So reading and re reading is important. For the sake of repetition, I would like to put up a list of good books I found very useful… 1. One up on wall street by Peter Lynch. 2. Five rules for succesful investing by Pat Dorsey. 3. How to make money in stocks by William O neil. 4. Zebra in Lion country by Ralph Vanger. 5. The Next apple by Ivayly Ivanov. 6. Minervini books if you are into momentum investing.
2. Not knowing yourself as an investor. To recognise which investment style is suited to your temperament is very important. And this has to be deciphered as early as possible in the journey. Its difficult for investors to practice all investment styles at the same time. Over time, people do tend to evolve as investors, but after some time in the markets it should become apparent which is the style that resonates with you. Whether you are a value investor, growth investor, short term trader, momentum trader, long term investor, so on and so forth.
3. Looking at bits and pieces. A lot of investors get stuck with only a few pieces of the puzzle while analysing a company and in the process miss the complete picture, or the big picture. Idea should be to be approximately right than precisely wrong. Its important to focus on what is important and what is relevant and not get lost in details.
4. Having pre conceived notions… One of my close friends usually has a common dialogue while discussing a company… " Is company ne to kuch nahi kiya hai… abhi tak" This is the easiest way often to kill a multibagger in the womb itself. While looking at a company, idea should be to be as objective as possible during the initial research. Once enough miles are covered, one can have some notions about the company and list investment arguments, or points against.
5. Over analysis. Many people tend to analyse company to such an extent that it paralyses them in terms of decision making. They get lost in a lot of irrelevant details. Idea should be to have a checklist of points in order of importance/relevance and take a call.
6. Execution… A lot of people make beautiful write ups on companies with all the necessary details and still cannot pull the trigger when it comes to buying… They keep dilly dallying on making a decision to buy even when the prices are right. Many a times this is affected by market levels. In the ealier post it was mentioned that an investor was scared to invest solely because Nifty was at 18000 or close to it. Or there could be a variety of reasons not to pull the trigger. Buying style can be different, with some people wanting to buy in a single shot, others wanting to spread out their buying, so on and so forth. But one has to execute the decision to buy within a stipulated time frame.

7. Lack of Flexibility… Some investors are absolutely rigid in their views and their beliefs. They often fail to read the writing on the wall. Even in the face of enough evidence which is contrary to their view, they fail to change their views. e.g Someone who was very bearish at 15300, (a lot of us also were, we were quite scared by the kind of fall and the newsflow at that point of time) failing to change his views even if nifty rallied more than 500-1000 points and there was broad based rally. Or to give a fundamental example, someone who keeps believing that the company is going to deliver inspite of many poor quarters and unacceptable explanations by management.
8. Losing balance and poise at precisely the wrong time. Many investors tend to get scared by market corrections or dips, and seem to keep looking at SGX, or Dow Jones, or Nasdaq, or other such macro data, e.g Oil prices etc and lose sleep over these factors. We have to consider investing as a test match where the pitch tends to change its nature every session and we have to learn to deal with it and adapt accordingly. We often have to avoid getting scared out of our positions. Stocks often correct 10-20% from our purchase price without any rhyme or reason. If I am a purely fundamental investor, I should not get swayed by these moves. (Technical guys will have different benchmarks)
9. Lack of independent thinking. A lot of investors try to follow what XYZ or ABC investor has bought and try to base their decisions on these mundane things. While analysing a company, we should have our own template and take a call based on that. Instead of what Hitesh Patel thinks about the company, you should have your own views. My view might be wrong, or different from yours, As investors we have to learn to make our own calls and own up to them and accept our mistakes if the calls go wrong. One cannot and should not blame anyone else for their decisions.
10. And most important of all, have faith in the ability of investments to create serious wealth. And work towards that with full efforts. Try to learn basics from good investors, but don't go around looking for investment tips. This is a journey which is largely solitary and we have to learn, practice and earn.

At the end of all above learnings, the most important thing is to put in enough money so that serious wealth is created. This can be staggered over a period of time, but the quantum has to be sufficient to be meaningful. I have some doctor friends who have monthly incomes of nearly 10 lacs rupees but have a portfolio of only 10 lacs. This kind of investment is hardly meaningful in overall context of his financials.