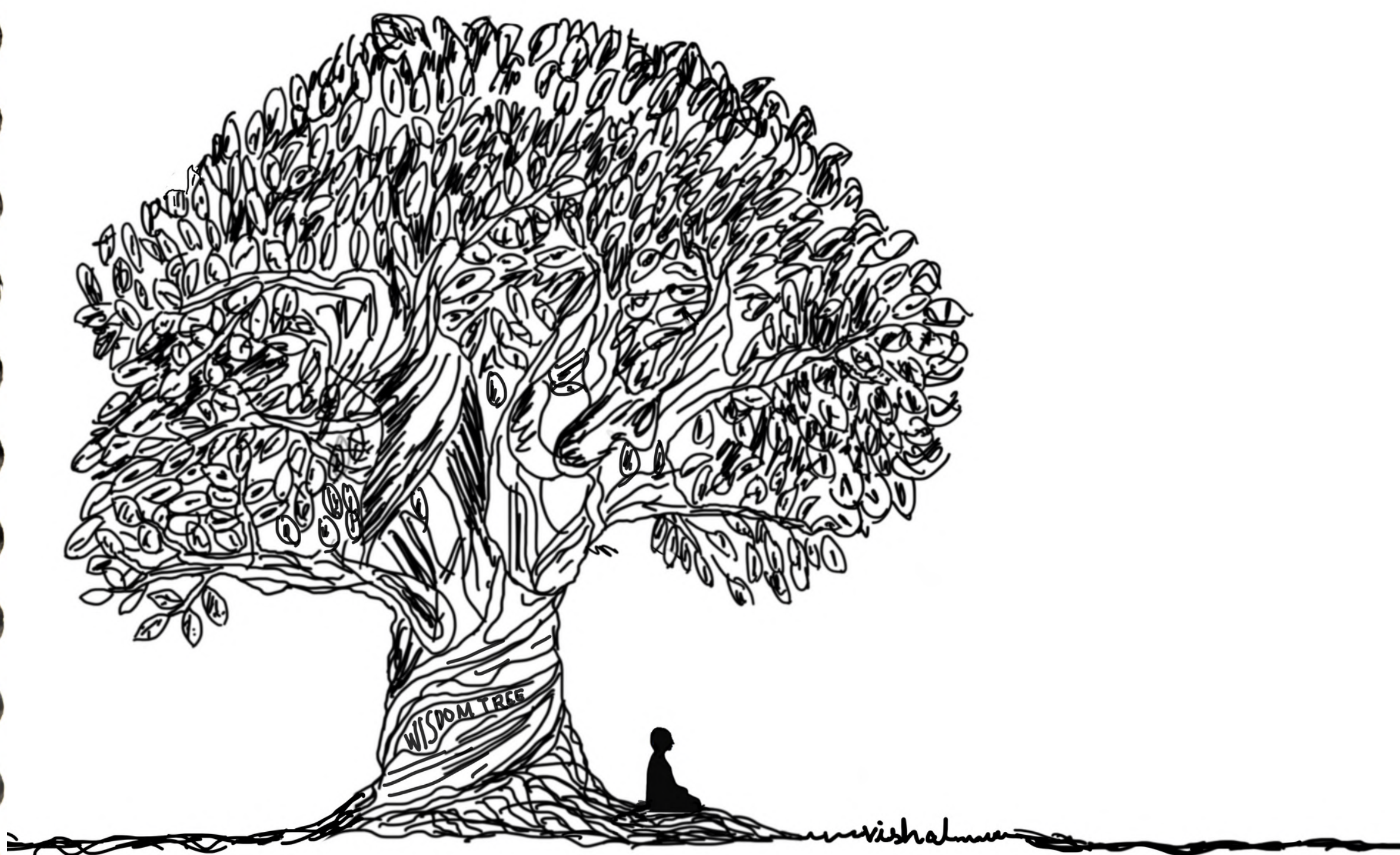


# The Sketchbook of Wisdom

A HAND-WRITTEN MANUAL ON THE  
PURSUIT OF WEALTH AND GOOD LIFE

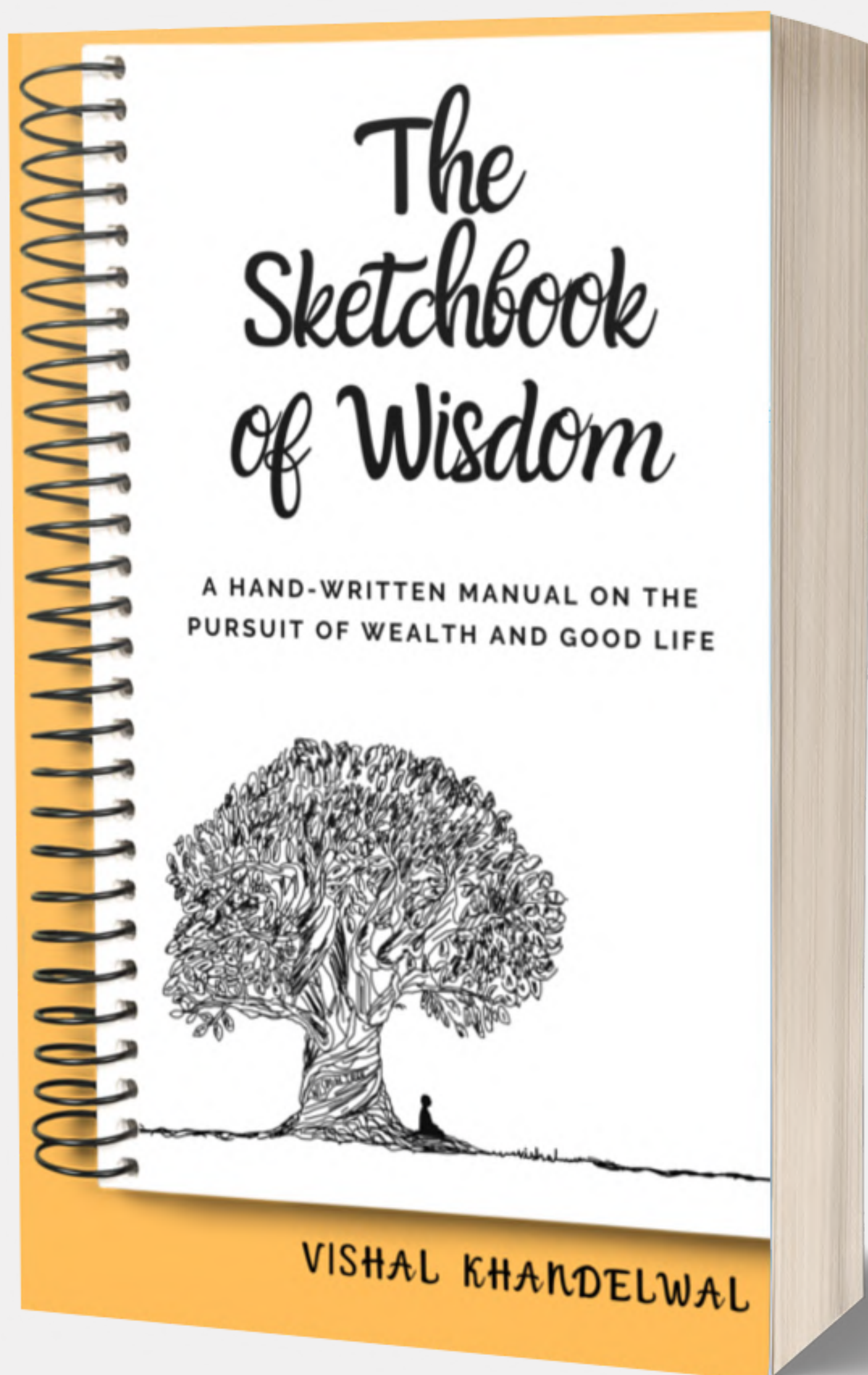


VISHAL KHANDELWAL

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But when you move amidst the world of sense, free from attachment and aversion alike, there comes the peace in which all sorrows end; and you live in the wisdom of the Self. ~ Bhagavad Gita 2:64-65



First, say to yourself what you would be; and then do what you have to do.  
~ Epictetus



Spend each day trying to be a little wiser than you were when you woke up. Day by day, and at the end of the day - if you live long enough - like most people, you will get out of life what you deserve. ~ Charlie Munger

# INTRODUCTION

"We come too late to say anything which has not been said already," observed Jean de La Bruyère, the French classical writer, in 1688. He was only partly correct. There may, indeed, be no new virtue, vice, sentiment, or thought under the sun, but the human mind has always managed to produce new insights and observations on old situations.

So, while this book contains no new ideas, all I have tried to do is bring to you the wisdom of ages - from Krishna to Taleb, Socrates to Munger, Vivekanand to Steve Jobs, and Kabir to Naval Ravikant - as it applies to our lives today.

