Investor Hub | 投資研究会

Session 5

Tuesday, November 17, 2026

Behavioral biases: you are your own worst enemy

unoriginal.jp/club/live/2026-11-17

Today

1	Introduction	Words of the day
2	Behavioral biases	Testing our own judgment
3	Portfolio review	A checklist we write together

Words of the day

> **Hear a word or term you do not know today?** Type it in the Discord channel #what-does-it-mean.

Bias	A systematic error in judgment: the same mistake, in the same direction, made again and again by many people.
Behavioral finance	The study of how real people's judgment, not textbook logic, shapes decisions and market prices.
Base rate	How often something happens across many similar cases. Start from it: before betting on one new restaurant, ask how many last. Popular belief says 90% of restaurants fail in their first year. In fact, of US restaurants, bars and hotels opened in 2015-16, about 9 in 10 were still open a year later and about 4 in 10 ten years later.[1]
Circle of competence	The businesses we understand well enough to judge. Knowing its edges matters more than its size.
Margin of safety	Buying well below what we think something is worth, so we can be wrong and still be fine.

Sources: [1] US Bureau of Labor Statistics, Business Employment Dynamics: survival of establishments with employees, by opening year; accommodation and food services, opened in the year to March 2016, data to March 2026

Create a group of three or four, with the people you know least

Tonight, each of us will give “ranges” we are 90% sure of.

How many of our “ranges” will contain the true answer?

For example:

How many days did it rain in Tokyo in September 2026?

Give a range that you are 90% sure of.

Hint: September 2026 has 30 days.

I am 90% certain that it rained **15 - 20 days** in September 2026.

For example:

I am 90% certain that it rained **15 - 20 days** in September 2026.

Answer:

In September 2026, Tokyo had rain for **22 days**.

In fact, it was the wettest September in Tokyo's recorded history for 152 years (1875-2026), with 696.5mm of rainfall. The second wettest September was in 1958, with 670.9mm.

Base rate: in the past 59 years (1968-2026), Tokyo rained **7-19 days** in 90% of observations. In other words, 54 of the past 59 Septembers (91.5%), it rained 7 to 19 days, with a median of 12.

Source: Japan Meteorological Agency, Tokyo weather records (September rain days and rainfall, 1875-2026)

Part 2 of 3

Behavioral biases

Testing our own judgment

> *“It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so.”* Often attributed to Mark Twain

1 Introduction

2 **Behavioral biases**

3 Portfolio review

Answer first, on your own. The discussion comes after.

1

On your own

Independence is important: whoever speaks first can set the whole room's answer.

→

2

The team

Your table agrees on one answer for two of the items.

→

3

The room

The screen shows only the room's results, never a name.

→

4

Discussion

Then we name the bias and see what the studies found.

> *"What counts for most people in investing is not how much they know, but rather how realistically they define what they don't know."* Warren Buffett, 1992 Berkshire letter

Round 1: give a range you are 90% sure of

For each, a low and a high, so that you are 90% sure the true value lies between them. No looking anything up.

1. How many climbers did Japan's Ministry of the Environment count on Mount Fuji's four main trails in the 2025 summer season (Yoshida trail July 1 to September 10; the three Shizuoka trails July 10 to September 10)?
2. How many employees did NVIDIA have at the end of its fiscal year 2026 (late January 2026)?
3. What were Japanese households' total financial assets at the end of June 2026, in trillions of yen?
4. How many properties are on UNESCO's World Heritage List today?
5. In what year did the original Tokyo Stock Exchange, the predecessor of today's TSE, begin trading?

ANSWER ON THE LIVE PAGE

One question per page: a low and a high for each, then submit at the end.

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> *"There's a right answer, but no wrong answers."* Davis

NEXT

Your table then agrees on one range for each of items 1 and 2.

Team round: one range your whole table would sign

Item 1, Mount Fuji climbers in the 2025 season, and item 2, NVIDIA employees.

1. **Go around once.** Each person reads their own range out as it is, before anyone replies.
2. **Agree on one range** for each item.
3. **The person who types for your table** enters it on the live page, with your table number.
4. **The person on their left** tells the room what your table said.

THE QUESTION AT YOUR TABLE

Is the table's range wider or narrower than each of our own ranges, and why?

PASS

“Pass” is always a complete answer.

