

Making Decisions Without All The Facts

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Recently, as I continue to analyze my [investing habits](#), I've noticed a couple of things I was and was not doing. One aspect that I had always adhered to was to "always invest in businesses that you understand". Somewhere along my investing journey, I slowly started to morph the philosophy to a new meaning; "don't invest in anything unless you know everything".

Here is why I am wrong.

Art Vs Science

I'm sure you have all heard that investing is more of an art than science. Since we are valuing the future prospects of a business, where the future is always misty, murky and mystical, there is always a point in our research where we know that no amount of study and diligence will uncover all the facts.

The 80/20 Rule

The [80/20](#) is a nice ratio to remember. It may even be more helpful than the infamous PE.

"By the numbers it means that 80 percent of your outcomes come from 20 percent of your inputs." – Yaro

Tying it in, it means that the first 80% of the information comes from the first 20% of research.

Investing Without All The Information

This brings me to my main point. How many of us have missed many no brainer opportunities because we were spending the remaining 80% of our time to gather the last 20% of information?

When Buffett is asked about his worst investment ideas, his response usually refers to the **missed** opportunities, and boy am I feeling that these days.

"High uncertainty is frequently accompanied by low prices. By the time uncertainty is resolved, prices are likely to have risen." – Seth Klarman

Quick Decisions Aren't Always Bad

Spending time on research is a good habit, but sometimes, we can make good quick decisions by quickly visiting the latest annual report and the research done by others. As with all things, I'm realizing that being fluid is important.

One example is my experience with Dolby. I've missed my margin of safety price for Dolby **twice** because

I was trying to wring out every piece of information in the midst of many other to do actions. I spent an hour or so every couple of days trying to listen, re-listen, read and re-read the conference calls, reports, past reports and discussions. I was basically determined to stick to my discipline of researching everything before investing.

When Dolby came within my margin of safety again, I again spent more time trying to catch up on what was different, what could happen and so on. Needless to say, I wasted too much time.

If Buffett can purchase an entire company within a couple of hours on a napkin, I think I should learn how to do something similar with a thousand dollars.