PASSION TO WEALTH

THE MOUNTAIN CLIMBER'S SHORTCUT

FBV

Yasin Sebastian Qureshi | Benjamin Bilski

Concrete tools of turning passion into wealth—for everyone
(not a theoretical “whitepaper”)
Play, communicate, grow, enjoy. Your passion can indeed drive your wealth, and your wealth, in turn, can drive your passion. This little book will show you how.

Author:
Yasin Sebastian Qureshi (youngest person ever licenced to run a bank in Europe)

Co-Author:
Benjamin Bilski (*Forbes* “30 under 30”)

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About Yasin: Founder and Executive Director at The NAGA Group AG, the youngest person ever licenced to run his own investment bank in Europe (at the age of 29), investor, film producer, author and philanthropist. Recipient of diverse hedge fund asset management awards and trader of billions on a daily basis.

About Ben: Founder and Executive Director at The NAGA Group AG, German National Swimming Champion, serial entrepreneur, nominated in *Forbes* 30 under 30 Europe: Technology.

Introduction

This is how we turned our passion into wealth.

Yasin:

When I was a student in Germany, studying Fine Arts while being constantly broke, I desperately needed to make money. I took several jobs, amongst which one was in a brokerage firm. It was all pretty old school; today you would say it looked like "The Wolf of Wall Street made in Germany", with people on their phones and analysts with rulers on financial charts.

I didn't have a clue what a balance sheet looked like or how it was structured. I didn't know what drove prices, what economic figures were. All I cared about was making some cash to pay the bills.

These "charts"—basically lines that illustrated the price movement of something—looked all the same to me.

It turned out that many of them actually were the same. I took a few and held them against the light to see where, how and if they overlapped. And they did overlap, no matter what they were representing.

I came to see these charts as people, representing fear, hope and greed. I even drew different emoticons on them (screaming when they fell, smiling faces when they rebounded, etc.).

I started to trade based on these patterns, simply buying and selling stuff. And it worked.

I already loved technology back in the day (though mostly for gaming), so I started to automate this “holding charts against the light and buying and selling stuff” process. And it worked.

My first thought was not to use automation to make money on a personal level but rather to use it in a professional business, it was absolutely necessary. That’s why I told my boss about it. He was euphoric and obsessed with getting this implemented to make more money for clients while getting rid of rulers and papers. And so, I showed him proof of the concept.

Then I got kicked out of my job.

Anyway—I got kicked out of every single job, whether working in retail, restaurants, warehouses or even brokerage firms. You might wonder why. Because I always believed there was a more efficient way to do things. And probably because I annoyed the hell out of every single one of my bosses.

I was literally forced into starting my own “algorithmic trading business” (which is just a fancy word for “holding charts against the light and buying and selling stuff” in an automated manner). I dropped out of university.

That was the start of several multi-hundred-million-euro businesses that I created throughout the following years—as well as my interaction with incredible people, several IPOs, a stream of awards, the run-up to a banking licence… in short, the start of a fascinating and unbelievable experience and journey.

I had absolutely no industry-related knowledge or specific skills. I had less than US $10,000 to start my business. All I had was curiosity and passion, and I was willing and committed to invest time into this odyssey.

Everyone has the ability to do this.

The purpose of this book is to make NAGA's innovative opportunity as clear and straightforward, and as entertaining and informative as possible. The purpose of NAGA is to enable EVERYONE to turn their passion into wealth.

Welcome to an astounding and incredible experience and journey.

Welcome to NAGA.

Ben:

In 2002, I was just 14, and my entrepreneurial career started during my high-school internship at a blue chip trading firm. I saw a Chinese sales catalogue offering portable MP3 USB Players for 10 bucks each, while in Germany they were trading at 100. The minimum order amount was 1,000 pcs. I went home, started to look into how to set up a FTP server, how to host a simple page and constructed my first e-shop, and published my first eBay listings as well. In three days I sold the first 100 (which I even had in stock), made the down payment just after (accidentally just by doing it, I drop-shipped) and sold more than 2,000 within three months. My eCommerce spirit was born without thinking too much. I made a couple of hundred thousand in revenue—at the age of 14. And no, my daddy didn't help here. I was just interested in seeing how this works.

