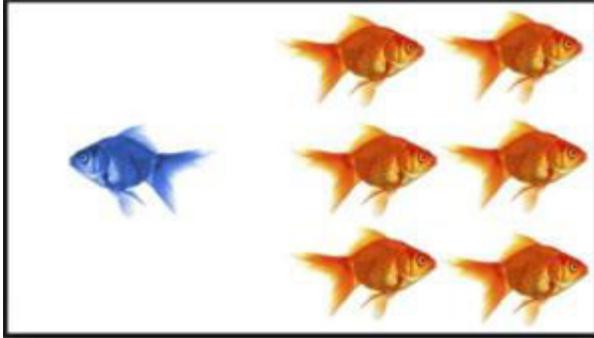


# Contrarian Investing .....Think Different .....!!!



Do you know, Why Successful people are different from Mediocre One? What separates Steve jobs, Warren Buffett, Charlie Munger, Elon musk etc....from the crowd.

The most important quality which they possess is – **They Think different.....!!!**

Now, think different is a very generic and wide term and has many interpretations. Today we will discuss this term with regards to the ability to think in a contrarian manner.

We will discuss the contrarian approach in investing and why it is important to be contrarian. Being contrarian means simply not to follow the Crowd. Be yourself and find your own way...

As Benjamin Graham Says...

**“You are neither right nor wrong because the crowd disagrees with you. You are right because your data and reasoning are right.” –Benjamin Graham**

Warren Buffett also follows the contrarian approach in investing. As he writes...

**“The less prudence with which others conduct their affairs, the greater the prudence with which we should conduct our own affairs.” – Warren Buffett**

Being contrarian in investing or in Life is the most important quality to become successful person; considering that you are having the right experienced knowledge....

# What is Contrarian Investing?



Contrarian investing is nothing but following a strategy of going against the current views of the majority investors.

Contrarian investing approach involves going against the herd. It advocates buying when most investors are selling in panic during market crashes or slowdown, and selling when there is euphoria or Bull Run in the market.

Contrarian approach to investing works on the foundation of psychology of investors, economic cycle of businesses, temporary events in any company or stocks, or any information that changes the fortunes of a stock in a moment.

Contrarian investing goes against popular consensus. The underlying logic of Contrarian investing is pretty simple – Buy when others are selling and sell when others are buying.

**But remember, being contrarian means not only just going against the herd but also being right as well.**

## **Contrarian Investing is not Easy...**



Taking contrarian approach is not easy as it looks.... Practicing the contrarian investing is even harder....!!!

As Howard Marks write in his exceptional Book- "The Most Important Thing: Uncommon Sense for the Thoughtful Investor."

Just don't think it'll be easy. You need the ability to detect instances in which prices have diverged significantly from intrinsic value. You have to have a strong-enough stomach to defy conventional wisdom (one of the greatest oxymorons) and resist the myth that the market's always efficient and thus right.

Being contrarian is lonely job. It takes courage to bet and patience to wait when it comes to the Contrarian investing. You have to make the Sound decision when it comes to the contrarian investing.

Howard Marks writes further...

Not only should the lonely and uncomfortable position be tolerated, it should be celebrated. Usually – and certainly at the extremes of the pendulum's swing – being part of the herd should be reason for worry.

Taking a contrarian approach requires due diligence, understanding the behavior of the market, and huge amount of patience.

## **Be Cautious...!!!**

As we discussed, Taking contrarian approach is no easy as it look.... practicing the contrarian investing is even harder.....!!!

We have to be cautious while taking the contrarian approach. Several value investors advise us to be cautious when it comes to contrarian investing.

Warren Buffett wrote in his 1990 letter to investors – a business or stock is an intelligent purchase simply because it is unpopular; a contrarian approach is just as foolish as a follow-the-crowd strategy.

Howard marks also advised to be cautious while taking the contrarian approach.

...we never know how far the pendulum will swing, when it will reverse, and how far it will then go in the opposite direction...we can be sure that, once it reaches an extreme position, the market eventually will swing back toward the midpoint (or beyond)...however, because of the variability of the of the many factors that influence markets, no tool – not even contrarianism – can be relied on completely.

We required critical thinking while practicing contrarian approach.

## Conclusion:



Contrarian approach does not automatically mean blindly going against the herd. It just means you are not swayed by the prevailing emotion in the market wherein investors start selling good stocks or buying overpriced ones. There are times when going against the crowd can actually be quite disastrous.

**You cannot practice contrarianism just for the sake of going against the crowd. You must know why the crowd is wrong.**

Contrarian investing is just not about betting against the crowd but also becoming the **Independent Thinker**.

Most of the people mistakenly believe that just going against the crowd means practicing contrarian investing. But it is wrong. It's Like Driving on the wrong side of the road which will definitely cause the accident.

Contrarian approach in investing is profitable if you know what you are doing, if you understand the market and crowd psychology correctly, if your facts and figures are right and if you have lot of patience.

Contrarian approach is not something that you adopt and reject as per your convenience. It is a long-term approach which required patience, Convictions and the Character.

Contrarian investing requires **-Right Knowledge, Lot of Patience, Convictions and the Character.** If you have that, you will build huge wealth in the stock Market.

Finally just remember what Warren Buffett Says....

**“I will tell you how to become rich. Close the doors. Be fearful when others are greedy. Be greedy when others are fearful.”- Warren Buffett**

**Keep learning....**