Peter Bevelin wrote in his book 'Seeking Wisdom' - "Consider how hard it is to change yourself and you will understand what little chance you have in trying to change others." So, I have no intention to change you or your thinking through this book. What you will read in the pages ahead are the notes that I have written to myself over the years. And in that very spirit, like my notes, this book is entirely hand-written. I apologize for my poor handwriting, and request you to bear with it as you join me in this pursuit of wisdom.

With respect,  
- Vishal

# AVOID RUIN



You or me are NOT the market. Earning the long term returns of the market, of the past or the future, is not in our control. Managing our risks and avoiding ruin, which is what permanent loss of capital, mostly is.

Trying to avoid ruin the stock market enforces on people who disregard its workings, is rational. Believing you can beat the system at it, by playing the game mindlessly, is not. So, avoid ruin.

# BECOME ANTIFRAGILE



**FRAGILE**  
(Breaks under stress)



**ROBUST**  
(Stays same under stress)

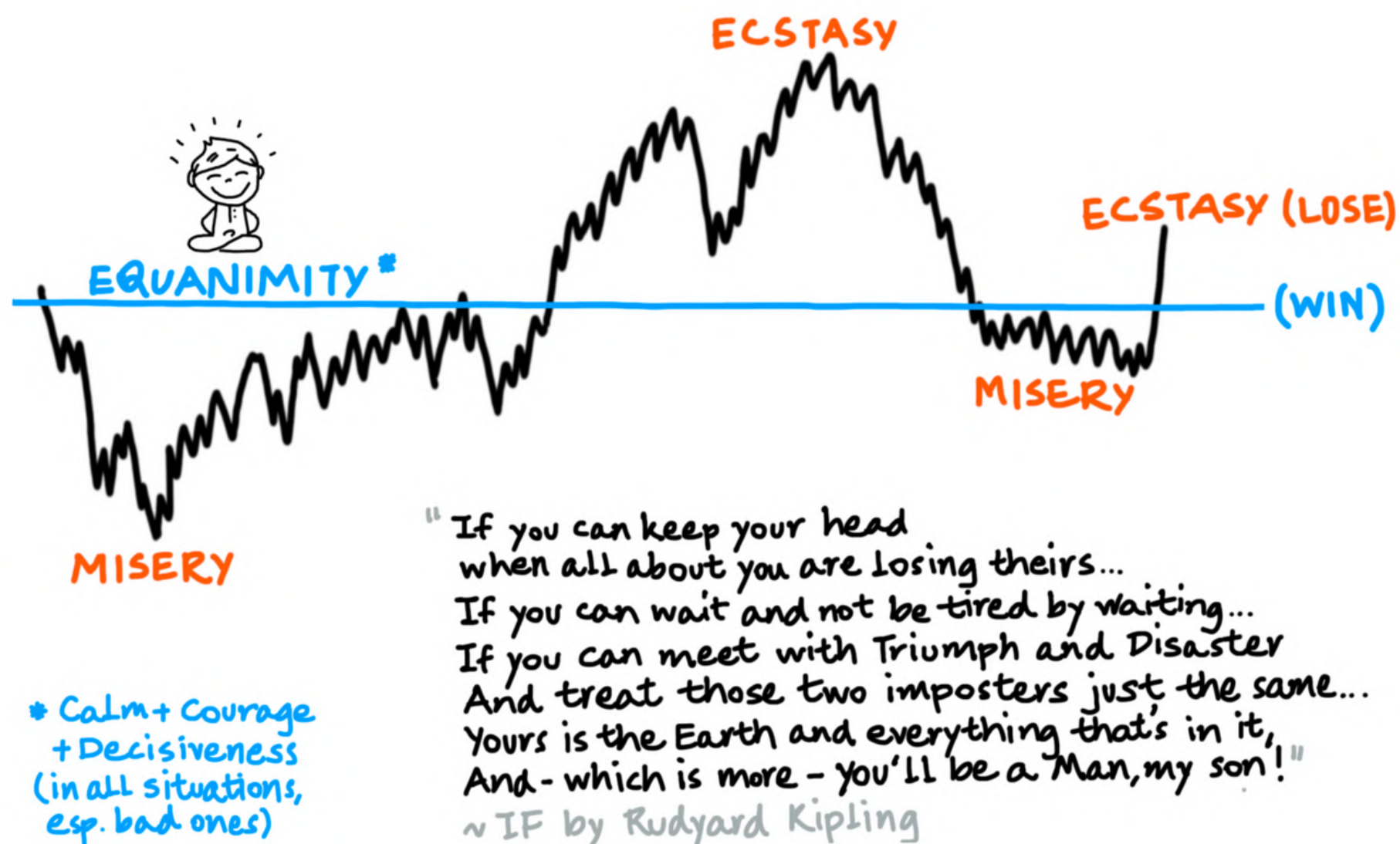


**ANTIFRAGILE**  
(Benefits from stress)

Life is uncertain, and often random. Things we think should happen, often don't. And things we think should not happen, often do.