Editor's note: the chart shows illustrative numbers

How often did our 90% ranges hold?

THE TRUE ANSWERS

Mount Fuji climbers	205,100 climbers
NVIDIA employees	about 42,000 employees
Household financial assets	¥2,519 trillion
World Heritage List	1,273 properties
First Tokyo exchange	1878

ITEMS 1 AND 2: DID TALKING AT THE TABLE HELP?



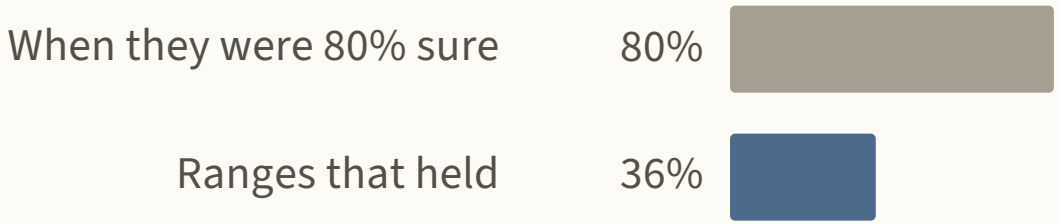
Did talking help our ranges catch the truth, or only make them narrower?

> If we were truly 90% sure, 9 in 10 of us would catch 4 or 5 of our 5. Did we?

Overconfidence: we are sure more often than we are right

STATED CONFIDENCE AGAINST THE ACTUAL HIT RATE

US chief financial officers' (CFOs') 80% ranges for the next year's S&P 500 return[2]

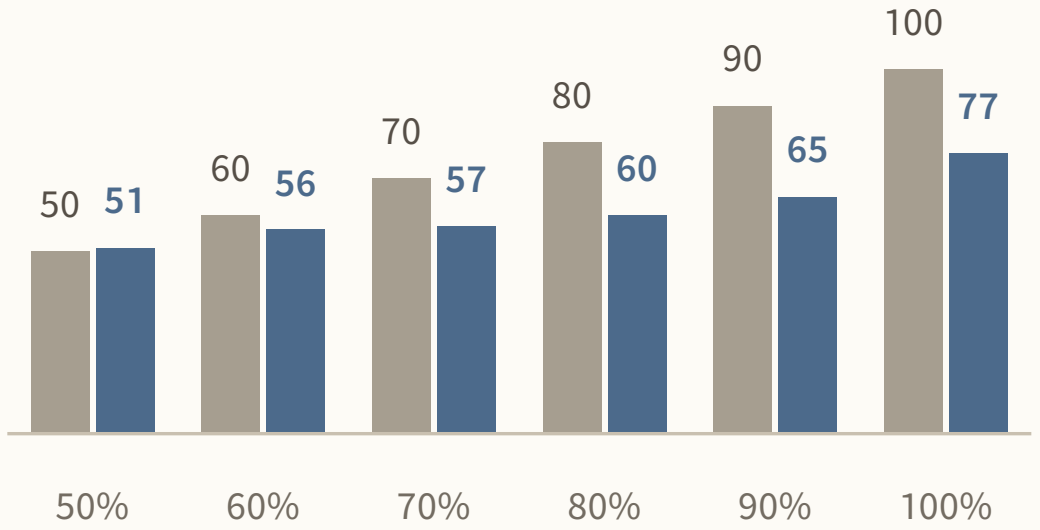


WHERE IT COSTS US MONEY

- Price targets and profit forecasts whose ranges are too narrow
- Positions sized as if we could not be wrong
- Trading more often than our record supports

THE SAME QUIZ, BY CONFIDENCE (%)[1]

Thousands of people taking an online quiz of true-or-false questions



> *"People who are always sure are no more helpful than people who are never sure. The real expert's confidence is reason-based and proportional to the weight of the evidence."*[3] Howard Marks, 2020

Sources: [1] Mauboussin and Callahan, 'Probabilities and Payoffs', Counterpoint Global, Feb 2025 (data from his online calibration quiz); [2] Ben-David, Graham and Harvey, QJE, 2013; [3] Howard Marks, 'Uncertainty', Oaktree memo, May 2020

Company guidance is a forecast with a known bias

US COMPANIES' QUARTERLY EARNINGS RANGES, 1996-2010: WHERE THE ACTUAL RESULT LANDED[1]



JAPANESE COMPANIES' FIRST FULL-YEAR PROFIT FORECASTS, MADE ABOUT A YEAR AHEAD, 2003-2019: THE ACTUAL RESULT[2]



> US quarterly ranges are set low: results land above the top about three times as often as below. [1]
> Japanese full-year forecasts promise growth 70% of the time; growth comes 59% of the time. [3]
> Start from the base rate.

