How to Deal with Market Volatility with Braden Dennis

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DAVE: All right, folks, welcome to Investing for Beginner's podcast. Tonight. We have a good friend of ours. Braden Denis is joining us today from Stratosphere Investing. One of my favorite new websites, as well as the Canadian Investor Podcast, which is, I believe, the number one podcast in investing and business in Canada. Am I correct on that?

BRADEN: That is correct. We've been number one in the investing category for a couple of months now, but newly, number one in business as well. Truly, I never thought any of this was possible, but I'm glad people like it. Yeah,

DAVE: It's awesome. It's one of my favorite shows; it's actually the first thing I listen to every week when, well, you got two episodes a week now, so I listen to that's the first thing I listen to every morning. So it's, it's a great show. Yeah, no, it's, it's a great show. I'm not just saying that cuz I like you it's <laugh> I, I really do enjoy the show. All right. So Braden is here to talk to us about kind of what's going on in the markets.

And maybe we could talk through some ideas, some of the things that we've seen going on over the last couple of months, and how to invent can deal with all the volatility and craziness that's been going on lately. So, why don't you tell us a little bit about what you guys have been seeing and how you guys have been handling some of this?

BRADEN: Yeah, Dave, Andrew, by the way, thanks for doing this again. I know we try to do this on a regular basis, and it's always fun hanging out with you guys. I like hanging out with you guys. Yeah. So recently, you know, it's no secret, you know, this is well-breaking news. The market is in pretty much correction territory across the entire market at this point. And some stuff, the stuff that was really winning for the last two years, the trade, and the momentum that was working over the last two years, is not working anymore.

And the perfect way to track that index of stuff that's really not working right now is the arc innovation. ETF is like a perfect proxy for the destruction in unprofitable, speculative innovation. Now that's not to say that there might be a lot, not a lot of interesting companies in there.

I think that there are; it's just really the fact that, oh wait, yes, valuation mattered this whole time. Of course, it did. And so, eventually, on a long-term basis, stocks follow business results. I, and that's all it's ever done, and that's all it's ever going to do on a long enough timeframe is follow business results. And so, at the end of the day, if you have a bunch of assets trading at prices that don't make sense, eventually they come back down to life. Now that's not to say there aren't some fantastic companies, easy. We were talking about this earlier, where let's use an example of something that I finally bought. You know, I host the Canadian investor podcast, and I didn't own any Shopify <laugh> it's like, that should be a Sin, right?

DAVE: You should be kicked out of the country, right?

BRADEN: Yeah. Yeah. Like they should have deported me a long time ago. <laugh> and I just, I have a rule. I can't buy something that trades at 60 times sales; I don't care how great of a business it is. And I'm not some like, you know, extreme value investor. I'd say I'm more of like growth at a reasonable price investor. And you know, it took a 50% haircut for one of the best businesses around today led by one of the greatest entrepreneurs I'm willing to, to enter and, and buy some shares.

But I think at the end of the day, we need to remember that we're looking to buy and hold great businesses for a long time, five-plus ten plus in my case, 20 plus years, if you are a new investor or you manage your money, you don't have to listen to the short-termism that exists out there because the market is very short term.

I like to think that it operates about one to two years ahead. Looking out your edge is that you can look further out. I'm not just saying this to be all stoic. I'm saying this cuz that's how you make money in the stock market is actually thinking like that. It's not because, oh, I think, you know, you guys need to think about the long term. It's just, no, the reality is, is that as you zoom out, you think in a little bit of a longer time horizon, and I G he, the compounding will blow your mind.

DAVE: I agree with that. And I think the thing that is illustrated by that idea is how many of these short-term investors have been famous for a very long. And you think about some of the guys, some of the people that have had the greatest returns have earned the most wealth in the market. They have all been long-term investors. And even guys that fall into the growth camp, like Terry Smith and Chuck Aker, these guys have been doing this for 50 years, and they've been investing in these companies for very long periods of time. They're not buying the latest, greatest hottest thing. And then flipping it, you know, a year from now they're buying companies and sitting on 'em for day decades. Like how long does Chuck acre own American tower? It's what, 20 years?

