A PANOPTICPROTOCOL COMMENTARY

The Art of Execution

45 of the world's best investors were wrong more often than a coin toss. They got rich anyway. This is how.

COMMENTARY | NOT A SUMMARY | READ FOR CRYPTO

A fund manager gave 45 of the world's best investors up to $150 million each and asked for their very best ideas. Fewer than half made money.

Some were right only three times in ten. Almost none of them lost money overall. Lee Freeman-Shor had the trading records, and spent seven years working out what the winners did that the losers did not.

1,866
best ideas
from 45 investors, over seven years

49%
of them made money
worse odds than calling a coin toss

5
ways to behave
two lose money, three make it

RABBITS
freeze

ASSASSINS
cut

HUNTERS
buy more

RAIDERS
sell early

CONNOISSEURS
hold

WHEN YOU ARE LOSING

WHEN YOU ARE WINNING

The answer was not better ideas. It was what they did **after** buying — when the position was already down, or already up. That is the whole book, and it applies to your portfolio tonight.

> **Read the book.** *The Art of Execution*, Lee Freeman-Shor, Harriman House, 2015. Every number and trade here is his. This guide is our reading of it, not a replacement.

START HERE

The whole book in 60 seconds

If you read one page, read this one. Everything after is the evidence.

Freeman-Shor found that his investors' ideas were roughly a coin toss. What separated the ones who made money was not judgement about *what* to buy — it was a habit about **what to do next**. There are only two situations, and five ways people behave in them.

YOU ARE LOSING

You freeze	RABBIT · loses
You cut	ASSASSIN · wins
You buy more	HUNTER · wins

YOU ARE WINNING

You sell early	RAIDER · loses
You hold and sip	CONNOISSEUR · wins

THE ONE THING ALL THREE WINNERS SHARE

When a position went against them, the winners **did something material** — they either sold the lot or bought a lot more. The losers held on unchanged and hoped. Notice that the two winning responses are **opposites**, and both work. The enemy is not being wrong. The enemy is the middle.

WHICH ONE ARE YOU, HONESTLY

Think of the last position you were down on. Did you sell it, did you buy more of it, or did you tell yourself it would come back? And the last one you were up on — did you take the profit within a few weeks? Most people are a Raider on the way up and a Rabbit on the way down. Freeman-Shor calls that pairing the fastest way to lose money slowly.

⚡ SEND THIS TO A FRIEND

Being right is not the job. Almost none of these people were right most of the time, and almost all of them made money.

NO JARGON

Four words, in plain English

You do not need to know anything about investing to read this. Here is the whole vocabulary, in two pages.

A position

Whatever you own of one thing. If you put €500 into a coin, that is your position in it. The book is about what you do to a position after you have opened it, which is the part almost nobody plans.

IN SHORT The book calls this execution — the part after the idea.

Hit rate

How often you are right, as a percentage. If four of your ten buys go up, your hit rate is 40%. The whole point of the book is that this number matters far less than people think.

IN SHORT These professionals ran at 49%, and still made money.

Cutting a loss / averaging down

The two things you can do when a position falls. **Cutting** means selling and taking the loss. **Averaging down** means buying more at the lower price so your average cost falls. They are opposites, and the book finds both work.

IN SHORT What does not work is the third option: doing neither.

Drawdown

How far down you are from where you started. It matters because the maths is not symmetric: losing half your money does not need a 50% gain to fix, it needs 100%.

IN SHORT This asymmetry is the arithmetic spine of the whole book.

WHY THIS BOOK IS DIFFERENT

Almost every investing book is about **picking** — which asset, which moment, which story. This one takes picking off the table by showing that the world's best pickers are barely better than a coin, and then asks the only question left: **given that you will often be wrong, how should you behave?**

⚡ SEND THIS TO A FRIEND

You will be wrong about half the time. That is not the problem to solve — it is the condition you have to survive.

NO JARGON

…and the four that decide the outcome

These four are what the winners actually managed. Nothing else in the book matters as much.

Position size

How much of your money goes into one idea. The winners were concentrated: some held 20% of everything in a single name, and were ready to add another 20% if it fell. The author now lets his investors put up to 25% into one idea.

IN SHORT Being right on a tiny position changes nothing.

Running a winner

Leaving a rising position alone instead of selling it for a quick profit. It sounds obvious. It is the single hardest thing in the book, and the losing tribe fails at exactly this.