Sources: [1] Ciconte, Kirk and Tucker, Review of Accounting Studies, 2014; [2] Kitagawa, Journal of Contemporary Accounting & Economics, 2021; [3] Iwasaki, Kitagawa and Shuto, CARF working paper F-369, 2022

Round 2: an estimate, a bet and a sale

Go with your first answer. No looking anything up.

1. A question about an age, asked in three steps on the live page. Answer each step as it appears.

2. A fair coin, tossed once. Tails: you pay ¥10,000. Heads: you win a prize. What is the smallest prize at which you would play?

3. A year ago you put the same amount into two stocks. Compared with the price you paid, stock A is now up 20% and stock B is down 20%. You know nothing else about either. You need cash and must sell one. Which do you sell?

NOT A TEST

These are decisions, and nobody is scored. The research comes after.

On the live page

Round 2: Decide

An estimate, a bet and a sale. On your own; go with your first answer.

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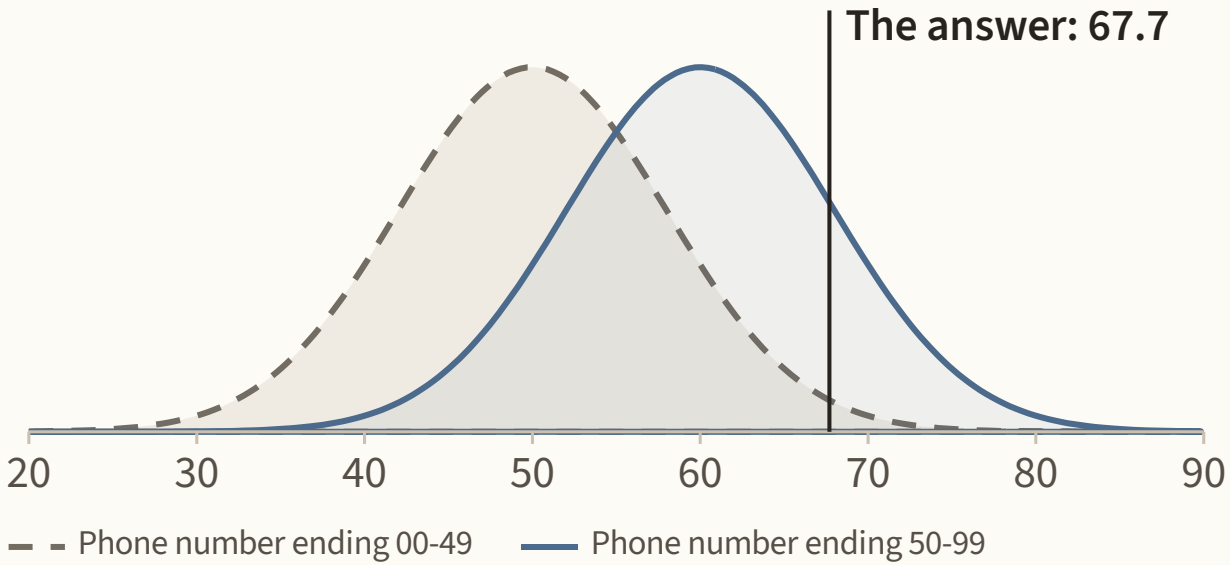
Editor's note: the chart shows illustrative numbers

Did our phone number move our answers?

AVERAGE AGE OF JAPAN'S CORE FARMERS: OUR ESTIMATES[1]



AT YOUR TABLE

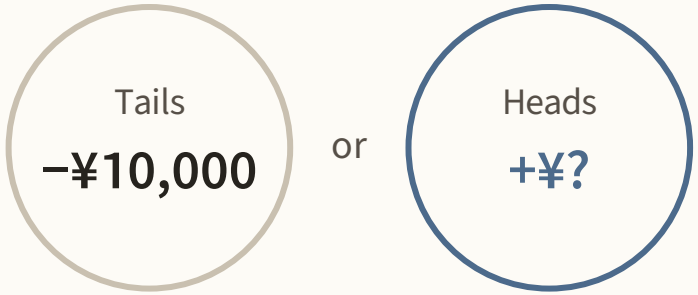
Where has a number anchored you, someone you know, or a company?

