

Napoleon vs. Einstein: Who Would Make a Better Fund Manager?

This article is authored by MOI Global instructor Anuj Didwania, fund manager of Redart Capital, a fundamental value-oriented investment firm based in India. Anuj is an instructor at [Best Ideas 2018](#), the fully online conference featuring more than one hundred expert instructors from the MOI Global membership community.

It is often said on Wall Street that traders possibly have the most stressful jobs in the world — next to soldiers on the front line. Clearly it's hard to find a more stressful situation than being in a war zone everyday — not knowing when the next bullet will make contact with your helmet.

Having been a trader for a bulge-bracket U.S. investment bank, I can surely vouch for the stress of trading markets. And having invested in markets for close to two decades, I have weathered my share of battle scars from the financial war zones. Investing is clearly not for the faint-hearted.

My main argument in favor of Napoleon over Einstein is not linked to physical wounds, but with the immense emotional and intellectual complexity of dealing with constantly evolving environments. Napoleon is famous for saying he would rather have a lucky General than one who was good. And Einstein is famous for saying compound interest is the eighth wonder of the world. These two statements clearly show the understanding that each had of how the world worked.

Napoleon on one hand understood that in life and in situations that constantly change, being lucky means a lot more than being good, because luck (also referred to as positive random events) can play a much bigger role in life than we would like to believe. Einstein, on the other hand, looked at the world in a more deterministic way. Growing wealth to him was about compound interest. Just figure out the rate and number of years, and *voilà!* It's easy to become rich. Napoleon understood that life is far more complicated and continually changing. Einstein, with his deep study of theoretical physics, saw the world as more ordered — as one that follows clear laws of cause and effect.

Economics and most other social sciences have long suffered from “physics envy”. Even biologists wish that living organisms could be better mapped into some sort of equation, but viruses and humans are just so stubborn!

To make money in markets one needs a clear understanding of the nature of reality as manifested in financial markets where humans, driven by emotions more than intellect, do not allow for easy answers. In my younger days I found the charm of trying to pick a turnaround very exciting — finding that ten-bagger that will make me look smart. Painful experience has taught me that one should focus more on the high-probability, good-return investment rather than the low-probability, great-return investment.

India today stands at a cusp. It has suffered a slowdown for close to 6-7 years. This would be unimaginable in the latter part of the last decade. Our demographics and our low per-capita income almost ensure we will have good economic growth for a few decades. So the question most investors grapple with today with regard to investing in India is, should one stay close to shore and buy a safe steady-growing company at a dizzying valuation, or should one pick a beaten cyclical company that will turn around once the investment cycle picks up and give a multi-bagger return?

For me the answer lies with Napoleon — understand the constantly changing factors at play and

realize that history will rhyme, but not repeat itself. At the upcoming Best Ideas 2018 conference, hosted by MOI Global, I will share my thesis on a company I feel has both the DNA of a good company and the backing of supportive industry winds. As an intelligent and hopefully lucky investor, I must try to find the best balance between opportunity and loss, with a clear understanding that hoping compound interest will make me successful is just hope, not a strategy.