

Investors threatened to sue Burry in 2006. In 2007 he returned 138%

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Maxim: *Conviction is tested most when the market disagrees with you.* — Rakesh Jhunjhunwala, in substance

Holding on when prices move against you is either the wisest thing an investor does or the costliest. The difference lies in what you check while you wait.

Conviction is easy when the market agrees with you. The only conviction worth having is the kind that has survived the market saying you are wrong.

A year of being wrong in public

In May 2005, a fund manager in California named Michael Burry bought \$60 million of credit default swaps from Deutsche Bank: insurance that would pay out if American subprime mortgage bonds went bad. By October he had told his investors that his fund, Scion Capital, held at least \$1 billion of these contracts, according to [Wikipedia's account of the fund](#), drawing on Michael Lewis's reporting. His reasoning was specific: as the low starting rates on these mortgages reset higher, he expected the bonds to lose value.

The market disagreed, and kept disagreeing. Scion had to keep paying for its insurance while the payoff refused to arrive. In 2006 the fund lost 18% while the S&P 500 gained about 16%, according to the [year-by-year figures compiled by Hedge Fund Alpha](#). Some investors demanded their money back. Some, unhappy that he would not unwind the trade, threatened to sue.

He held. In 2007, as the subprime market began to collapse, Scion returned 138% after fees. From its launch in November 2000 to June 2008, the fund returned about 489% after fees, against barely 2% for the S&P 500. His investors made about \$700 million; Burry personally made about \$100 million.

The same courage, a different ending

Now consider a man with an even longer record. Bill Miller's Legg Mason Value Trust beat the S&P 500 for [fifteen straight years](#), from 1991 to 2005. When financial stocks began to fall in 2007, Miller saw value and kept buying.

He bought Bear Stearns in 2007 and added more in 2008. On 14 March 2008 he said he had bought again that morning at "north of \$30 a share," down from a high of \$154, [The Wall Street Journal reported](#). He kept adding to Freddie Mac until his group owned about 8% of it; the stock started 2008 at \$34 and ended up under \$1. Over the year to December 2008, Value Trust lost 58%, and its assets shrank from \$16.5 billion to \$4.3 billion. "Every decision to buy anything has been wrong," Miller told the Journal.

Burry and Miller showed the same quality: both held against the crowd, with their reputations on the line. One was proved right and one was not. That is the uncomfortable truth inside this maxim. Conviction is not a virtue in itself. It is a willingness to bear pain, and pain is only worth bearing when the reasons behind it still hold.

What Burry was checking

The two stories differ in one useful way. Burry's thesis rested on a mechanism he could track: mortgage rates resetting on a known schedule, and what that would do to the bonds. While prices went against him, that mechanism was still in motion. Miller's buying rested on a judgement that the worst was over. "The credit panic ended with the collapse of Bear Stearns," he wrote in 2008. "By far the worst is behind us." It was not, and by December he admitted, "I was naive." Hindsight makes this cleaner than it felt at the time, and plenty of investors with detailed theses have also been wrong. But it points to the right question when the market disagrees: has the evidence changed, or only the price?

Jhunjhunwala built his career on that distinction. "I have always held on to my beliefs," he told Outlook Business, which described him as known for his contrarian calls; of the pharma stocks the market shunned at the time, he said, "Sometimes ugly ducklings don't remain ugly forever." In the [same profile](#), published in August 2022, he was candid about the other side: "I pay a price for picking the wrong companies too." Conviction, for him, was a bet sized and watched, not a vow.

Why this matters in 2026

Indian investors are living through their own test. By late May the Nifty was heading for its first calendar-year loss since 2015, foreign investors had pulled out more than \$23 billion, and the IT index was down more than a third from its December 2024 level, [Invezz reported](#). Many people who bought in the last few years are seeing their first long stretch of red. Some of their holdings are Burry positions, sound ideas going through an unpopular spell. Some are Miller positions, falling for reasons that will not reverse. The price chart looks the same for both.

If you do one thing: For every holding that is down sharply, write two lines: the reason you bought it, and the specific fact that would prove that reason wrong. Then check the fact, not the price. If the fact has turned, sell without shame; if it has not, hold without panic, and never let one idea grow so large that being early could sink you.

The market's disagreement is information, not a verdict. Listen to it, check what it might know that you do not, and then decide. Conviction that cannot survive that check was only hope.

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