> *"[W]e've missed, in some cases, billions of dollars of profit because of the fact that I'd gotten anchored, in effect, to some initial price"*[2] Warren Buffett, Berkshire annual meeting, 2004

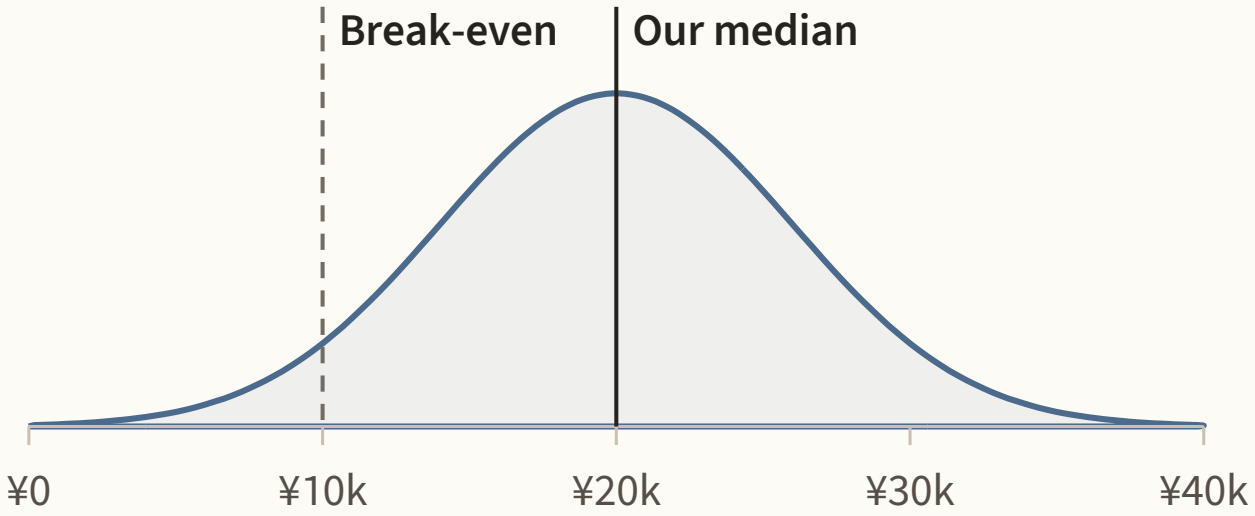
Sources: [1] Japan's Ministry of Agriculture, Forestry and Fisheries, farm labor statistics: core farmers on individual farms, average age, 2026 (a sample survey); [2] Warren Buffett at the Berkshire Hathaway annual meeting, 2004 (CNBC Warren Buffett Archive transcript)

Editor's note: the chart shows illustrative numbers

How big must the win be before we risk ¥10,000?



THE SMALLEST WIN AT WHICH WE'D PLAY: OUR ANSWERS



IMAGINE

Would you risk ¥10,000 to win ¥15,000? To win ¥20,000? Where is your line?

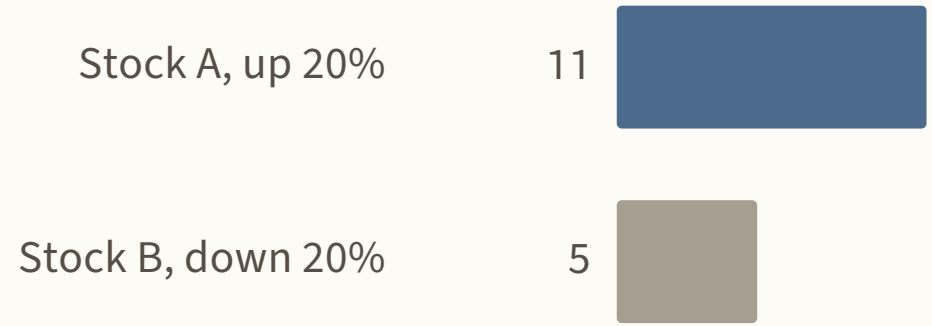
> Losing money hurts about twice as much as the same gain feels good. [1]

Sources: [1] Mauboussin and Callahan, 'What's Going On in Your Brain? Common Investor Biases', Credit Suisse, Oct 2015

Editor's note: the chart shows illustrative numbers

Two stocks, one up 20% and one down 20%. Which did we sell?