I had another big passion: swimming. When I was 15, I made it to the German Junior National Team and became Champion. My career path was steep, but I was a hard and obsessed worker. I made it to the National Team, became German Champion a number of times, attended World Cups and won the Bronze Medal at the World Games 2009, setting a new German record.

The big problem, however, was practising six hours a day: I had no private life and I was spending all my cash. Swimming didn't pay at all. I learnt how important consistent practice was, and that hard work is always required if you want to make a difference.

By 20, I felt I couldn't keep up with swimming anymore (no money, no honey) and yet, I had another hobby to turn to: fishing. As I felt that my MP3 player career had ended too early, I started buying and selling fishing gear in Germany. Again, all was made online. This time (it was 2008) Google Ads drew my attention, and I started to read and learn about Search Engine Marketing, Paid Ads and all that stuff. I literally disrupted all existing fishing shops that were still selling via catalogues and sold my business at 21 with a multi-million profit. Again: because I was so interested, I read a book, and then I just did it. No magic, just doing things and learning by burning.

Being 21, I was interested in how the "elite" lived and thought. I financed my private university both for my Bachelors and Masters degree. Spoiler alert: there is no secret; it is just hard work and me feeling my advantage over other people: While they grew up with cash, I made my own cash. Give a lottery player a million. He will lose it and be depressed or commit suicide. Give an entrepreneur a million. He may well lose it too, but he will try to make a million again. And again.

University did not teach me much, and social networks and mobile apps were booming. I created a social network for dog owners. It failed. I created a price comparison site for used goods. It also failed. I created an app where you could swipe left or right for fashion (a kind of Tinder for fashion). Just because of building? I knew how to write code, I knew project management, so I learned all about technology—big time. This path brought me to Yasin. He invested in my fashion app. He was a person I respected from day one. He was a man of action, doing things without thinking whether they were possible or not. He would be so much wiser after he tried, and curiosity would lead him every time to the next step, just like me.

We decided to merge our knowledge: his knowledge from hardcore entrepreneurship in finance and my product passion and tech-skills. He said: "Do this swipe thing for finance."

I didn't have a single clue about finance; I didn't even know that there was a place where people traded currencies like EUR or USD other than at an exchange office at the airport. However, I continued again with the same style: reading, doing and driving towards getting a shot at it.

All in all, this led us to creating NAGA. We had the vision, and we knew it was possible. Within two years we went public, performed an ICO and raised around US $80 million, and they even put me on the *Forbes* 30 under 30 Technology list in Europe.

Again: there were no rich parents, no help from the outside, no connections to powerful people. It was just curiosity, drive, and the passion to learn and to create money.

And lastly: it was the drive to make money and to become rich, this isn't an embarrassing one; it's a natural one, and I know, just as Yasin does: everyone can make tons of money. You just need to do it—and we are going to show you how.

Yasin:

Later on, I figured that there must be more people out there doing what I do. And whoa… there was an entire industry.

I visited them, actually I visited most of them. Some of them were residing in a basement in New Jersey, others in a castle in Connecticut with their own yacht harbour.

I started a fund by allowing investors to invest in a pool to let these guys manage their money.

I spent 15 years of my life travelling to meet these guys, trying to understand what they do and how they do it, and what the magic to their success is.

I met university drop-outs, I met people with accents so heavy that we had to write things on paper to understand each other, I met Harvard and Yale PhDs and I met bodybuilders—in short, a widely varying array of people and types. Some of these people were managing billions, some of them just around US $45,000.

I gave everyone the same time and attention, and as I came to present my own German investment bank as a potential client and investor, I got proper VIP treatment, and got to see inside their respective machine rooms.