IN SHORT Only 1% of the 1,866 investments ever returned more than 100%.

Liquidity

Whether you can actually buy or sell without moving the price. An illiquid position is one where you know what to do and cannot do it. It is the fifth item on the author's winner's checklist and the one people ignore.

IN SHORT In crypto this is the difference between a plan and a wish.

Conviction

How sure you are, expressed in money rather than words. In this study it was enforced: every investor was capped at ten holdings, so anything they bought had to displace something else. Saying you like an idea costs nothing; sizing it does.

IN SHORT A ten-slot limit is a good rule even with no fund to run.

THAT IS THE WHOLE VOCABULARY

From here everything answers one question, and you have every word you need for it: **you have just bought something and it has moved. What do you do?**

⚡ **SEND THIS TO A FRIEND**

Position size, running winners, liquidity. Get those three right and you can be wrong half the time and still win.

THE NUMBERS

Six numbers from the trading records

1,866 investments, 30,874 trades, June 2006 to October 2013. All of it measured, none of it estimated.

30,874
trades analysed
across 1,866 best ideas from 45 investors

30%
was one hit rate
and that investor still made money

66%
of winners
were sold for less than a 20% gain

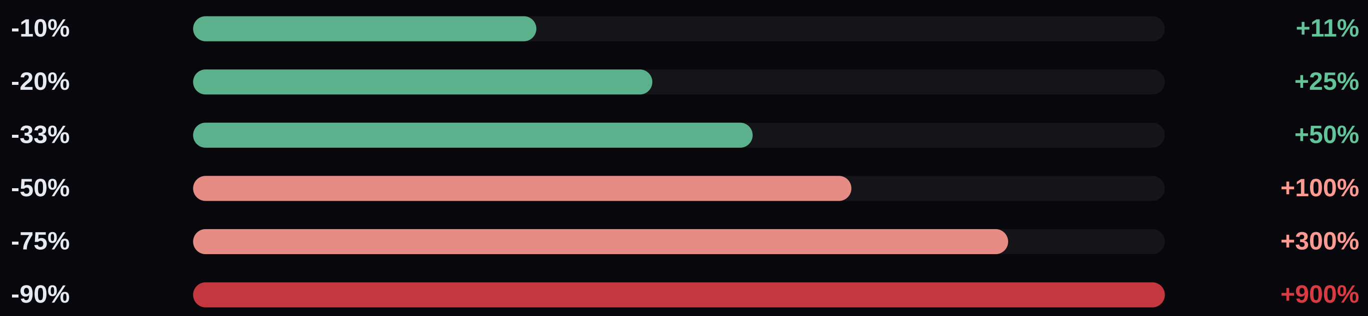
61%
of those
carried on rising after they were sold

3%
of losers
were ever rescued by doing nothing

1%
returned 100%+
just 21 investments out of 1,866

THE ARITHMETIC THAT DECIDES EVERYTHING

A loss and the gain needed to repair it are not the same size, and the gap widens fast. This one table is why the winners refused to sit still while a position fell.



What it has to gain, just to get you back to where you started.

⚡ SEND THIS TO A FRIEND

Down 50% needs +100% to get back to flat. Down 90% needs +900%. That is why doing nothing is so expensive.

01 Being right is not the job

The finding that made his colleague tell him to check his work again.

He gave the best investors he could find between $20m and $150m each, and a hard limit of ten stocks. They could only buy things they were sure about.

Over seven years those 1,866 high-conviction ideas produced 30,874 trades. Freeman-Shor expected to find that great investors are great because they see what the rest of us cannot. Instead he found that **only 920 of the ideas made money** — 49%, worse than a coin toss.

The number that should have followed is a pile of losses. It did not. Almost every one of these investors made money, and several of the most profitable had the **worst** hit rates in the group. One of his best performers was right about three times in ten.

SO WHERE DID THE MONEY COME FROM

From size and from staying power. A handful of positions were allowed to become very large winners, and the losers were killed or reinforced before they could do real damage. **The returns came from the shape of the outcomes, not the accuracy of the calls.**

WHY THIS SHOULD CHANGE HOW YOU READ EVERY OTHER BOOK

Almost all investing advice is about improving the hit rate. This dataset says the best professionals in the world could not get theirs meaningfully above half — with unlimited research budgets, company access and decades of experience. If they cannot, the plan that depends on you doing it is not a plan.