WHAT WE SOLD (PEOPLE)



AT YOUR TABLE

Why might a sensible person sell the winner?

> We knew nothing else about either stock. If most of us sold the winner, the price we paid decided.

> *"[T]here are two main reasons why people sell investments: because they're up and because they're down."*[1] Howard Marks, 2022

Sources: [1] Howard Marks, 'Selling Out', Oaktree memo, Jan 2022

The stock does not know what we paid for it

> *"[A] stock at 50, somebody's paid a hundred, they feel terrible. Somebody else paid 10, they feel wonderful. All these feelings, and it has no impact whatsoever."*
>
> Warren Buffett, Berkshire annual meeting, 1995

NAME IT

The disposition effect: selling winners too early and holding losers too long, because the price we paid becomes our reference point.

AT YOUR TABLE

When did the price you paid decide when you sold?

Source: Warren Buffett at the Berkshire Hathaway annual meeting, 1995 (CNBC Warren Buffett Archive transcript)

Biases in what we believe

For later: we scratched the surface tonight · ● felt tonight

Bias	Shows up as
Overconfidence ●	Forecast ranges too narrow; “sure” calls that often miss
Confirmation bias	Reading only what agrees with our thesis
Anchoring ●	Calling a stock cheap against its old high
Availability	Overweighting the vivid story we heard last week
Base-rate neglect	Ignoring how most companies like this turned out
Recency	Assuming the last few quarters will continue
Narrative fallacy	A good company story replaces the numbers
Hindsight bias	“I knew it all along,” after the fact
Outcome bias	Judging a decision by its result, not its reasoning
Cognitive tunneling	Stress narrows attention to what feels urgent, hiding other views, solutions and the wider context

Source: grouping after Barberis and Thaler, 'A Survey of Behavioral Finance', 2003; biases from Tversky and Kahneman, 1974, Fischhoff, 1975, Baron and Hershey, 1988, and Taleb, 2007

Biases in how we choose, and from other people

● felt tonight

Bias	Shows up as
Loss aversion ●	Losses sting more than equal gains; checking daily makes it worse
Disposition effect ●	Selling winners too early, holding losers too long
Mental accounting	Treating profits as “house money” we can gamble
Framing	Choosing differently when the same numbers are worded differently
Sunk cost	Holding on because of what we already spent
Status quo	Keeping the portfolio we have because change feels risky
Home bias	Owning mostly our own country's stocks
From other people	
Herding	Buying because everyone around us is buying; with FOMO, the first to watch when new to investing
Authority bias	Trusting a pick because of who gave it: a famous investor, family, an influencer
Incentive-caused bias	Advice shaped by how the adviser is paid
Fear of missing out (FOMO)	Buying late so we don't miss the rally

Source: Barberis and Thaler, 2003; Shiller, Irrational Exuberance, 2000; Munger, 'The Psychology of Human Misjudgment', 2005

Dive deeper: books and papers

TO START

Thinking, Fast and Slow Daniel Kahneman, 2011	The two systems, and where most biases on these slides come from
Misbehaving Richard Thaler, 2015	How behavioral economics was built, including chapters on investors and markets
The Psychology of Money Morgan Housel, 2020	Short essays on money and behavior; the easiest way in
Your Money and Your Brain Jason Zweig, 2007	An investor's view of biases, by a financial journalist
Freakonomics Steven Levitt and Stephen Dubner, 2005	Economics on everyday puzzles: incentives and how people really behave
Superforecasting Tetlock and Gardner, 2015	How the best forecasters keep score and stay calibrated

TO GO FURTHER

"A Survey of Behavioral Finance" Barberis and Thaler, 2003	The standard survey and tonight's grouping, free online
"Prospect Theory" and "Judgment under Uncertainty" Kahneman and Tversky, 1979; Tversky and Kahneman, 1974	The two founding papers, on choice and on judgment
Behavioral Finance and Wealth Management Michael Pompian, 2nd ed. 2012	The scheme taught in the CFA curriculum, with a test and remedies per bias
"Behavioral Finance", Annual Review of Financial Economics David Hirshleifer, 2015	A later review: attention, feelings and social finance