BRADEN: Oh God, his cost basis on American tower is, Is like $2 or something despicable.

DAVE: Yeah. Yeah. It's his gross, but you know, he just owned it forever, but that's how you do it. We talked about this; I think a packer two ago that Warren buffet, you know, on his shareholder letters, the first page is his compounded annual returns since he took over Berkshire, and it's like 20% for 56 years or something crazy like that. And so it, it makes me kind of chuckle whenever the new Warren buffet comes along, that the media an annoys as the next person and six months a year from now they're broke or, you know, their portfolio is in the tank, and their whole idea of how they invest is discredited. So, you know, it is

boring. It's not sexy, but yeah, like you're saying, you know, Braden buying for five years, ten years, 20 years, and trying to hold on for a long period of time, that's the way to do it.

BRADEN: Historically, Dave, every time someone discredits or doesn't give Buffet and Charlie Munger the respect they deserve, it's probably a good time to buy Berkshire Hathaway stuff. <laugh> yeah. I bet you on a fear greed spectrum, or as some sort of index of tracking people on the greatest to ever do, it is probably a good time to act as a contrarian

DAVE: <laugh> yeah. Yeah. That's a great point.

ANDREW: And they have been one of those stocks that are actually done really well over the past 12 months when it seems like all the headlines are saying that the markets in the toilet now you're getting an interesting environment where there are a lot of great BI businesses, particularly in even the last several days that have posted incredible results. And yet there's not much attention on it just cuz a lot of other stocks are moving around so much. It's almost like some of these great businesses are going under the radar.

BRADEN: The Microsoft print was what really characterized what you're talking about perfectly. It's like they, they guided for 51 billion in top-line, and they only beat it by 1 billion. It's like, come on. Like what is, you know, we're used to you smashing this like 20% on every metric. You know, you usually guide for X on the commercial cloud out, and we wanted X plus 20, like come on. I thought that that was a perfect characterization of what's going on right now. And it characterizes it perfectly, which is in the short term stocks move on, factors, stocks move on momentum. They don't move on fundamentals. Even in the, you know, anything under six move months, stocks don't move on fundamentals.

They move on factors, and they move on momentum. Momentum is a hell of a drug in the stock market, the benefit and the good thing for, you know, guys like us is that it just doesn't matter over a long period of time. You know, as soon as you go out into multiple years, not just a few quarters, business results are the ones that matter, and they're the only ones worth paying attention to, in my personal opinion,

DAVE: I would totally agree with that. And when you talk about MasterCard, you know, Visa and, and MasterCard, Microsoft, and Apple reported, I believe after hours today, I haven't had a chance to look at their results, but three of those four companies had great quarters. And like you said, the stock market really didn't notice much.

BRADEN: Yeah. So the Mr. Market analogy from all the writings of the intelligent investor is perfect. Now my hot take is that the rest of that book sucks. I, I know it's a flaming hot take, and I'm gonna get screamed. I'm gonna get AMS. It's gonna be terrible. But the beginning of that book and the conceptual about how, you know, the short term, the market's completely random and it's bipolar, man. Who's just like, ah, you know, recency bias, short-termism that's must-read material and it's completely true. So if you rewind the clock, you guys know every time I come on this podcast, I talk about how much I like the payment rails. I think that they're just, you know, operating margins of 70%. Yep. I'll take some of those six months ago; people were coming out and saying, they're dead. They're dead. You're they're left for dead. They buy now pay later, by the way, that adds more volume on credit cards. I know, but again, this is four; that's too much. Logic's too logic,

DAVE: Four payments going over Visas rails as opposed to one, I mean, gee

BRADEN: Seems, seems right to me. And, yeah, they're left for dead. , you know, the entire banking system's gonna collapse, and you know, we're gonna be using Bitcoin Ethereum to do all our transactions. It's like tomorrow; that's what the sentiment was. And last time I checked, MasterCard just reported today.