⚡ SEND THIS TO A FRIEND

Fewer than half the best ideas of the world's best investors made money. Stop optimising for being right.

02 The Rabbit: frozen in the headlights

The first losing tribe. He fired all of them.

A Rabbit is someone whose position falls and who then does nothing. They do not sell and they do not add. They call the company for reassurance, they re-read their own research, they blame the market. **Months pass and the position is unchanged.**

BOUGHT AT £2.79 | SOLD AT £0.18 — down 94% | then rebounded 1,129%

Cape, bought 28 September 2007, sold 10 March 2009.

THE PART THAT SHOULD STOP YOU COLD

The rebound after he sold was **1,129%**. And if he had held on through every bit of it, he would **still have been down 32%**. Once a position falls far enough, even a spectacular recovery does not bring you home. That is what the recovery table on page 5 actually means in a real account.

THE DECISION MATRIX

Freeman-Shor's argument against the Rabbit is not that holding is usually wrong. It is that holding is wrong in **every** case: if the price rises you should have bought more, if it falls you should have sold, if it drifts sideways your money should have been elsewhere. Of all the losing positions in his data, **only 3% were rescued by doing nothing.**

⚡ SEND THIS TO A FRIEND

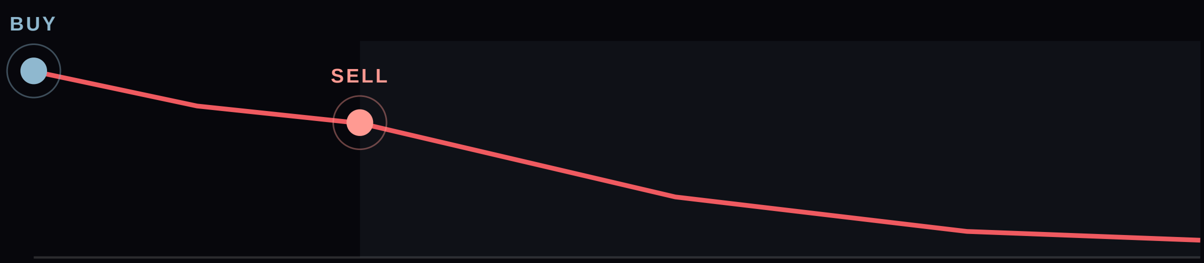
Doing nothing is the only decision that is wrong whatever happens next.

THE READING

03 The Assassin: kill it and walk away

The first winning answer. Cold, mechanical, decided in advance.

Assassins set the exit **before** they buy, while they are calm. Two rules do all the work: kill any position down **20–33%**, and kill any position that has gone nowhere after **six months**, whatever the loss. Not a price to review. An order.



BOUGHT AT £22.29	CUT AT −16%	fell another 82%

Royal Bank of Scotland, bought 30 May 2008, cut 3 October 2008.

WHY THE BAND IS 20-33% AND NOT 10%

Because cutting too early is its own mistake. **421 positions were cut at a loss of 10% or less, and 249 of them (59%) went on to make money.** A stop that tight just harvests noise. The band is chosen to be wide enough to survive an ordinary wobble and tight enough that the recovery maths is still winnable.

AND THE HARDER RULE: TIME

Most Assassins sold anything that had gone nowhere for six months, even at a small loss. The reasoning is that the money is not the only thing at risk — **the compounding time is gone too**, and you never get it back.

⚡ **SEND THIS TO A FRIEND**

The exit has to be decided while you are calm. Nobody sets a stop-loss well while they are staring at a red screen.

THE READING

04 The Hunter: buy the fall, on purpose

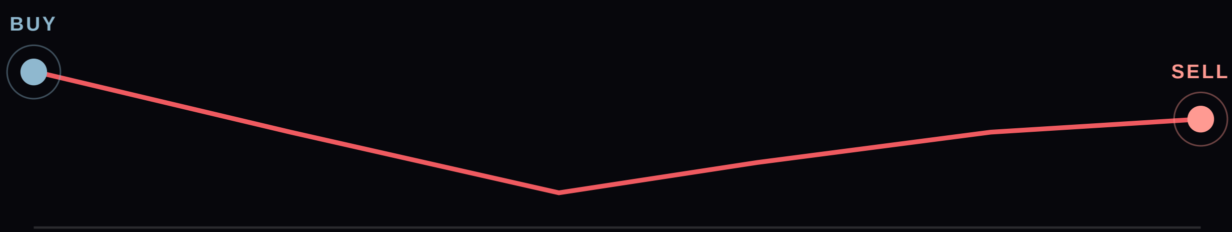
The second winning answer — and it is the exact opposite of the first.