Part 3 of 3

Portfolio review

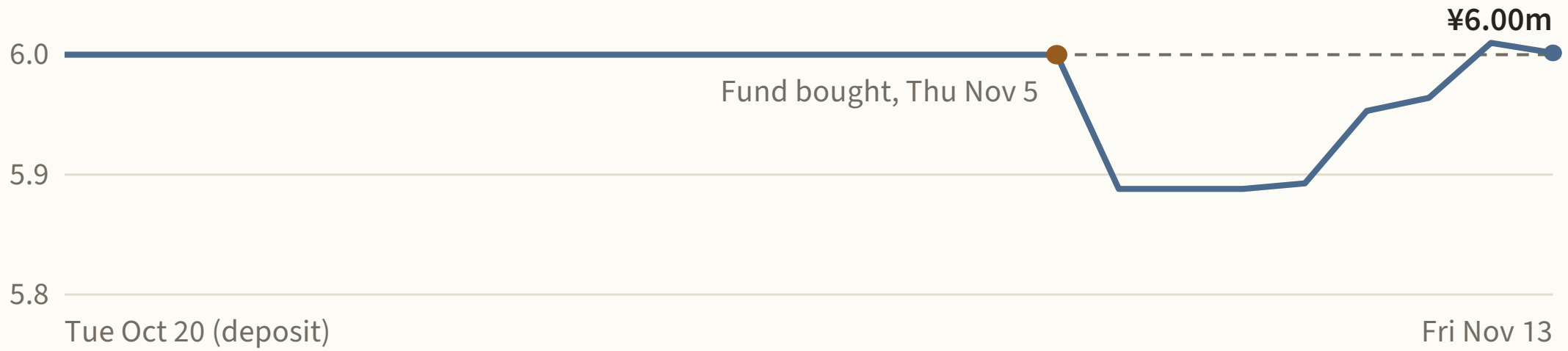
A checklist we write together

1 Introduction
2 Behavioral biases
3 **Portfolio review**

Our portfolio's value since the deposit

Position	Cost	Value, Fri Nov 13	P/L, unrealised
eMAXIS Slim All Country eMAXIS Slim 全世界株式（オール・カントリー） 2026-11-05: Bought 800k units at ¥3.7729	¥3,018,320	¥3,019,840	+¥1,520 (+0.05%)

Club portfolio value, daily (¥m; the axis starts at 5.8)



Fri Nov 13: ¥6,001,520 (+0.03% on the ¥6.0m deposited, the dashed line). Cash ¥2,981,680, about half; fund ¥3,019,840.

Source: Mitsubishi UFJ Asset Management, eMAXIS Slim All Country (fund 253425) daily NAV; SBI Securities trade history

Where we stand

About half the club's portfolio is still in cash, and the fund is about where we bought it.

Let’s find some ideas for the portfolio!

Knowing a bias's name rarely stops it. A question we ask every time can catch it.

What are questions we should ask ourselves before every buy?

EACH OF US

Write your questions
and type them on the live page.

ON THE SCREEN

Every question appears, without
names, for the whole room to read.

FOR EXAMPLE

“Would we still buy it if the price had not moved since we first looked?”

“Do I understand how this company makes money?”

“What would make us sell it?”

> *“The power of a checklist is not that it improves your skill, but rather that it makes sure you apply your skill consistently.”* Michael Mauboussin and Dan Callahan, 2014

Source: Mauboussin and Callahan, 'Methods to Improve Decisions', Credit Suisse, Feb 2014

Our questions: tonight we collect, next session we vote

1. **Tonight.** The screen lists every question, without names. You can add to or change yours until the round closes; the screen updates as we go.
2. **After the session.** We merge questions that ask the same thing.
3. **Next session.** We discuss the list. The checklist will be used on every buy from then on.

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On the screen now

Which of these questions would have stopped a mistake you made?

AT YOUR TABLE

Pick one question and tell the story of the mistake it would have caught.

TO THE ROOM

Which questions ask the same thing?

On the live page

Feedback

What worked today, what did not, and what we should do next time.

Also: one company you would like the club to look at.



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Next session

Wed Nov 25, 17:00

We start with the vote on our checklist