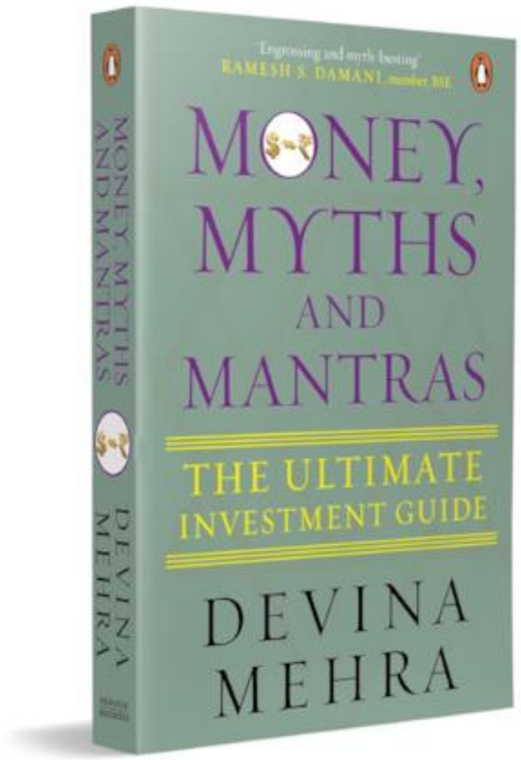
moneycontrol

Book review: First Global's Devina Mehra does not want you following investors Warren Buffett, Ray Dalio's example

Money, Myths and Mantras: The Ultimate Investment Guide by Devina Mehra is written simply, with lots of examples and cautionary tales to present her understanding of, and her company's practice around, what to do and what not to do when investing your money.

CHANPREET KHURANA | JANUARY 24, 2025



'Money, Myths and Mantras: The Ultimate Investment Guide' is Devina Mehra's first book. (Images via Penguin Random House, X)

Portfolio management services (PMS) company First Global's founder Devina Mehra's first book, 'Money, Myths and Mantras: The Ultimate Investment Guide', is out in bookstores this month. A 316-page tome, 'Money, Myths' starts off like a sales pitch—why you should invest with First Global—but ends with a few good takeaways for those who want to put their money to work to make more money. One of these takeaways: Don't do what Warren Buffett and Ray Dalio did to make money in US stock markets at a time when the market there was rising enough to raise most boats.

Instead, she advises, **diversification**—in terms of asset classes, markets, geographies, the whole hog, to minimize "SCCARS... single country, single currency, single asset risks"; **comparing**—returns on your investments should beat risk-free places to put your money by a margin; **knowing** whom to trust—it's not enough to join WhatsApp groups that often recommend you buy a stock when it's near its peak; also knowing **when to sell**—a hold rating is a sham, reset your stop loss from the present-day share price and not the price you bought at, etc.; **caution against storification** around why to buy or sell a stock and prioritize data (lots of it); and avoiding big, costly mistakes even as you **expect** some **failures** along the way—every stock you invest in won't become Amazon or Apple down the road.

Each of the chapters reads like a standalone essay, which is a good thing in a book of this length and variety of topics. Mehra also highlights text in bold, italics or by putting it in quote boxes. Often, she does all three—presumably to make sure readers don't miss her emphasis.

Take, for example, her explanation for why an overdependence on the "much-abused P/E multiple" in the market is hugely misplaced. By way of hypothetical examples and equations, Mehra explains that earnings growth achieved through higher capital expenditure, for instance, would deplete value for shareholders rather than bolster it.

Take another example: about the hold rating, she writes: "The whole construct of a 'hold' rating is to hide from us the fact that we are being irrational by putting a covert premium on something precisely because we are holding it. This irrationality arises out of something called the endowment effect, or endowment bias." In short, if a stock isn't worth buying on a particular day, there should also be little to no reason to hold on to it. Especially when the transaction cost to offload the stock and invest elsewhere is not high and the potential benefit from the new investment is much larger than the cost of freeing up that money.

Indeed, throughout this book, Mehra is interested to look at the work of psychologists and behaivoral scientists to cull insights into common investment mistakes. (Apart from endowment bias, she writes about survivorship bias, storification bias, hindsight bias, self-attribution bias, loss-aversion bias, recency bias, among others. There's also a nod to the late Nobel laureate Daniel Kahnemann, whose idea of the "noise" that muddies human judgement she explains at some length.) She devotes a whole section to "Human behaviour and investing", but she also scatters discussions and examples of biases in other places in the book.