Like as of recording today, revenue was up, 28 net income was up 36% of cross-border transactions are killing it. Operating margins are through the roof. And clearly, that's the real fundamentals of what's happening, what the Street's saying and what's happening with the business don't align.

And I'm okay with that. That's our advantage, right? That is completely our advantage in the long run. So it's not to say that I don't think like decentralized crypto or Bitcoin or Ethereum; I own both of them, by the way. And I think that paying attention to crypto; I'll say it this way. I think not paying attention to it is stupid at the beginning at the minimum. And not saying you have to own any of it, but I think not paying attention to it would be dumb. I think even if it goes nowhere, paying attention to these kinds of disruptive technologies and being an early adopter on some things and having an open mind, I think is probably the way to go because people way, way, way smarter than me are very interested in it.

ANDREW: It really reminds me of the.com bubble and bust, where there was a lot of excitement about it. And the truth of the matter was there were huge winners that came out of that, and the people who were able to pay attention and get in as early adopters made incredible amounts of money. And so there is a way that you can win with that. And, but they're also a way where you don't necessarily have to. And that's, I think the beauty of some of the craziness in the stock market is there are lots of ways to make money if you can figure out, you know, where your advantage is.

BRADEN: Yeah. If you go back to the.com or you go to any new disruptive technology that does have the chance of really being a game-changer, there are classic stages of adoption, right? There's like the hype curve. And then the valley of despair where it's like, is this ever gonna work? And then it comes out the other side to some sort of steady-state where the technology's going to actually live, exist and thrive and then continue to grow from there every single time and time. Again, every single disruptive technology that humans have ever come up with has a very similar trajectory with some sort of hype cycle.

And in that hype cycle, all kinds of things come along, including lots of Charles. So be very careful in the crypto space. If you're listening to that in that hype cycle, you're gonna realize that there's gonna be a lot more losers than winners because a lot of garbage comes up.

You have to laser focus on quality. And at that point, you know, focus on businesses that are legit and really high quality and not in some hype cycle, like the EV stuff makes no sense to me. And this is coming from someone who worked in renewable power for a really long time. I used to work in auto manufacturing when I was in engineering school. The whole time I worked there, five summers in a row on the plant floor, doing engineering stuff, sometimes like gritty stuff in auto manufacturing.

The truth about auto manufacturing is that the margins are terrible. The margins are horrendous, and there's a lot of competition. I don't see how some vehicle gets around those unit economics, and I could be wrong. I'm wrong about so much stuff. It's ridiculous. I don't see it personally. And although I do think that we need to decarbonize heavily, including the transportation sector, it's incredibly important. I'm a huge believer in that, but to strap on multiples doesn't make sense just cuz it's a new and disruptive technology. When the unit economics are largely the same is a recipe for disaster for investors. And that's just the way I think about it. But I mean, a lot of them have been huge winners, so maybe I'll be, maybe I'll continue to be wrong. I'm not sure.

ANDREW: I like that. You brought that point up cuz I think it makes for an interesting idea. <affirmative> where it appears to me that you've done some work in that space and have tried to find good investments. I know I have in that space, and it's just been impossible. And you know, not to say that again, you can't make money in that space, but for the type of investing I do, I haven't been able to find anything. So if that's, I don't wanna put words in your mouth, if that's the case for you, how do you differentiate between disruptive

technology you can get behind and disruptive technology where you say, you know what, these are a little bit out of my realm of like good investing.

BRADEN: Yeah. Well, in the example of the EV space and kind of like charging companies that have come out of it or the new electric vehicle startups, you see Riv and IPO at over a hundred billion based on a couple of PowerPoint presentations <laugh>, and this is just the definition of insanity. It really is.

So if I look at something like that and I know how hard building manufacturing capacity is, by the way, Tesla's a complete outlier, you have to give them the credit they deserve for the execution because building capacity for manufacturing is very difficult to actually pull off. So if I look at some of the ideas out there in that space and I'm looking at it, and I'm like, okay, it's a hundred billion in market cap. There's no risk-adjusted return for me at all, like risk-adjusted at zero, like it's negative.