I spent time talking to their employees, from the highest to the lowest ranks, I got them to open the bonnet and to show me the engine at work. Some of them even showed me how they tweak the engine and chip-tune it.

All these thousands of visits and countless hours of experiences and knowledge gained have been condensed into this book. What you need to know and what you can take a pass on, the indispensable dos and don'ts, the idea behind creating our own concept NAGA World, all of it.

You are about to inhale the conclusion of 15 years of interviews and in-depth due diligence and meetings and experience within the next 170 pages.

I shared all of it with my colleague, founding partner and friend, Ben. Ben tried it all out, unbiased. And he got to experience it in full effect and full force. This is what you need to succeed in the trading world.

Now we are both sharing it with you.

It looks like a mountain. But look again.

CHAPTER 1

Pro mode

1) Have you been to Harvard or Yale?

Who do you think are the most successful investors in the world? I mean long-term investors. Not as in five, ten or even 20 years, I'm talking about 50 or 100 years consistently. You're right, it's the endowments of the largest US universities. These guys have access to the best research, to the best brains, to the most exclusive information. This doesn't only go for the university itself, but also for their alumni communities. Imagine the network these guys have within politics, economics, business or anywhere. So how do you think these endowments make money? Do they bet on single companies or stocks? They actually don't. Because if anyone could predict the markets precisely and consistently, they wouldn't make billions, they'd make *trillions*. The harsh truth is that despite having the best brains, the best networks, the best contacts, the best information, the best equipment and money in abundance, these universities simply diversify. They don't put all their eggs in one basket. Their methodology is all about how to not put all the eggs in one basket, and what kind of eggs to choose.

Now, you might think that their methodology is kind of a holy grail. It isn't. All the information is actually publicly available on their websites. And no matter who tells you what, these guys are by far the best investors. You can see their so-called allocation (this means sectors, countries, markets and instruments they invest in) in their annual reports. According to a recent report, Harvard's allocation, for example, includes one quarter investment in private equity, one quarter in real assets, one third in foreign and domestic equities and the rest in fixed income, cash and absolute return (non-traditional) types of investments.

Of course, there are other funds and hedge funds that consistently make money. And guess what? These guys will also diversify and allocate their money in different baskets.

So, the good news is that you don't have to be a Harvard or Yale PhD to make money in the market. This is going to save you a lot of time—time that you would better spend, *spending* the money. The days of having information superiority to make you rich are pretty well over. The Internet has democratised information, made it publicly available, so today it's about how you apply this information and how you use it to make money.

Now, you don't need to go through all their reports and study every single one of their investments. All we need to learn from these multi-billion-dollar university endowment funds and their brains, capacities, skills, network etc., is that this network of the smartest of the smartest doesn't hold the secret holy grail of investing—they simply diversify. Even these guys hedge their bets by investing in different categories and markets.

When you diversify, try to make sure that you invest in assets, products, instruments, markets and industries that are not correlated, not connected. To give you an example: it doesn't make sense to diversify by allocating your money between Porsche, Volkswagen and BMW shares, as they're all German, and they're all in the same industry with similar products. When I say diversify in non-correlated assets, I mean using common sense to ensure that if one thing goes belly up or if—excuse my French—the shit hits the fan in one industry—the other industry is not or is as little affected as possible. Experts call this *"decoupling"*. The truth is that today's markets are all in some manner or form connected. So, it's probably true that you can't fully avoid events in one industry from affecting your investments in another. The general principle, however, still holds. Simply try to use your common sense (we know you have it) to avoid investing everything into heavily correlated industries or sectors.

This first insight is probably the most important thing to know about investing. As not even those Harvard and Yale PhDs know exactly where the markets are going to go, they simply diversify. Hence don't spend your time looking for the holy grail of investing or listening to some "Wall Street style Gandalf".

