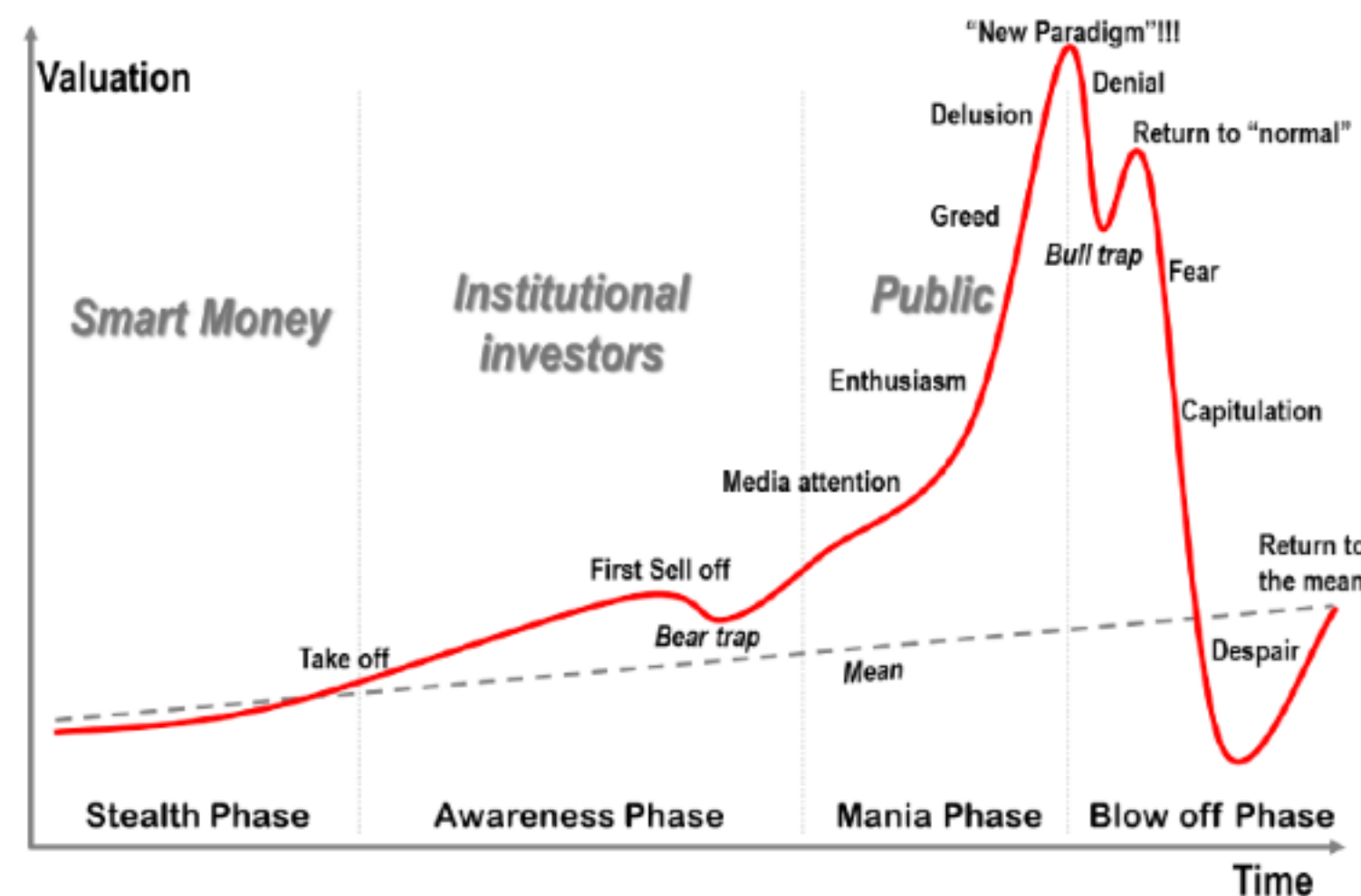


4a. Traps

“It’s remarkable how much long-term advantage people like us have gotten by trying to be **consistently not stupid**, instead of trying to be very intelligent.”

Charlie Munger

Trading and investing is mainly about **correct decision making in an environment of severe uncertainty.**



Source: Thomson Reuters, Bloomberg, AMP Capital

source (left): https://commons.wikimedia.org/wiki/File:Stages_of_a_bubble.png

source (right): <https://www.businessinsider.com/this-chart-shows-just-how-big-the-bitcoin-bubble-has-become-2017-11>

4a. Traps

Uncertainty is something more than just risk.

Risk can be measured and risk can be assessed.

Risk is in a way: measuring all known possible outcomes and weighing in their probabilities.

Uncertainty is something deeper: beside the known risks, it also encompasses things we do know about, the unmeasurable outcomes (like the popular idea of *black swans*, but not only these types of events), and also the dynamics of certain scenarios unfolding. Severe risks, even known ones but happening in a certain order, or all at once, may result in far more damage to a portfolio, than the same risks happening in a more “random”, non-correlated manner.