June 25, 2025

THE LONG PULL: Revisiting Process ("The Controlled Burn")

There's this agricultural process called "slash-and-burn agriculture" or "shifting cultivation" where farmers burn fields to promote new growth or prepare land for future planting.

In forested areas, this means cutting vegetation and burning it, leaving a nutrient-rich layer of ash that temporarily fertilizes the soil and suppresses weeds and pests. Farmers do the same thing in open fields (called "controlled burns") where they burn leftover straw, stubble, or crop residue after harvest to clear the field, control pests and weeds, and prepare the soil for the next planting cycle.

The idea is that farmers do something that *looks* destructive occasionally, but in reality, it promotes restoration, rejuvenation, and higher future yields.

We do something similar at Macro Ops. For example, we've "control burned" our portfolio multiple times – twice at year-end and once before the most recent Presidential election. We sold all our positions, erased the chalkboard, and started at zero.

Like Heath Ledger's *Joker*, we're sending a message to our portfolio: **don't get comfortable, nobody is safe, you could be gone instantly.**

Trading legend Paul Tudor Jones once said, *"Every day I assume every position I have is wrong."*

That's a controlled burn mindset. But the problem is nobody *really* thinks like that while they own stocks. How do I know? Because I'm *that* person.

I remember when Alex told me, "We're going to cut every position and start fresh January 1." I laughed because I assumed he was joking.

But he wasn't, and we sold every name we owned. Then, it became my job to buy **only my highest conviction stocks, irrespective of what I thought before or my prior cost basis.**

This controlled burn forced me to view our portfolio and idea set with fresh, newly cultivated eyes. Selling everything burned all the leftover straw, overgrowth, pests, and weeds that were my biases and comforts.

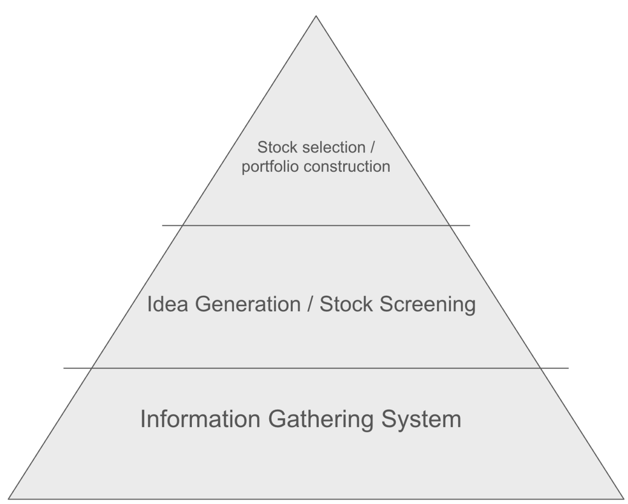
And you know what? **It felt amazing.**

I realized it's not enough to "think" that you're burning the field … you have to light the match and chuck it.

But it's deeper than that.

It's not enough to "control burn" one part of your investment process (i.e., *just* burning the portfolio construction and individual names). True mastery requires control, burning **every part of the process** from idea generation to mental models to information gathering techniques.

It requires burning all three layers of this Investment Process Triangle (I know, it's the most beautiful drawing you've ever seen).



This week I'm sharing my Idea Generation & Screening process errors and my plans to control burn it.

Idea Generation: What Went Wrong

I've spent the past 12-18 months obsessing over mining stocks and commodities. And it's been a fantastic journey. During that time, I went from a complete novice to someone who helped others analyze their mining stocks … I became "the mining and commodities guy" on Twitter.

But there were two critical consequences of that season:

1. **I blinded myself** to other opportunities in different industries/sectors.
2. I became **attached to certain stocks** and avoided other, better-performing companies because they "weren't as good as the ones I already found."

Both are **process-driven** errors. Here's how:

1. I stopped screening for ideas in other industries or sectors. It didn't matter if other names showed better relative strength, stronger bases, or more promising fundamentals … I didn't care.
2. I didn't buy mining stocks with the best relative strength because I preferred my "pet stocks."