(Besides, the Swiss author and businessman Rolf Dobelli argues in his international bestseller *The Art of Thinking Clearly* that Harvard, Yale and Co. may not make their students, but that admitting top-notch students may in fact make Harvard!)

2) There will always be a next trade

Most traders focus fanatically on one trade or one opportunity. There you are: You see this particular situation in the market, you're fully convinced that the markets are going to take a certain direction. You've probably done your homework right, and you desperately want to open this trade. Or you have seen someone make money on NAGA Trader and want to copy them. (More on this later when I introduce NAGA World.) You see that this has worked, and you just want to take part in the next profit. Then something happens: your Internet is down, there's no WiFi, you missed the trade or you changed your mind last minute and you get totally frustrated that you've missed the trade of your lifetime. Or you didn't exit at the right time and you feel completely paralysed. This type of situation will blur your judgment.

What I've learnt is, no matter how good the trade is, how good the opportunity gets, there's always another trade. It's like that old saying, "There are plenty of fish in the sea."

However, our mind is wired to focus on this one trade and to mourn rather than focus on the next opportunity. This is toxic for any strategy. Try to detach yourself from individual trades. Especially as a beginner, you might think that such an opportunity will never come along again. Trust me, there will *always* be a better opportunity. Hence, economise with your money as well as with your attention, focus time on one particular trade. There are lots of traders who actually invest more time, energy and anger in a missed trade or in a trade gone wrong than into preparing for a next opportunity. Try to avoid this mistake in order to economise on energy. View it like a super athlete or a soldier who can't shoot all bullets or gets frustrated when he misses a target. One thing is certain: there will always be new, other targets.

3) Don't throw good money after bad money

A core principle related to the previous point is the fact that people actually never cut their losses. Most traders keep their losing positions open because they're simply afraid to realise a loss.

It's like this: You've entered the market and wanted the market to go your way, but the market turns against you. You've set a certain stop loss limit, but you're not willing to realise and accept the loss. So, what you do is, you give this trade "a bit more room to breathe". You move the stop down, which means you increase the budget that you allocated to the trade, because your "hope doesn't want to die; hope dies last".

As explained in the previous point, we have a tendency to get stuck in the past. Instead of focusing on new opportunities, you're literally throwing good money after bad money in this scenario. All because of this one particular trade that has gone wrong. The assumptions you made haven't turned out to be true. And as we've learned, the market is always right—there's no point arguing. But since you can't argue with the market, you simply increase your budget, and with it, the risk for a trade that has already gone wrong, and here you are, keeping it alive, keeping it afloat.

Having seen the other side of the trade, the bank, I've learnt that this is probably the cause of most "account blow-ups". People keep their bad trades open because they're afraid to face reality. It's like being in a bad relationship that's eating you out from the inside, but you basically don't have the "balls" to say what you want and feel, and to quit. So, you prefer to live in suffering, trying to ignore the elephant in the room, rather than freeing yourself by going through a temporary rocky period. There's no easy route to learning how to digest a loss, but facing it is the most important thing. You'll find that this little bit of wisdom works for everything.

It's actually pretty hard especially given the neuro-economic implications of this. Er... the *what*?

Okay, let's put it in simple terms. Imagine putting people into a CT scanner or conducting a MRI (medical imaging technique used in radiology, the one that shows those brain slices) while they're thinking, trading and reacting to price movements. When the price goes up and they earn money in the market, what happens is exactly the same as when taking cocaine. The same biochemical reactions and the same areas in the brain get activated. Traders are basically like cocaine addicts. Likewise, from a neurological perspective, when you start to lose money, you start feeling like you're on your worst cocaine withdrawal. And you want to avoid that. So, you don't accept the losses. You throw good money after bad money because you don't want that feeling of being high to go away. You've so far been making one profit after another, even if only small profits, and you can't let this end. You don't care. But if you keep throwing good money after bad money then you're just like a cocaine addict.