And so I don't see where you actually make money on some of this stuff. Now maybe the momentum trade keeps and on as we talked about, you know, this momentum is a hell of a drug, but it Le it goes back to my initial talking points, which is over the long term, it'll follow business fundamentals and valuations matter. So it's just not an investible idea for me. I have kind of like a six-point checklist that we have on our website for what, be an investible idea and those fitting on the phone, like zero for six. Like it's like no chance.

DAVE: Yeah. Yeah. That's a good point. You know, I started trying to do a little bit of work with the renewable sector, and I have had a really, really hard time finding something. That's investible you, when you look at some of the breakthrough technologies that are out there, you think about some of the solar and some of those kinds of things you run into, you start running into either complete overvaluations unprofitable companies, high, you know, pie in the sky kind of valuations, or you start running into more, I guess, realistic problems. Like there not, you struggle to find battery capacity. So the way that the solar panels work, they produce so much electricity, but when they're producing, it is not when we actually need it. And so there are just so many logistical problems at this point that it just makes it really hard. And then you start looking at utilities.

And like Andrew said to me the other day, they're all negative cash. And it's like, okay. And I mean, he is right. It's just hard to find some of those things sometimes that's, you know, that's my struggle. And like you said earlier about competition is gonna rise up. That's always been my concern with Tesla is that there's no doubt it's a great car. And it's an; there's no doubt that they've done a fantastic job of marketing the car, marketing, the company, pushing everything out there that they're trying to do. But the blunt fact of the matter is, is that companies like Volkswagen Tesla, GM Ford, they're all coming for 'em. And is Tesla gonna be able to hang with them? I don't know. I mean, that's the $24 question. So I hear what you're saying.

BRADEN: I think they will. I think they will. And I think they're gonna win. Like I'm actually a believer in it, even though I sound like such a bear, I'm just not a believer that I can make money when it trades for 800 billion in market cap. <laugh>, that's the thing that doesn't, that I can't get behind. Cause it was over what was over a hun over a trillion, market cap. It reaches reached over a trillion market cap. So if the bull case pans out for a company like Tesla, that all the bulls will say, which is like this, you know, driverless car experience, which then disrupts other markets because you require in that the, for it to have a much larger total addressable market than just the consumer auto market, right. It has to, if

ANDREW: We'd to out Uber, they'd have to take out Lyft, take out anything ancillary to that.

DAVE: Yeah. FedEx ups, all

BRADEN: Those places. Right? And so I'm not here to say that that's not gonna happen. I mean, if someone does it given, you know, their execution, their tech, it could be them, but rule number one is don't lose money in this game. Mm-hmm <affirmative> mm-hmm <affirmative>. And I see myself probably losing money at something, trading for a trillion in market cap. When you can buy Amazon trading for, you know, what one and a half trillion and is, you know, doing ridiculous monster free cash in the flow numbers on the AWS business, you look at the advertising business, you look at the third-party business, you look at the prime subscription, you know, the core retail business.

You put all that together, and you know, on a gap basis, it tricks you into thinking it's not making a lot of cash flow. Trust me. It is. And now they're spending all this CapEx to build out all that infrastructure.

I just, if that's my hurdle rate, you know, what am I doing in something that's, you know, really difficult. I'm trying to make this game easy on myself because investing is hard to do for a real, really long time and hard to do it well for a really long time. I'm not trying to make it difficult for myself. So I talk about Tesla and people come off the wrong way and let that, that I somehow don't like the cars <laugh> I love the cars, you know, like let's not get it twisted, but at a trillion in market cap, I'm trying to make money.

ANDREW: You know, you bar you bring up Amazon and Tesla. That's such an example again because Amazon is everything that Tesla is now was what Amazon was back during the.com boom. They said Amazon was gonna take over the world. You know, they did <laugh>, but you know, people

BRADEN: Took 21 years from that point.