However, the good thing about the randomness of life is that it provides us with the ability to become better at dealing with, well, randomness. In Nassim Taleb lingo, randomness provides us with the opportunity to become "antifragile" – things that get better when exposed to shocks, stressors, disorders, risks, uncertainty, and randomness. Now, how do you become antifragile when it comes to investing your money? Avoid leverage, diversify adequately, practice simple and time-tested rules, avoid businesses and practices that may cause permanent capital loss, and keep a long-term perspective.

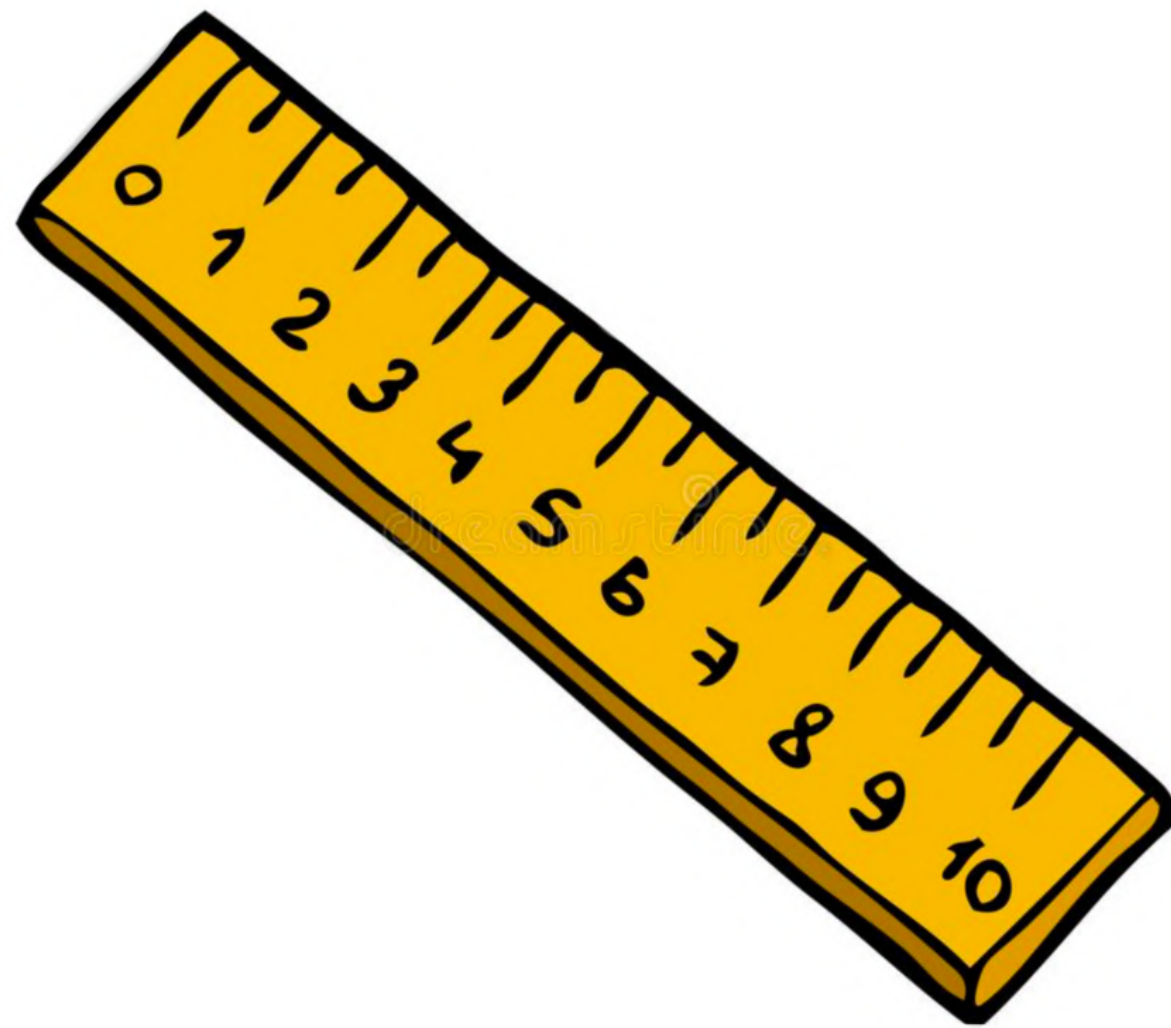
