



A Regret-Sized Hole

When many investors look back at their private assets investment portfolio, they see a regret-sized hole. Whether it is investments they made out of FOMO, re-ups they felt obligated to participate in, ZIRP-fueled post-pandemic digital-adoption-stupor commitments, or well-meaning vintage-year diversification allocations, the ugly face of regret inevitably rears its unforgiving head. Such is the life of an investor who aims to be thorough but also carries an infinitely nagging feeling that stones were left unturned. I believe this is why due diligence reports are typically littered with CYA, protective, and disclaimer language that ensures those who heeded the investment advice prescribed did so at their own peril.

One of the hardest things for me, as an investment research analyst, is to subject myself to the same rigorous, objective assessment of my track record that I apply to the GPs I review. This exercise is not fun at all because it brings to light undeniable issues such as imperceptible biases, past lack of meticulousness, trend-chasing errors, and the absence of clear evidence for a coherent portfolio plan. In the poem *Paradise Lost* by Milton, the line, "The mind is its own place, and in itself can make a heaven of hell, a hell of heaven", is the best way to describe the anguish one can feel when reviewing past investment decisions. The mind can run free with self-sabotaging thoughts that could belittle the most introspective person or adeptly provide convenient excuses in an attempt to artificially accelerate the process of self-grace. I have come to the not-so-revelatory conclusion that the goal of such an exercise is to be or do better next time, so no matter the magnitude of the mental pain and the feelings of disappointment, being assured you are getting better with approaches, processes, and cognition should be solace and inspiration enough to keep going.

Below are a few points on how I have been attempting to train my mind and tweak my processes to lessen future mental agony and torture from the effect of current/ongoing decisions.

- **“Iterative” is the way to go:** Cultivating, through personal mental coaxing and disciplined ratcheting processes, a mindset that treats each past stumble as a data point to be used as a tool for future improvement can help silence those noisy and pesky beasts of regret. Perfection does not exist. The goal is to truly personify the will and care/consideration to improve. Qualitative insights and quantitative assessments can both be iteratively utilized to fine-tune decision-making.
- **Incorporate the view of non-sector “experts”:** As counterintuitive as it may sound, intentionally seeking and internalizing the viewpoints of non-experts on an investment thesis can highlight seemingly obvious issues that have not received the appropriate amount of attention. For example, asking a fixed-income analyst to review the investment thesis for a venture capital investment could expose or draw more attention to something that may seem pedestrian on the surface but requires more thorough vetting. Experience comes with a lot of solid and actionable pattern recognition, but it also comes with blind spots created by accepting the status quo that non-sector experts are not burdened with.
- **“Consensus” is a patient and silent killer:** There are so many clichés in the business world about purposefully seeking dissenting voices. As one gets older, clichés take on a more critical tone because most of them become more textured, wiser, and brilliant than the simple eye originally met. Dissent should be a required ingredient for every decision. I am not saying that fake, manufactured, or performative dissent should be woven into investment processes. What I am prescribing is the cultivation of cultures where colleagues can raise concerns without fear of retribution or awkwardness, regardless of how inconsequential they believe the issue is. At this



stage, I would rather invest in a fund where I have to fight an uphill battle to make my case than in one where consensus paves an easy downhill road to investing.

- **Wounds from binary bets take the longest to heal:** Investments that promise all-or-nothing outcomes appear with the most seductive garb but also have the ability to sting with unbounded ferocity. These deals or funds typically argue for a market environment in which everything has fallen into place, making this the exact right time to put money to work in a very particular type of investment. The allure of these types of investments is undeniable, and I have fallen victim to them on a few occasions. Although the binary jeopardy of such investments is usually unmistakable, seemingly sophisticated investors can be easily convinced (or convince themselves) of downside protection by either minimizing the probability of things completely going wrong or saying something like “well, if that happens we will have bigger existential or humanity-related things to worry about than this investment”. When a binary bet does not positively play out, prepare for traumatic flashbacks that will last for a while. It is best to avoid such investments altogether regardless of their innocent charm.
- **You cannot be a prisoner of your future self:** Thinking constantly about what might cause future regret can be paralyzing. I have learned to be cognizant of how my future self might feel about a present decision, but I have also been deliberate about not letting such thoughts inhibit me from being inquisitive, brave, and non-conformist when it comes to new investments. I think all analysts should try to cover all bases to the best of their abilities during due diligence but also allow themselves enough grace around the pursuit of perfection and the solace that magic (and outsized returns) usually resides in the gap made up of the “unknown.”

The pursuit of better judgment is, at its core, a pursuit of self-knowledge. Every decision left behind, whether heralded or a ding to the ego, is less a verdict on who you were and more a blueprint for who you are becoming. The regret-shaped hole so many investors carry is not a wound to be sutured shut with rationalizations, but a chasm that, if examined honestly, becomes the very space where conviction, humility, and wisdom take root. In the end, the best investment any analyst can make is not in a fund, a vintage, or a thesis; it is in the relentless, uncomfortable, and quiet act of trying to get better.

Anthony Kwesi Hagan
Founder and Head of Research, Freedomization™
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