Verifying the Foundation of Truth

Never trust the AI default.
Spot-check the 10-K.

Income Statement = Business Structure

Are gross margins expanding? Is revenue concentrated? Defines the economic engine.

Balance Sheet = Fragility

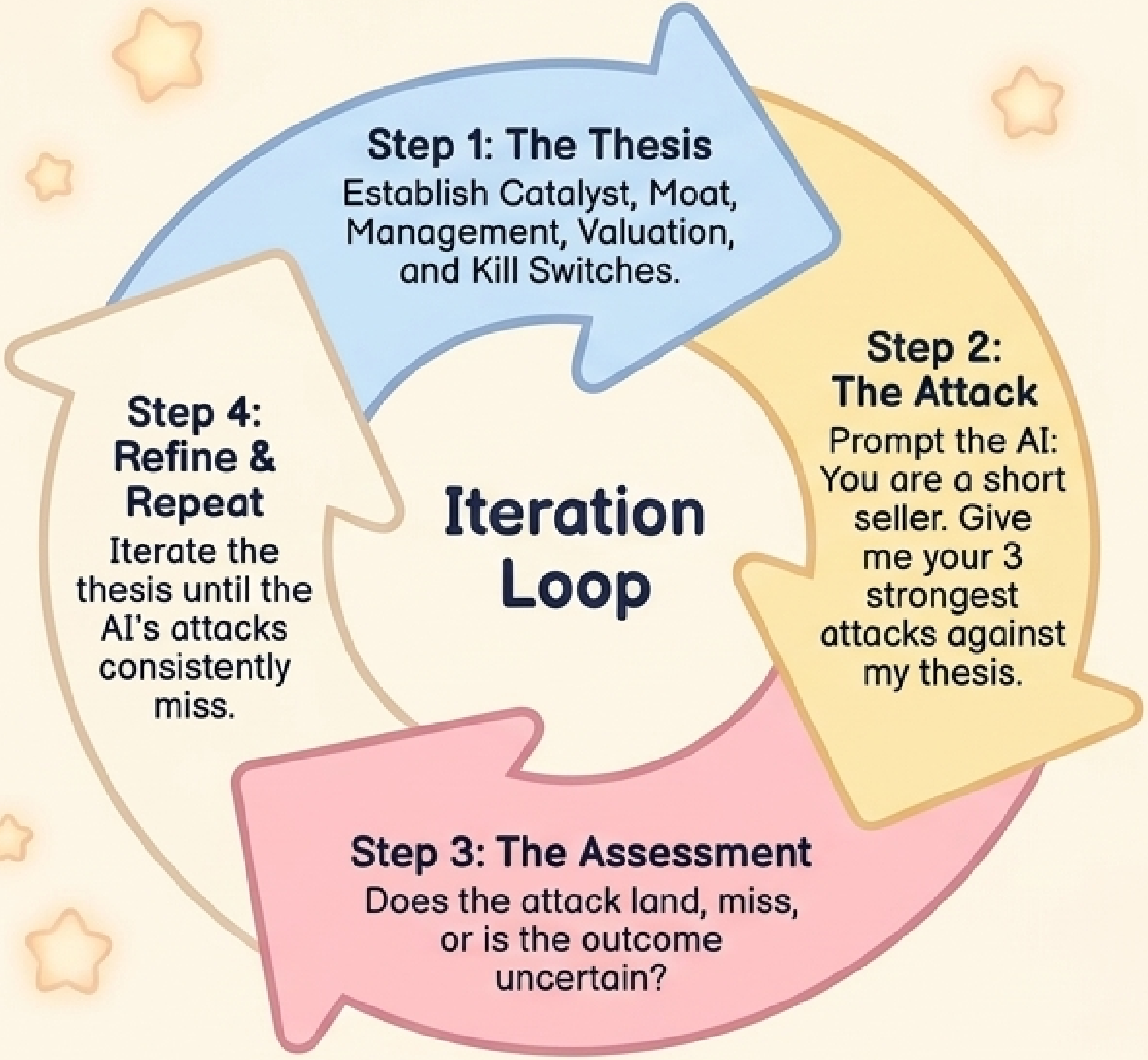
Maturity walls, debt-to-equity, off-balance-sheet items. Could the business survive a bad year?

Cash Flow = Truth

Reported earnings vs. actual cash generation. Where is the capital actually going?


Drawdown Risk
Can you hold through a 40% peak-to-trough decline without panic-selling?
Fat-Tail Risk
The rare but devastating fundamental break (regulation, obsolescence, fraud).
Correlation Risk
Skin-deep diversification. Will all your assets fail under the same macro event?
The Sleep Test
If the worst plausible scenario from your pre-mortem happened, would you lose sleep?
If yes, the position is too large.
Risk is a loss you cannot afford.
Gemini Notebook

Inviting the Adversary



Confidence without conditions is just a belief. A valid thesis must be falsifiable.

The Lonely Bottleneck of Judgment

TURN OFF THE AI.
Agents remove the analysis bottleneck,
but judgment is always yours.

Buy One.
Thesis is strong,
risk-reward is asymmetric,
red-team attacks are resolved.
Conviction is high.

Revisit Later.
Close, but not ready. Set a
specific trigger (e.g., Wait for Q2
margins or a specific price drop).

Skip All.
A highly respectable position.
position. Capital stays put until
something clears the bar. Saying
no is the ultimate investor skill.

Compounding the Track Record of Reasoning

We don't track the stock price.
We track our reasoning.

The Review Date

The V1.0 Memo

Lock in your logic.

Document the 3-lens view, valuation frame, red-team survivors, and explicit Kill Switches.

The Reality Check

Reopen quarterly.

Did margins expand as predicted? Did a kill switch trigger?

Over time, this process builds your most valuable asset. The tools will change, but the discipline to say not this one compounds forever.