# PRACTICE EQUANIMITY



Making money in stocks when everyone is making money in stocks is not a big deal. Rather, it's the ability to handle good and bad times with calmness and equanimity, combined with courage and decisiveness, that really matters in the long run. Of course, most of us are not wired to be equanimous most of the times. That's why, ensuring that we avoid all those ways that may cause us wealth destruction - trading, timing, inadequate diversification, and leverage - is paramount.



# DON'T QUANTIFY EVERYTHING



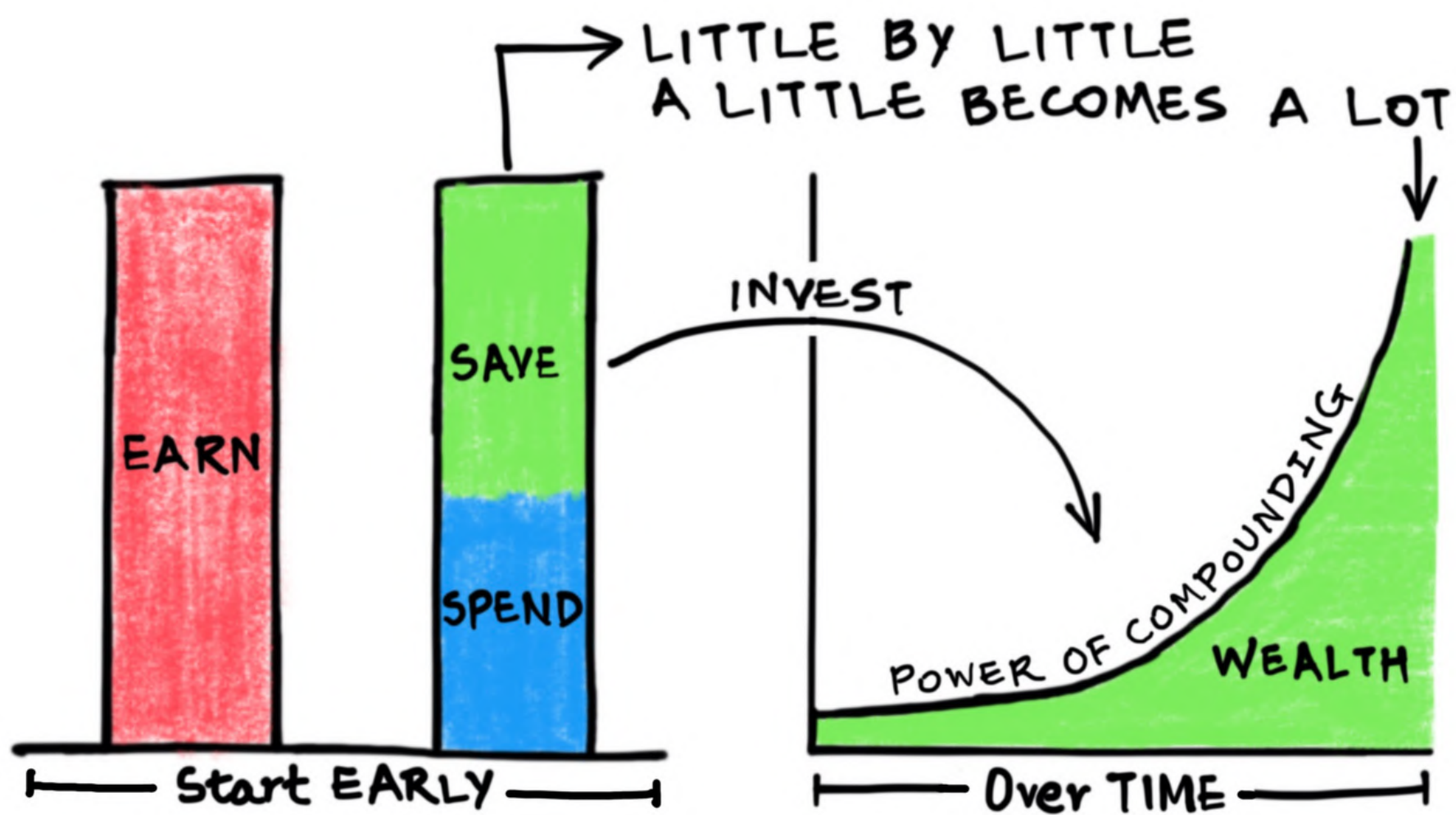
Give importance to a stock's valuation or fair value only after you have answered in "Yes" to these two questions - (1) Is this business simple enough to be understood? and (2) Do I understand it well enough?

