4/4/2010 Glen Bradford

Occasionally I like to sit down and question whether what I am doing makes any sense. I'm a little more theoretical than what is practical in situations like this, but I have to make sure that I'm looking at things from the right perspective in order to justify continuing to do so.

I've spent a lot of time studying successful investors. I'm going to point out some personality characteristics that I think are advantageous to have as an investor.

I recently took a Jung Typology Test and ranked ESTJ with the strongest bias to thinking. I also recently discovered in negotiations class that nobody else in the class has the same management style as I do. I'm both uncooperative and unassertive, making me an avoider. The other options were to be competitors, collaborators, compromisers or accommodators.

All things said and done, this means that I can make impersonal decisions quickly and I avoid having to negotiate when making decisions. This sounds like Buffett. Send me the details and I'll let you know if I'm interested. Oh, and when I'm working with you, you get to make most of the decisions because I don't want to deal with it. That said, I'm only going to reward good decisions with praise. Bad decisions will seemingly go overlooked, unless I think I can easily influence a better outcome.

Also, strength for the best investors comes from knowing some of their weaknesses. For the most part, those are all listed here: http://en.wikipedia.org/wiki/List_of_cognitive_biases.

Recently, I was talking with a good friend about uncertainty and we determined that there is a good kind and a bad kind. The good kind if possibility and the bad kind is risk. Risky implies the likelihood of a negative outcome and possibility implies the likelihood of a positive outcome. This is important when you talk about unsystematic risk. Now, avoiding unsystematic risk is a good idea. That said, avoiding unsystematic possibility is a terrible idea. The financial industry as a whole recommends avoiding both through exhaustive diversification. If you read my stuff, you probably know how I feel about that.

While I'm at it, investment uncertainty does not come from historical price volatility. The uncertainty in any particular investment comes from the relative difference between the price you pay and the underlying value. If you pay a little and get a lot, the uncertainty is a possibility. If you pay what something is worth and intend to sell it at a later date for a higher price, you start getting risky.