Let's use two recent examples. The first is Droneshield (DRO.ASX). I found the stock on February 24th and posted to the #ideas-equities channel (see below):

Brandon 📖 Feb 24th at 09:02

DroneShield $DRO seems interesting. The closest comparable to Anduril in public markets (until Anduril goes public). Interesting chart

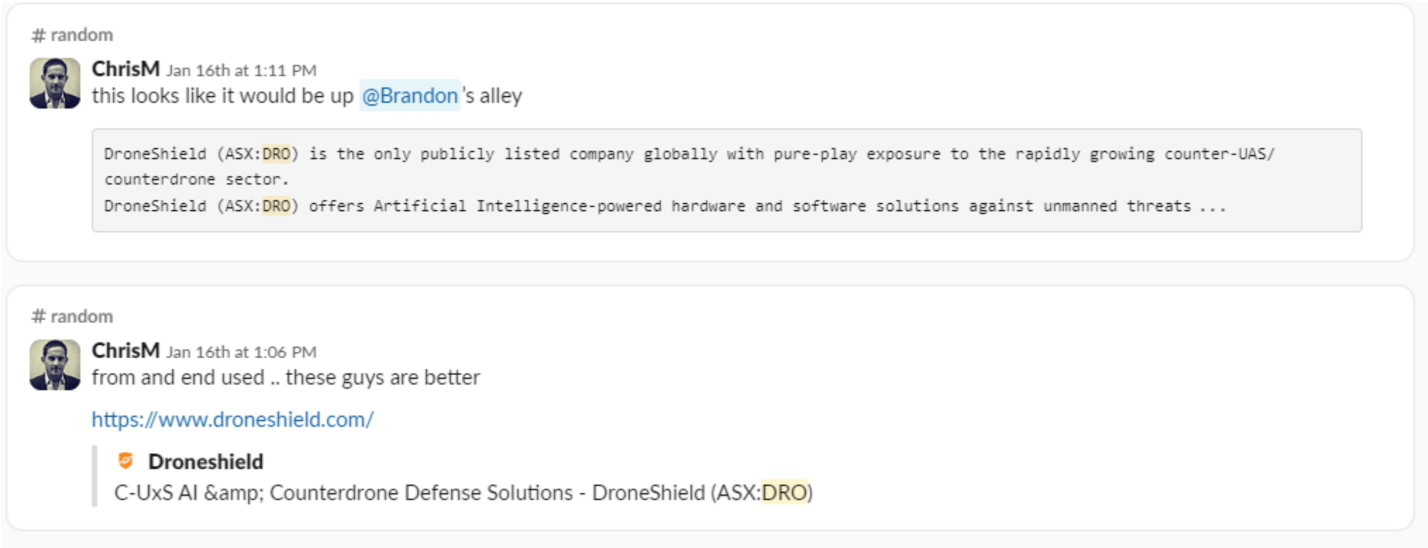
https://www.tradingview.com/x/opqUjsfZ/

TradingView

ASX_DLY:DRO Chart Image by BrandonBeylo (119 kB) ▾

👍 1

This is where things get *very* frustrating. Collective member Chris M. replied with his earlier message from January 14th (see below).


random

ChrisM Jan 16th at 1:11 PM

this looks like it would be up @Brandon 's alley

```
DroneShield (ASX:DRO) is the only publicly listed company globally with pure-play exposure to the rapidly growing counter-UAS/
counterdrone sector.
DroneShield (ASX:DRO) offers Artificial Intelligence-powered hardware and software solutions against unmanned threats ...
```

random

ChrisM Jan 16th at 1:06 PM

from and end used .. these guys are better

https://www.droneshield.com/

Droneshield

C-UxS AI & Counterdrone Defense Solutions - DroneShield (ASX:DRO)

And he was right. DRO was up my alley. It had everything:

- ➢ Potential rectangle base breakout
- ➢ High short interest
- ➢ Leading relative strength
- ➢ Industry tailwinds
- ➢ Direct beneficiary of the Ukraine/Russia conflict

So what did I do? Nothing. I forgot about it because it wasn't a mining stock. It hung on a random watchlist like an orphaned child.

Anyways, here's the stock today.

DRO gave me multiple opportunities to buy:

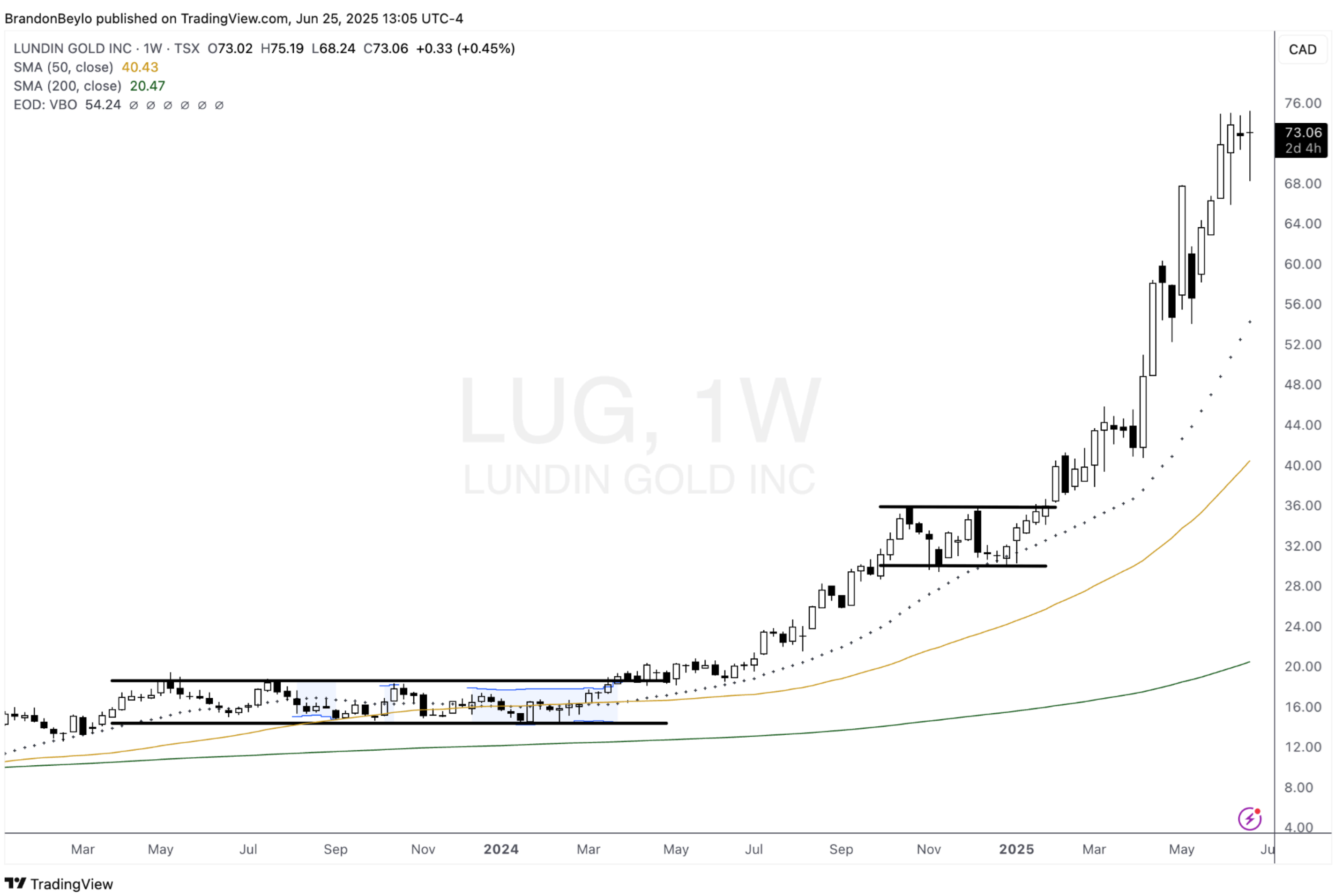
➢ Initial pullback from the rectangle breakout
➢ Pull back to the 50D in early April
➢ Pullback to 50D in late May

Chop wood, carry water (as I clench my teeth in disgust)?

Next, let's discuss the second type of error: ignoring relative strength leaders in my "focus" industry … **Lundin Gold (LUG)**.

LUG checked all my boxes. It was a mining company run by exceptional people (the Lundins) operating in great jurisdictions in a rising gold-price environment with consistently leading relative strength.

Check out the weekly chart below.



LUG has returned **400% since January 2024**, within my "only focus on mining and commodities" journey. I should've found this name. I should've bought it. But I didn't.

I ignored the relative strength and didn't buy because "it was already a large stock that ran a bunch and I probably missed the move."

But that's the thing about relative strength. Leading stocks usually lead for a long time, often much longer than we imagine. Just look at LUG's relative strength over multiple time frames (see below).

		Percentile Rank	
	Current	vs. Global Materials	vs. Global
Price Change %			
Price Change % (1W)	-0.53%	91	92
Price Change % (1M)	15.01%	91	95
Price Change % (3M)	69.05%	95	97
Price Change % (6M)	135.15%	97	98
Price Change % (YTD)	138.68%	96	99
Price Change % (1Y)	268.48%	98	99
Price Change % (3Y)	653.66%	98	98
Price Change % (5Y)	502.80%	93	95
Price Change % (10Y)	1,776.41%	96	98

No matter how you slice it, LUG was *the* leader.

Moreover, I was too worried about Idaho Strategic (IDR) or Magna Mining (NICU). They were my pet stocks, my two horses in this race. It blinded me to buying other names.