Do not try to quantify everything. In investing and business analysis, the less non-mathematical you are, the simpler, sensible, and useful your analysis and results will be. Good analysis is generally "back of envelope."

When valuing stocks, do not look for perfection. It is over-rated. Focus on decisions, not outcomes.

# HOW TO GET WEALTHY

- ① Start early   ② Spend < Earn   ③ Invest well



Spending Less than you earn, that is, saving money and investing it well over a long period of time is a recipe of meeting your financial goals. It's that simple an idea. But like all simple ideas - "eating less and exercise will help you lose weight," "never go to bed angry," not many people put it to practice until it is late. Remember what a wise person said - "Save part of your income and begin now, for the man with a surplus controls circumstances and the man without a surplus is controlled by circumstances."

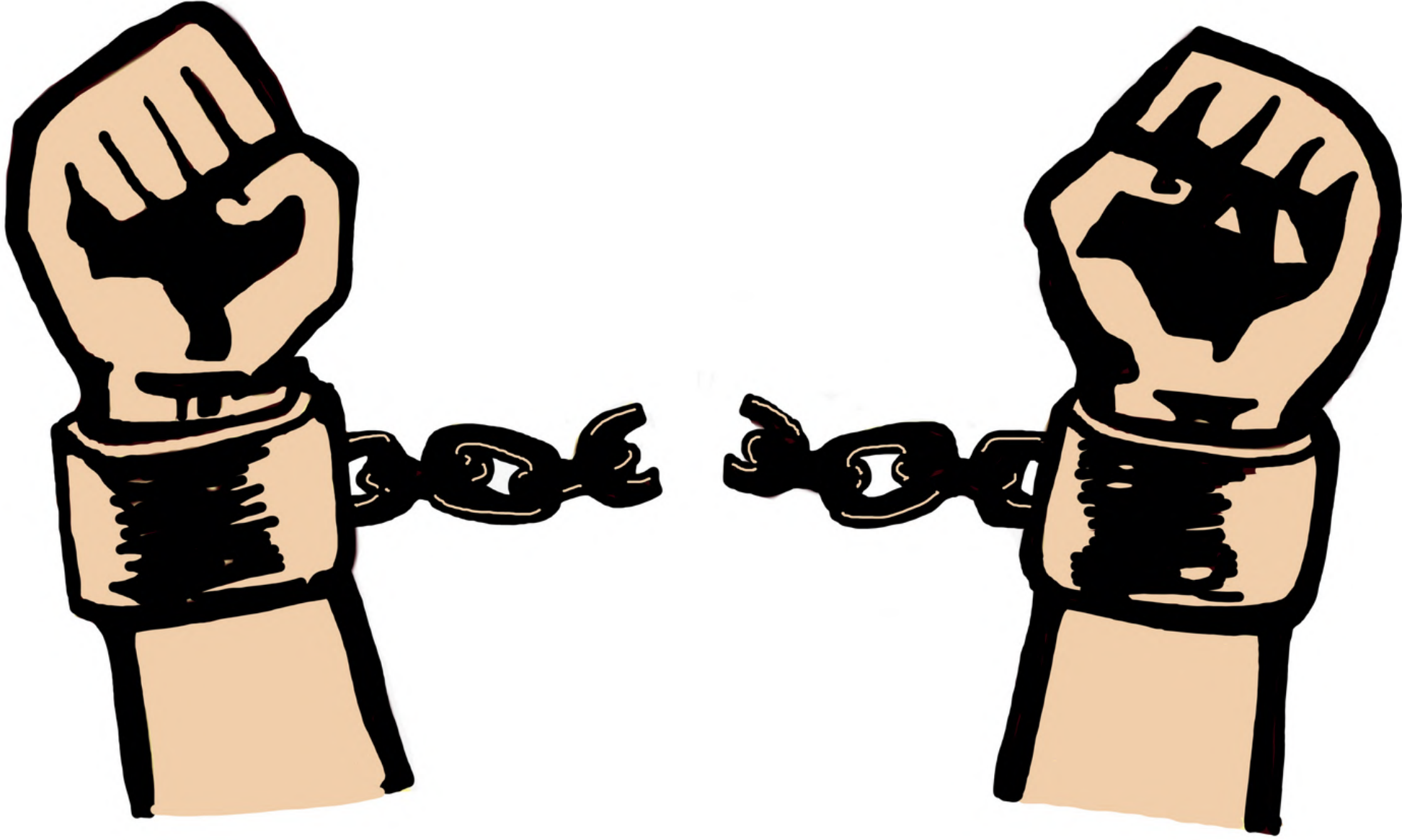
