Hedge fund billionaire Ray Dalio of Bridgewater Associates has started the year on a good note. His flagship fund is said to have posted a return of 14.6% last year, net of fees. Not only is this a massive victory at a time when volatile markets wrongfooted many others. But also significant in the light of its meager 2017 returns of 1.2%.

In his book Principles, he shares the unconventional principles that helped him create unique results in life and business—and which any person or organization can adopt to better achieve their goals.

Here are a few pointers from the book that would help individuals, personally as well as make them better investors.

#1 Think for yourself, but don't ignore the inputs of others

To make money in the markets, one needs to be an independent thinker who bets against the consensus and is right. That's because the consensus view is baked into the price. One is inevitably going to be painfully wrong a lot, so knowing how to do that well is critical to one's success.

My painful mistakes shifted me from having a perspective of "I know I'm right" to having one of "How do I know if I am right?" They gave me the humility I needed to balance my audacity.

Knowing that I could be painfully wrong and curiosity about why other smart people saw things differently, prompted me to look at things through the eyes of others as well as my own. That allowed me to see many more dimensions than if I saw things just through my own eyes.

Learning how to weigh other people's inputs increased my chances of being right.

#2 A different perspective on goals

It is senseless to have making money as your goal as money has no intrinsic value – its value comes from what it can buy, and it can't buy everything. It's smarter to start with what you really want, which are your real goals, and then work back to what you need to attain them.

When thinking about the things you really want, it pays to think of their relative values so you weigh them properly. I wanted meaningful work and meaningful relationships equally, and I valued money less – as long I had enough to take care of my basic needs.

#3 Knowing when to bet and not to bet

Knowing when not to bet is as important as knowing what bets are probably worth making. You can significantly improve your track record if you only make the bets that you are most confident will pay off.

The best choices are the ones that have more pros than cons, not those that don't have any cons at all.

Raising the probability of being right is valuable no matter what your probability of being right already is. I often observe people making decisions if their odds of being right are greater than 50%. What they fail to see is how much better off they would be if they raised their chances even more. (You can almost always improve your odds of being right by doing things that will give you more information.) That's why it pays to stress-test your thinking, even when you are pretty sure you are right.

#4 Be an imperfectionist

The 80/20 rule states that you get 80% of the value out of something from 20% of the information or effort. It is also quite possible that you are likely to exert 80% of your effort getting the final 20% of value.

Understanding this rule saves you from getting bogged down in unnecessary detail once you have gotten most of the learning you need to make a good decision.

Perfectionists spend too much time on little differences at the margins at the expense of the important things. There are typically just 5 to 10 important factors to consider when making a decision. It is important to understand these really well.

#5 Write it down

Experience taught me how invaluable it is to reflect on and write down my decision-making criteria whenever I made a decision.

Everyone has weaknesses and they are generally revealed in the patterns of mistakes they make. The fastest path to success starts with knowing what your weaknesses are and staring hard at them. Start by writing down your mistakes and connecting the dots between them.

#6 A take on diversification

Nobel Prize-winning economist Harry Markowitz had invented a widely used model that allowed you to input a set of assets along with their expected returns, risks and correlations and determine an optimal mix of those assets in a portfolio. I asked a math major in my firm to do a chart showing how the volatility of a portfolio would decline and its quality (measured by the amount of return relative to risk) would improve if I incrementally added investments with different correlations.

I saw that with 15 to 20 good, uncorrelated return streams, I could dramatically reduce my risks without reducing expected returns. This principle, which I called the "Holy Grail of Investing" applies equally well to all ways of trying to make money. Whether you own a hotel, run a technology company, or do anything else, your business produces a return stream. Having a few good uncorrelated return streams is better than having just one, and knowing how to combine returns streams is even more effective than being able to choose good ones (though, of course, you have to do both).

The success of this approach taught me principles that I apply to all parts of my life: Making a handful of good uncorrelated bets that are balanced and leveraged well is the surest way of having a lot of upside without being exposed to unacceptable downside.

#7 Failure comes with the territory

People typically feel bad about their mistakes because they are shortsighted about the bad outcome and not about the evolutionary process of which mistakes are an integral part. Every mistake that you make and learn from will save you from thousands of similar future mistakes.

Everyone fails.

Anyone you see succeeding is only succeeding at the things you're paying attention to – I guarantee they are also failing at lots of other things.

The people I respect most are those who fail well. I respect them even more than those who succeed.

Content Source: Morningstar