A Hunter does what the Assassin refuses to do: when a position falls 20–33% and the reason for owning it is still intact, they **buy significantly more**. The difference between this and a Rabbit's stubbornness is entirely in the preparation.

1. **They never go all in on day one**
   A third of the intended position to start, with cash deliberately held back for the levels below.

2. **The top-ups were planned before buying**
   Often as standing orders, because people freeze when the price actually reaches the level they swore they would buy at.

3. **They still sell when genuinely wrong**
   The test both winning tribes apply is the same: *would I buy this today, knowing what I now know?* If the answer is no, or "maybe, but", it goes.



BOUGHT AT €15.84	ADDED AT THE LOW	sold for +24%

Aker Solutions, bought 14 April 2008, added 28 September 2009, sold 28 January 2010 — a position that was down 40%.

> **A VALUE INVESTOR WITH NO PLAN IS JUST A RABBIT**
>
> Freeman-Shor is blunt: someone who says a falling asset is "too cheap to sell" and has no reserved capital to buy more with is not a Hunter. They are a Rabbit with a better vocabulary.

⚡ **SEND THIS TO A FRIEND**

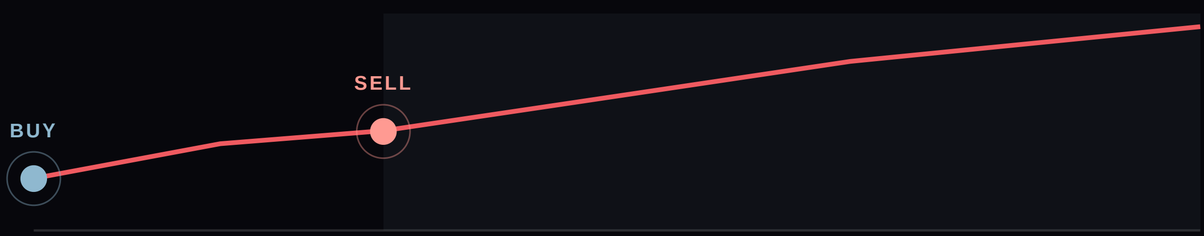
Averaging down works when it was the plan. It destroys you when it is the excuse.

THE READING

05 The Raider: grabbing the small win

The second losing tribe — and the one almost everybody reading this belongs to.

Raiders sell as soon as they are up. Nine per cent, fifteen, twenty-seven — the number does not matter, the reflex does. It feels like discipline. In the data it is the single most expensive habit in the book, because it caps the only thing that pays for all the losses.



BOUGHT AT €35.71 | SOLD FOR +27% | then rose another 175%

Novo Nordisk, bought 22 April 2009, sold 4 December 2009. Seven months of feeling clever.

HOW COMMON THIS IS

611 winning positions — two thirds of every winner in the study — were sold for a gain under 20%. Of those, 61% carried on rising. Only 2% of all profits were taken after holding for three years or more. And just 21 investments out of 1,866 ever returned more than 100%.

THE TWIST WORTH REMEMBERING

One Raider could not make money buying, but was an excellent short seller — because shorting inverts the payoff. Cutting fast and refusing to let winners run is exactly right when your upside is capped and your downside is not. **The habit was not the problem; the direction was.**