# ZOOM OUT



"If owning stocks is a Long-term project for you," warns psychologist Daniel Kahneman, "following their changes constantly is a very, very bad idea. It's the worst possible thing you can do, because people are so sensitive to short-term losses. If you count your money every day, you'll be miserable."

Much of the time, in life and investing, we would be better off zooming out than zooming in. Rather than being ticker watchers of our own lives, and rather than magnifying and thus worrying about daily volatility in our stocks, we would be better off thinking about our lives and investments as pale dots that are just specks on the canvas of eternity. Within this, if we keep doing our work well, the daily motions and volatility that we pass by must not worry us therefore.

# FREEDOM FROM ACTION

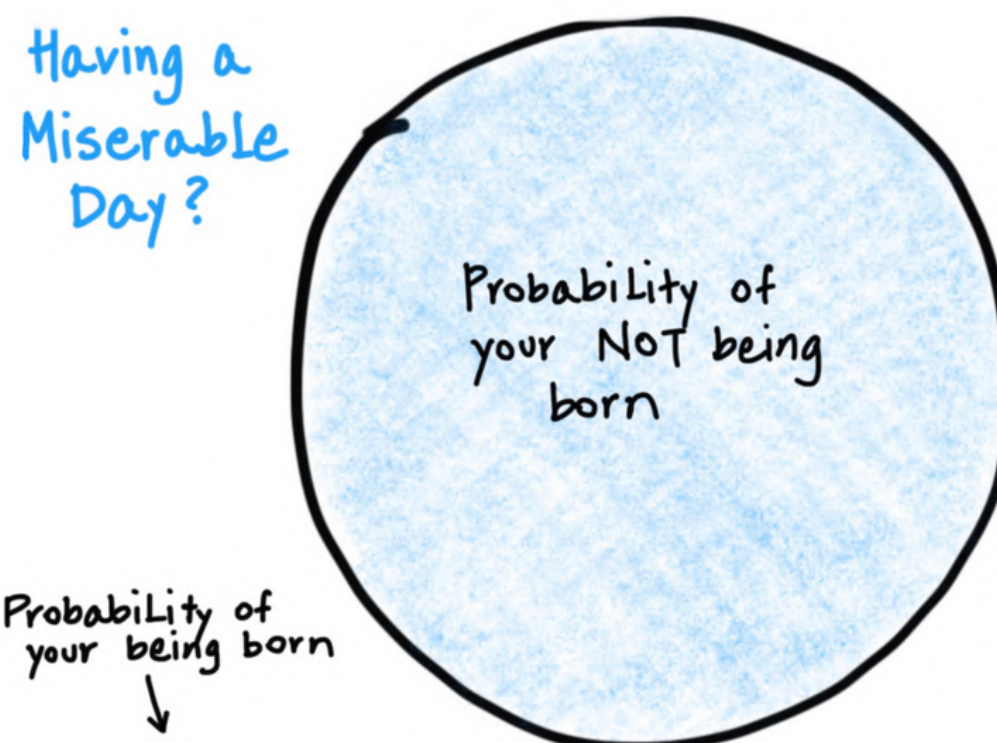


asakta-buddih sarvatra  
jitātmā vigata-sprīhah  
naiṣhkarmya-siddhim paramāni  
sannyāsenādhigachchhati  
~ Bhagavad Gita 18.49 ~

\* \* \*

Those whose intellect is unattached everywhere, who have mastered the mind, and are free from desires by the practice of renunciation, attain the highest perfection of freedom from action.