Just looking at the time when I was running my own investment bank, ten thousand of traders destroyed themselves like this. And this actually happens across all ages, genders, cultural or ethnic groups. It literally affects everyone. So, what you need to do is to be strong, to stick to your initial budgets and not to throw good money after bad money.

4) Once you join a team, you'll cheer for your team

One of the biggest problem is that our minds are not made to make rational decisions once we've entered the market. At this point, we basically want our team (trade) to win, just like a football fan with his team. We're unable to see things for what they are, just like when being on drugs or in love. That's the reason why you should always have a game plan before you enter the market. That game plan should consist of two basic questions:

When will I exit the trade in a profit scenario (best case) and when will I exit a trade in a loss scenario (worst case).

These are two very basic questions, but without them, the management of your "open position" and your chances of making money decrease significantly. Of course, there are variations, e.g., if you open several positions in one direction with multiple entries, you'll need multiple exit points. Furthermore, the entry and exit points in profit or in loss scenarios don't have to be static; they can be floating and or adapted to market changes. To give you an example: you might enter a market and the trade goes your way. In this case, you might move your exit point (worst case) to your entry price once a certain level of profit has been reached. This is actually a very common technique, it's called "adapting your stop to a break-even level".

In this scenario, your risk essentially becomes zero, but you can win "the entire world". It's often favourable to have such adaptive or intelligent stops to minimise your risk. However, it's important that you define the conditions for setting those limits (stop loss or profit target "limit") before you enter the market.

On a higher level, you can of course incorporate different, correlating markets (e.g., if you go long on Tesla because you believe in electric vehicles, but go short on, let's say… BMW), you also reduce or mitigate your risk in a synthetic way. Such strategies are called *spread strategies*. Rather than selling the exact same product that you bought, sometimes the sale of alternative, correlating stocks, indices or markets can be a way to reduce your risk or capture your profits, or cut your losses (or stop bad from going to worse). This might sound complicated the first time it comes around. It isn't.

Really, it doesn't matter whether you buy or sell, or when. Whatever you do, it's important to define all parameters for your worst, mid and best-case scenarios, across markets, and across trades, across your entire account before you enter the market. That's common sense, plain and simple.

5) Ration the food

While I was visiting hundreds or even thousands of hedge fund asset managers and their teams, I saw that most successful traders don't risk more than 3 to 5% of their entire portfolio on any individual trade. It simply gives you more bullets, and you have more ammunition to fire within the ever-changing market. It also allows you to be wrong sometimes. When I was running my investment bank, we analysed funds, accounts and portfolios of professional traders (hedge funds as well as those of private clients) and found that this ratio made sense. It gives you enough room to manoeuvre with sufficient flexibility when it comes to capturing opportunities or avoid being totally damaged when you have been wrong five or ten times. Where would you rather dock the *Queen Mary*, in a tiny marina or New York Harbour? As nobody knows where the markets go, rationing your money makes perfect sense, so always keep that in the back of your head.

A bit of sound advice based on having been around the biz: don't listen to "super stock tips"—or if you do, only invest amounts knowing you could lose them. But you've figured that out by now.

6) Worst drawdown can only get worse

Whenever you look at the performance history of a trader, focus on their worst "drawdown". That means the deepest and longest underwater period during their history. It gives you an indication of their style, their strategy, and of the biggest hit that they and their strategy have been willing to take so far. This is particularly important if you follow and copy different traders, rather than when opening your own trades. When opening your own trades, the worst drawdown can of course be measured in terms of how much a specific stock market dropped at a specific time, but in this chapter, I'll be talking about selecting traders to follow, or investment funds to invest in.

Even though this worst underwater period gives you an indication, do note that *this is just an indication*. The worst drawdown usually gets worse. Don't take it as the word of God, but as an indication. The worst drawdown is usually nothing you can ever determine; it can in a worst-case scenario result in a total loss, no what matter the trader's previous history or success is. If you use the worst drawdown as an indication, always add at least 50 to 100% to that and ask yourself whether you're still comfortable following this trader or investing in the strategy.