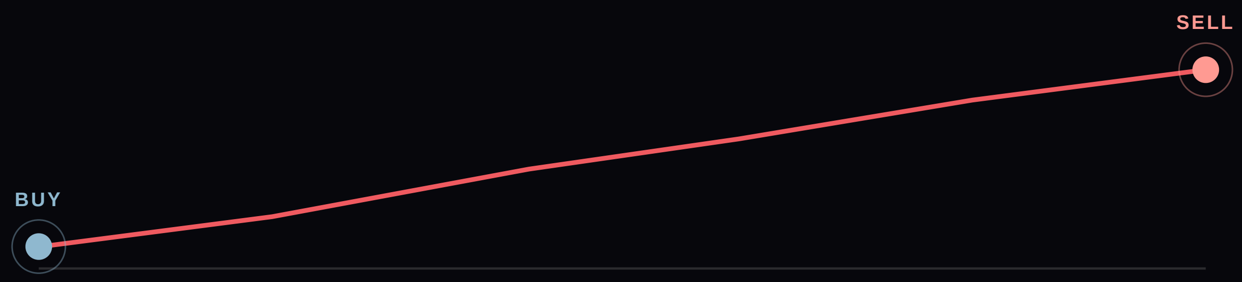
⚡ SEND THIS TO A FRIEND

Many small profits look like skill. In this data they were the clearest signature of a losing strategy.

06 The Connoisseur: sip, do not drink

The most successful tribe in the study — and its hit rate was below average.

Connoisseurs pour away bad positions immediately and then do almost nothing for years. They hold few names, size them large, and refuse price targets entirely, because a price target is a promise to sell your best idea on a schedule.



BOUGHT AT £3.96 | TRIMMED ON THE WAY UP | realised +104%

Shoprite Holdings, bought 20 May 2009, sold out 9 August 2012. Buy and hold would have been +231%.

THE TRICK IS TRIMMING, NOT HOLDING

He realised 104% where simply holding would have paid 231%. That looks like a failure until you ask the real question: **would he have held at all without taking those sips?** Selling a slice on the way up is what makes staying invested psychologically possible. A typical investor sells the whole thing at +20% and never sees the rest.

THREE WAYS IT GOES WRONG

He names them plainly. You can arrive **too late** — half a bull market's gains come in the first third of it. Momentum can **stop dead**. And you can get **stuck**: a crowded position with no liquidity is a packed theatre with one exit.

⚡ SEND THIS TO A FRIEND

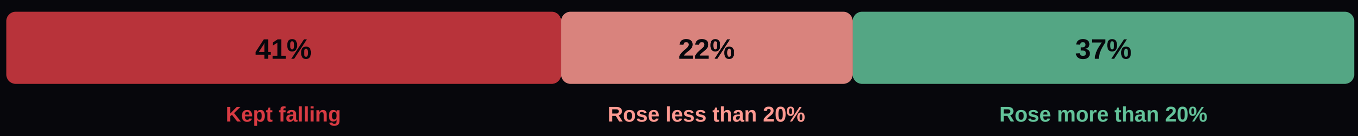
Their hit rate was worse than average and they made the most money. Size and patience did the work.

THE READING

07 What actually happened after they sold

The one page to reread the next time you cannot bring yourself to close a losing position.

The instinct that keeps people in a bad position is a specific fear: **it will recover the moment I sell.** Freeman-Shor could check that directly, because he had every trade. Here is what the 946 losing positions did after they were sold.



Of 946 losing positions, two thirds were not worth holding.

READ THE MIDDLE BAR AGAIN

Yes, 59% of them rose after being sold — which sounds like an argument for holding on. But 205 of those rose by **less than 20%**, nowhere near enough to repair the loss. Once you count that, **63% would not have got you back to flat**. The fear is real and the arithmetic still says sell.

AND THE DAMAGE THEY AVOIDED

Because they acted, only **19 positions in the entire study (2%) ever lost more than 80%**. Of the 131 that lost more than 40%, not a single one later recovered enough to break even. Cutting did not feel good. It kept the losses inside the range where recovery is still arithmetic rather than fantasy.

THE SAME MATHS IN A CRYPTO WALLET

This is the page that transfers most cleanly. Drawdowns here are deeper and faster, there is no earnings season to force a reckoning, and the story that keeps you in a dead position is always available. **The arithmetic does not care which asset it is.**

⚡ **SEND THIS TO A FRIEND**

Two thirds of the time, the position they sold never came back far enough to have been worth holding.

SIDE BY SIDE

The five tribes

The whole book on one page. Find yourself honestly.