Instead of stacking edges, I stacked biases.

DRO and LUG are just two ideas that I found … I'm sure dozens of other omissions have cost the MO portfolio a few percentage points of return, at least. And that's frustrating. But the exciting part is that there's so much room to improve, starting with controlled-burning my errors.

Idea Generation: The Controlled Burn

Here's what my **new** process looks like:

1. Weekly screen for relative strength leaders in **all our key thematic areas** across 6M and 1YR time frames.
2. Develop a **basket approach** to portfolio construction and stock selection to express our **key thematic areas**.
3. Optimize the portfolio to **have the highest weighting in the leading relative strength names** within the leading key thematic areas.

Let's start with the first step: weekly screening for relative strength leaders in key thematic areas.

<u>Step 1: Focusing on Key Thematic Areas</u>

We currently have five key thematics we want to own over at least the next 12-18 months:

- **Global Defense/Aerospace**
- **Nickel/Copper**
- **REEs**
- **Precious metals**
- **US natty producers or services company**

My job is to find the best stocks in each of these thematics that possess: leading relative strength, compelling fundamentals, and attractive valuations (looking out 12-18 months) … or the Trifceta Lens.

To do that, I'll screen for stocks in the 80th percentile for Global Relative Strength on a 6M and 1YR basis, then filter by the industries that match our thematics.

Here's the important part: **I let relative strength guide my initial interest**. That sounds wild coming from a "contrarian value investor." But sometimes, the most contrarian thing you can do is buy what's already working because investors have no idea how early the company is on its journey.

Next comes the basket approach.

<u>Step 2: Buying The Basket</u>

The next change to my process is buying a basket of ~3 names in our key thematic areas. Before, I'd focus on finding *the single best name* in the space, crossing my fingers, and hoping I picked the right one.

Sure, you can still pick three duds. But there are benefits to the basket approach:

1. You can risk less per trade while maintaining an optimal total risk for the key thematic.
2. You can let each trade breathe with wider stops, allowing you to add on expected pullbacks within broader trends.
3. There's less stress about finding "the perfect stock" for any given thematic.

The result is you own a basket of the strongest relative strength leaders within the leading key thematics … stacking edges.

Step 3: Portfolio-level Relative Strength

The final step is ensuring that our portfolio weighting reflects the key thematics with leading relative strength.

For example, if Aerospace and Defense is the leading relative strength thematic, does our portfolio allocation reflect that? Do we have most of our money in our three best names in that space? If not, why not? And how can we fix that?

Or do we own any names that aren't in our key thematics? If so, why? And do they have a compelling reason to be in the portfolio?

One way to check that is to monitor all industry and sub-industry ETFs on a relative strength basis, and update that list monthly. I'm thinking something like this Koyfin scatter plot (see below).

Company Name	Ticker	Total Return % (6M)	Total R
VanEck Junior Gold ETF	GDXJ	54.34%	
iShares Gold Miners ETF	RING	54.19%	
VanEck Gold Miners ETF	GDX	51.19%	
iShares Global Silver Miners ETF	SLVP	47.92%	
Global X Silver ETF	SIL	42.69%	
iShares U.S. Aerospace & Defense ETF	ITA	23.33%	
SPDR Aerospace & Defense ETF	XAR	19.88%	
Invesco AeroDefense ETF	PPA	17.01%	
SPDR S&P Metals ETF	XME	13.82%	
iShares U.S. Broker-Dealers ETF	IAI	12.14%	
iShares Global Clean Energy ETF	ICLN	11.94%	
SPDR Tech ETF	XNTK	11.32%	
Global X Copper ETF	COPX	10.45%	
iShares Global Comm ETF	IXP	10.10%	
iShares Copper ETF	ICOP	10.00%	
iShares U.S. Utilities ETF	IDU	7.86%	
Global X AI & Tech ETF	AIQ	7.76%	

Then it's a monthly process of, *"do we own the stuff that is in the upper right corner of this scatter plot?"*

Conclusion: Stacking Edges & Controlled Burning

Consider this v1 of my new "Investment Process." I'm sharing it because a) I want feedback on this first iteration, and b) maybe it might help you with your process.

Great investing is a ritualistic process of burning old habits, negative patterns, and unprofitable biases. It's clearing the overburden and leftover straw in your mind, leaving fresh ash for new ideas and better systems.

Yes, my errors over the past 12-18 months hurt. So does burning an entire field of grass, hay, and forest. But the result is worth the pain; it's always worth the pain.

I can't wait to embrace the controlled burn with you.