# YOU ARE A BLACK SWAN

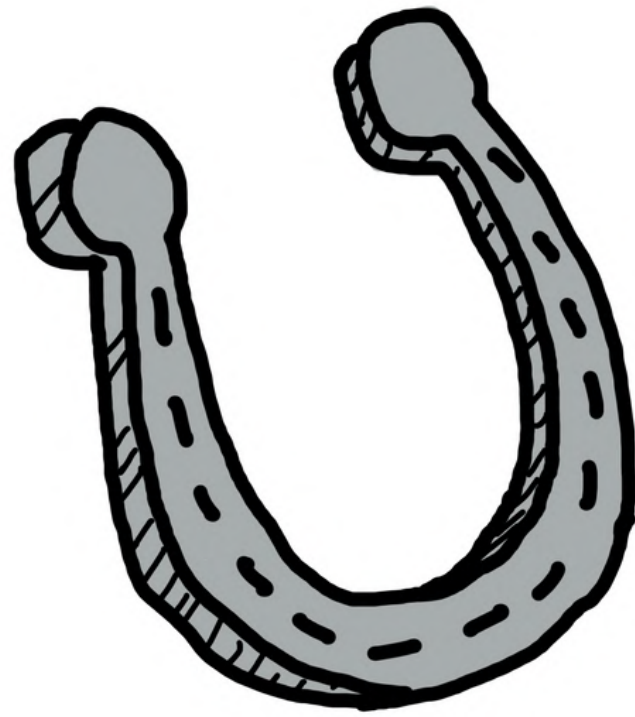


'Black swan' is a Latin expression, used to describe something rare, impossible, or non-existent. It came from the old-world belief that all swans are white since no one had seen a black swan before. But this notion was invalidated the day first black swan was spotted.

Our existence, too, is a black swan event, a rarity and a miracle. Like Nassim Taleb writes in 'The Black Swan' - "...just being alive is an extraordinary piece of good luck, a remote event, a chance occurrence of monstrous proportions. Imagine a speck of dust next to a planet a billion times the size of the earth. The speck of dust represents the odds in favour of your being born; the huge planet would be the odds against it."

So, stop sweating the small stuff. Stop being miserable for petty things. Be grateful for this life. You are, after all, a black swan.

# GIVE LUCK DUE CREDIT

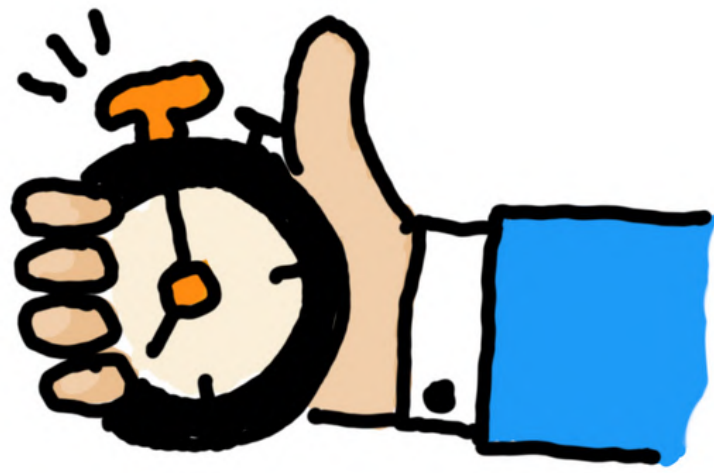


The world of investing, like most things in life, produces success stories and failures. It is human nature to copy success. However, the irony is this - To accept success at face value without acknowledging the role of luck is a strategy for failure. But it is also important to note that luck, like love, is a verb. It requires hard work, dedication, and the courage and conviction to act. Like Ben Graham wrote in *The Intelligent Investor* -

"...behind the luck, or the crucial decision, there must usually exist a background of preparation and disciplines capacity."

So, work harder, get luckier, and then give luck its due credit.

# WAIT



"Life might be a race against time but it is enriched when we rise above our instincts and stop the clock to process and understand what we are doing and why. A wise decision requires reflection, and reflection requires a pause." ~ Frank Partnoy, *Waiting Game*.

Pausing before making a decision, in life or investing usually results in a wise decision, as this gives you a chance to reflect upon the decision, to think it through.

Partnoy adds - "If we are limited to just one word of wisdom about decision-making for children born a hundred years from now, people who will have all our advantages and limitations as human beings but will need to navigate an unimaginably faster-paced world than the one we confront now, there is no doubt what that word should be. WAIT."

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