THE TRIBE	WHEN IT ACTS	WHAT IT DOES	RESULT
Rabbit	Losing	Freezes. Neither sells nor adds.	Loses — he fired them
Assassin	Losing	Cuts at 20–33%, or at six months	Wins
Hunter	Losing	Buys much more, from reserved cash	Wins
Raider	Winning	Sells the moment it is up	Loses
Connoisseur	Winning	Holds for years, trims small slices	Wins the most
Raider + Rabbit	Both	Caps the wins, never caps the losses	The fatal pair
Assassin + Connoisseur	Both	Cuts fast, then holds the survivors	What he hired for

THE PART PEOPLE MISS

These are behaviours in situations, not personality types. Every Connoisseur was **also** an Assassin or a Hunter when losing. The fatal combination he found again and again was the Raider who is a Rabbit when losing: **small wins, unlimited losses**. If you recognise that, it is the most useful sentence in this guide.

⚡ SEND THIS TO A FRIEND

Two tribes lose money and three make it. The two losers are the two that do nothing.

THE VERDICT

The book, weighed

As always in this library — the book against reality. No hype.

What it is. A fund manager with the trading records of 45 professionals he personally employed, asking why people who are wrong half the time still get rich. Short, plainly written, and built around one genuinely new dataset.

Strongest. The reframing. Once you accept that the best in the world run at a coin toss, every question changes from “what should I buy” to “what will I do when this moves”. The recovery arithmetic and the after-the-sale data are worth the book on their own.

Weakest, and it is serious. The premise is that these people made millions — and **no returns are ever published.** Not the fund's, not any tribe's. The five tribes were named afterwards, by him, once he could see who had won, and membership overlaps freely. There are no tribe sizes, no benchmarks, no significance tests. And the window is June 2006 to October 2013: a crash, a generational bottom, then a long recovery — precisely the conditions that reward averaging down and holding winners, and punish neither.

The unresolved contradiction. Assassins sell at −25%. Hunters buy heavily at −25%. He declines to say which you should be, telling you to pick by temperament. In any single position only one can be right, and the only test he offers — *would I buy this today?* — is exactly the judgement the Rabbits thought they were making.

For a crypto reader. The most directly useful book in this library. Nothing in it is about equities specifically, the asymmetries are worse in crypto, and the Raider-who-is-a-Rabbit is the single most common shape of a blown portfolio.

VERDICT · READ IT, BUT NOT AS EVIDENCE

IN ONE LINE

You will be wrong about half the time. What decides the outcome is whether you sized it properly, and whether you did something material when it moved — in either direction.

TAKE THESE WITH YOU

Six lines worth stealing

Pick one and screenshot it. Send it to the person who is still holding.

“

Fewer than half the best ideas of the world's best investors made money. Being right is not the job.

§ THE FINDING

“

Doing nothing is the only decision that is wrong whatever happens next.

§ THE RABBIT

“

Down 50% needs +100% just to get back to flat. Down 90% needs +900%.

§ THE ARITHMETIC

“

Averaging down works when it was the plan. It destroys you when it is the excuse.

§ THE HUNTER

“

Many small profits look like discipline. In the data they were the signature of a losing strategy.

§ THE RAIDER

“

Small wins and unlimited losses is the most common way a portfolio dies.

§ THE FATAL PAIR

HOW TO EXPLAIN THIS BOOK IN ONE BREATH

“Someone had the trade-by-trade records of 45 of the world's best investors. Fewer than half of their best ideas made money, and they got rich anyway — because of what they did after buying, not what they bought. **Two habits lose money and three make it.**”

WHAT TO READ NEXT

If this landed, these are next

Free in our library at panopticprotocol.com — same treatment, same rules.

Trading in the Zone — Mark Douglas
This book tells you what to do. That one is about why you will not do it when the screen is red.

The Psychology of Money — Morgan Housel
Section 05 is about grabbing small wins. This is the book on the feelings underneath that reflex.

Skin in the Game — Nassim Taleb
Freeman-Shor's data is full of people who survived. Taleb is about who pays when they do not.

Broken Money — Lyn Alden
This guide is about your position. That one is about the ledger everyone's positions sit on.

Honeybee Democracy
Both books are about deciding under uncertainty. One studies fund managers, the other studies bees.

Proof of Stake — Vitalik Buterin
When you are done with how to hold, this is what you would actually be holding.

Source. Lee Freeman-Shor, *The Art of Execution: How the world's best investors get it wrong and still make millions*, Harriman House, 2015. Every figure, trade and date in this guide comes from that book. This is commentary and analysis by PanopticProtocol — not a summary, and not a substitute for reading it.

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⚡ SEND THIS TO A FRIEND

This guide is free. If it taught you one thing, send it to someone who is down 60% and still waiting.