

#Mistakephobia

Ray Dalio, crowned the most successful hedge fund manager in [history](#), wrote the following quote in his book, [Principles](#).

"I believe that our society's "mistakephobia" is crippling - a problem that begins in most elementary schools - where we learn to learn what we are taught rather than to form our own goals and to figure out how to achieve them. We are fed with facts and tested and those who make the fewest mistakes are considered to be the smart ones, so we learn that it is embarrassing to not know and to make mistakes. Our education system spends virtually no time on how to learn from mistakes, yet this is critical to real learning. As a result, school typically doesn't prepare young people for real life—unless their lives are spent following instructions and pleasing others. In my opinion, that's why so many students who succeed in school fail in life."

This past week, I was conversing with a prominent doctor about the merits of today's investment environment. He asked me which prospects offer the fairest risk-reward ratios. I suggested large capitalization stocks, primarily in sectors that benefit from continued increases in economic expansion. The sectors that I favor are health care, technology, industrials and energy. The doctor then asked me how these sectors have recently performed. I told him, not very well. In the last month, energy prices have taken a nose dive and owning stocks in this sector has been painful. I went on to add that the automobile industry (another group that I favor) has shown positive momentum in sales volume and yet leading car company stocks are hitting 52 week lows. Stocks can be as fickle as the weather at times.

The timing and circumstances surrounding errant trades bring up two questions. What could I have done differently and what did I learn from this unique or repetitive situation? As a career veteran in the world of investing, every day is a chance to learn something new. The market is said to *climb a wall of worry*, suggesting that when things are uncertain and fear abounds, the market discounts the information in advance, but in the long term, stocks are generally priced based on their earnings rather than capricious speculation. Businesses produce goods and services needed in the marketplace. When a company's fundamentals (i.e. its sales and profits) increase, the value of the enterprise itself appreciates. Since the [end](#) of World War II the Dow Jones Industrial Average has risen from 166.42 to 16,544.10 for that very reason.

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