



CHAPTER ONE



Tails, you win



Chapter Summary

This chapter explores the concept of tail events in finance and investing—rare occurrences that have outsized impacts on overall success. It details how both individual investors and large firms experience numerous failures, but a few successes can lead to significant gains. Historical examples, such as art dealers and venture capitalists, illustrate the unpredictable nature of success. The author emphasizes the importance of patience and resilience, highlighting that most of our attention goes to remarkable successes, often underestimating the normality of failure. Ultimately, understanding how tails drive outcomes can reshape how we view investment and business strategies.



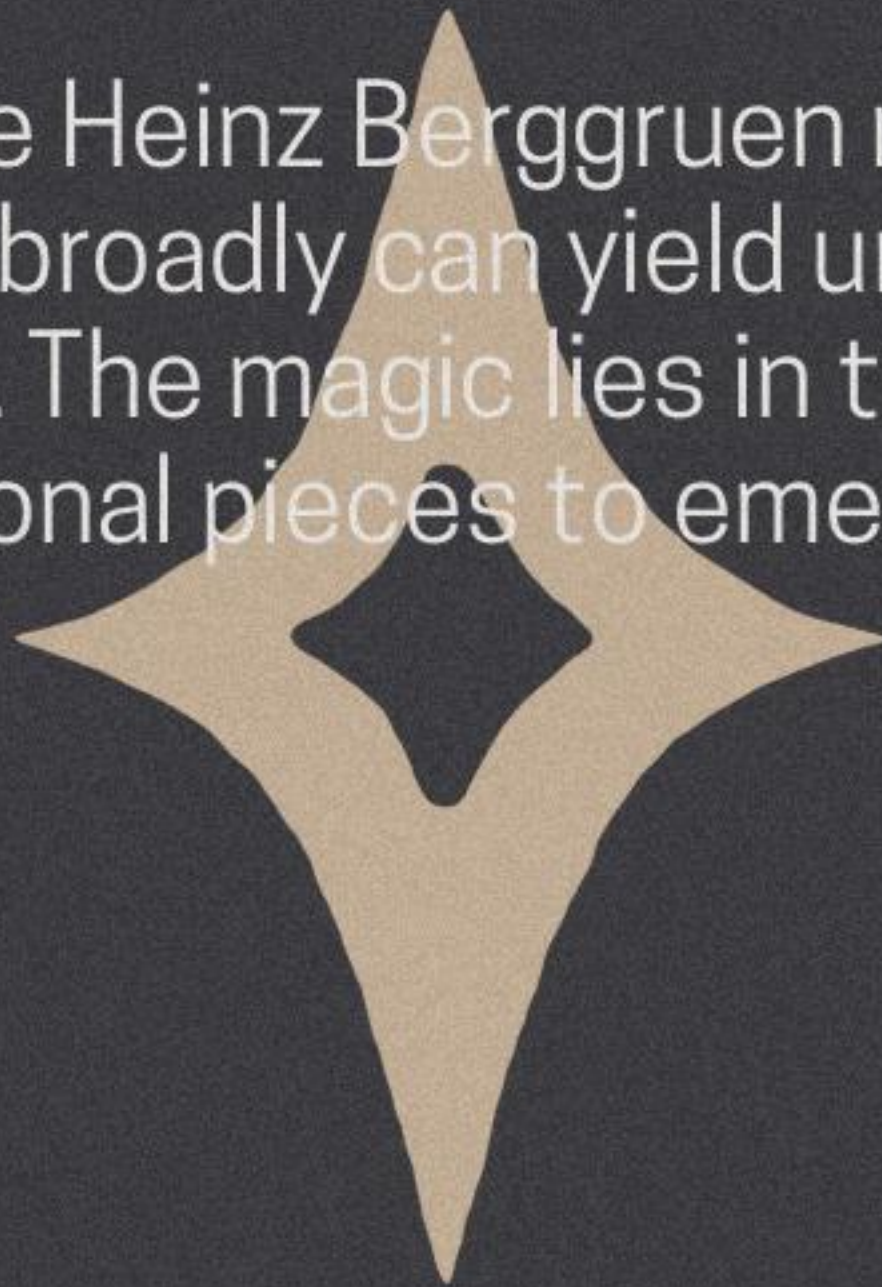
Embrace the Unknown and Unpredictable Nature of Success



Success in finance often hinges on rare occurrences known as tail events. These are unpredictable but can lead to significant gains, teaching us to value patience in our investment approaches.

Lessons from Great Investors

Art dealers like Heinz Berggruen remind us that collecting broadly can yield unexpected masterpieces. The magic lies in the patience to allow exceptional pieces to emerge over time.



The Power of Tail Events in Business

Just as only a small portion of a portfolio yields the majority of returns, businesses often experience many failures before discovering their breakthrough innovation. It's the unusual triumphs that matter most.

Venture Capital: A Landscape of Risks and Rewards

In venture capital, a majority of investments fail. Yet, a few blockbuster successes can lead to tremendous overall gains, highlighting the crucial role of tail events in driving returns.



Company Lifespans and Success Rates

Even established public companies face substantial risks, with many failing despite initial successes. Understanding this risk is vital in navigating the stock market landscape.

Apple and Amazon: Icons of Tail Success

Products like the iPhone and Amazon Prime are prime examples of tail events that drive massive corporate success. These innovations emerge from countless experiments and failures.

The Logic of Long-Term Investing

Successful investing requires a long-term view. Market fluctuations shouldn't dictate your strategy; instead, focus on the rare moments that lead to extraordinary outcomes.

"The small percentage of significant days shapes your investing fortune."

Investment Genius in the Face of Chaos

Finding success amidst chaos is crucial. The greatest investors flourish by remaining calm during turbulent times, grasping the importance of long-term vision over knee-jerk reactions.

"Genius is doing the ordinary when all eyes are frantic with chaos."

Resilience and Acceptance of Failure



Embracing the reality of failures allows us to maneuver through investment challenges. Accepting that setbacks are a normal part of the process fosters learning and growth.

The Remarkable Journey of the Few



Ultimately, the path to success is often
littered with trials and errors.

Acknowledging the role of tail events
offers a new perspective on our individual
journeys as investors.



Recap

- "Success is often a result of a few significant wins amidst many failures."
- "Buy in portfolios and let time reveal fortune's favorites."
- "Success in investing means accepting that most will fail."
- "Every success is often built on a foundation of failures."
- "The small percentage of significant days shapes your investing fortune."



Thank You

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