Consider these examples from the book:

— "Loss-aversion bias is hard-coded into our psyche. It does not help that we are conditioned to be pained by losses and to avoid them."

— Or this: "Any story of multibaggers conveniently forgets all the other stocks that looked equally promising at the same point in time but did not give anywhere close to the same returns over the long term. It is the classic survivorship bias..."

— And, finally, one that brings us back to the headline for this review: "We become invested in not just the stock which is the subject of our story, but also in our story about the stock. And because of that, it becomes very difficult to change our mind. And the best among us fall for this. If you look at Warren Buffett, he sold—in a sense—the Coke story for a long time... his investment in Coke, it went up only eight times between 1993 and 2020. In that time the S&P 500 itself went up thirteen times, and Pepsi thirty times! The story derails not only the audience but also the storyteller."

Mehra repeats this statistic about Buffett's poorer gains from Coke compared with the performance of the Pepsi stock and S&P as a whole in the same period, a few times in the book. But there's more to it. Here's some of what she writes about Warren Buffett and Berkshire Hathaway:

— Illustrating why it can be dangerous for investors and fund managers to stick to their comfort zone—the one or two sectors they know well—she cites Berkshire Hathaway's investment portfolio as a cautionary tale: "For example, look at Berkshire Hathaway, managed by the legendary Warren Buffett," she writes. "His portfolio volatility is higher than that of the S&P 500, whether you look at a horizon of ten years, fifteen years or twenty years. This is despite the fact that Berkshire is supposed to be investing in more stable businesses. But the sheer concentration in assets and lack of diversification results in a higher standard deviation of returns for the portfolio—in other words, higher risk. And what is worse, Berkshire Hathway has not outperformed the S&P 500 for a good twenty years now!"

— In a chapter titled "Why Following Successful Investors May Set You Up for Failure", she writes—in bold italics, no less: "Berkshire Hathway has invested very widely over the years in derivatives, in structured deals, and so on. And it has often made a large chunk of money from these activities. These are not the value stocks everybody thinks Berkshire has bought. The sweetheart deals it got after the 2008 financial crisis with the likes of Goldman Sachs and Bank of America are examples of that. Not only did Buffett invest in them, he influenced the US government to bail out the banking sector, bolstering his own returns."

— A little later in the same chapter, Mehra writes that Buffett's company also doesn't hold stock for as long as most people imagine: "Ninety per cent of stocks that Berkshire buys are sold within two years, and 75 per cent sold within ten months. This is the data from a study carried out for the company's entire activity over the period 2006 to 2015."

Of course, all of this is not to say that Mehra is out to disparage these business leaders, their achievements or the money they made from the markets. Instead, Mehra seems to be taking on giants in the field to illustrate a point: they made their money at a specific period, in a specific market, and doing what they did to get rich now is perhaps foolhardy. What's more, their own companies seem to have deviated from the perceived script, offloading shares much faster than the general investor might guess. She does offer some alternative tips: No theme runs forever, for example. Or that FOMO (fear of missing out) is a terrible investment guide. Another one that some investors in India are bound to find attractive goes like this: "If you want to internalize one RJ (the late Rakesh Jhunjhunwala) superpower, this is it: To understand and act on the fact that stock market returns are lumpy, not even. Not only do they vary from year to year, there can also be long periods when there are no returns at all. On the other hand, you can make mega returns in just two or three good years... If you remain disciplined through downturns or frustrating sideways moves, which can go on for what seems like an interminably long time while you are living through them, you'll be way ahead of the rest of the pack." The catch: if you miss the golden window of time when the going is about to get good, there is no making up for it.

Finally, this is hardly the first or only Indian book on how to invest and what pitfalls to watch out for. So, who might enjoy this book, and why? The book is written simply enough for novices to follow, and that's huge. To write about complex subjects in an easy, flowing style with chapters and a bibliography to organize the thoughts and examples is commendable. But more commendable is the fact that the book also does not talk down to readers. And even experienced investors who want to remind themselves of the basics of investing and some common mistakes, might find thumbing through it enjoyable. Another thing the book has going for it: there are cautionary tales aplenty. For investors who attribute a lot of their success to their own acumen, she holds up example after example of how that is a very human mistake (self-attribution bias) and could prove very expensive.

On the downside: This is, of course, just one (well-known) investor's understanding—albeit one based on experience—of growing investments in the contemporary world. There are also bits in the book where Mehra seems to be plugging her own skills and company. Of course, that's not new for a book by anyone with active interests in the field they're writing about. If it gets annoying, there's always the option to skip to the next neatly outlined section or essay.