ANDREW: Right. Plus, however much the stock drew. And I think it was like 80% or 90% or 95%. Yeah. Yeah. Once the hype dies down, the stock trades are something more reasonable. Now you can start to see really great profits from investing in something like that. And I think you could throw around like, oh, minus 90% or minus 95%. And, and people don't really understand that unless they've gone through it.

Like if you draw down 80% or 90%, the stock price gets cut in half, like four times <laugh> and, and it doesn't make sense, and it's not logical because that's not the way we understand mathematics and percentages, but that's literally what happens. So you see your money get cut in half. And then again, and then again, and then again, and then compare that to maybe the rest of the market, which maybe got their money cut in half once. And that's the danger in investing all in innovation and forgetting about that.

BRADEN: Yeah. You bring up some interesting points, especially just like losing money sucks because the returns required to break-even are not working in your favor. They're absolutely not working in your favor, and for new investors coming in, I mean, this is the investing for a beginner's podcast, the allure of quick money. And like, it's I hear this all the time. It's okay. Like I'm just putting in something I can lose, like the stock market, some sort of gambling casino. It's not; it's really not. It is accessible.

It's actually the most democratic system that has ever been created, in my opinion, which is the fact that the everyday person with no friction with essentially zero capital requirements can participate in the future cash flows of the greatest corporations on this planet and in this case, in your country as well. So it's ridiculous to even think that wouldn't

ANDREW Be, yeah, those are some great points. You know, how can investors learn from what's going on, and how can they deal with it? And maybe even find an opportunity in it with all the volatility going around today.

BRADEN: So volatility is the only normal thing that exists. And if you are new to the market and it might seem like the sky is falling when the most, the number of brokerage accounts that were open for self-directed investors retail investors over the last two years is shattering all the numbers previously by like a long shot off the scale. So there, the reality is that there are a lot of people right now unless they were investing in 2019 and then into March when they saw holy crap, stocks can lose 25% of their value in one week unless you were there for that, or unless you've been for, you know, maybe correction in December of 2018, that one was pretty quick and nasty.

The reality is, is that over a long enough time horizon, every single correction was a good time to buy stocks for the most part.

And when I say stocks, I just mean like the indices because there could always be some dog that you purchase that goes bankrupt. There doesn't pan out, or you paid too high, a multiple, and you know, there, there's always a way for you too, to fail to pick individual stocks, and you will that's okay. It's totally normal.

Not everyone bats a thousand, not even the best people to do this bus. Like we just talking about Buffet. Buffet's made some mistakes. IBM, he's still the greatest of all time. Right? And so recognize that you will make some mistakes when I mean that it's always been a good time to invest in pretty much every correction ever is. The reality is, is that the market continues to improve in terms of its overall value. And the reason that it does that is that the businesses that are inside of that index are real businesses.

It's not some imaginary basket of tickers that go across on wall street and go, oh, you know the Dows up 300, 400 points like that literally means nothing. If you ever hear the market coded and Dow points, turn it off, turn it off. It's all it's done. I'm not interested. The reality is, is that the businesses that are inside of the market today are producing earnings and cash flow. They're getting better.

They're getting stronger over time. And that happens year over year, decade over a decade. So every time you see volatile in the market, if you can think like a contrarian and buy, when there's some blood on the streets in high-quality businesses, don't be messing around with some garbage, don't be buying some penny stock, just cuz it's cheap on a unit bias. It's really a waste of time. If you can think about what are the greatest companies out there, buy them and hold them for a long time and track their actual business fundamental performance. Even if it's just starting tracking their revenue, tracking their net income tracking, you know, a metric that makes sense for them.

If you're looking, invest in Spotify, the music platform track monthly active it's on their press release at the very top. It is the very first number that they post and Spotify's quarterly results every single quarter. And you don't have to get more complicated than that out first, but investing in good businesses when the market is down has worked every time. Every single time it's worked.

DAVE Yeah. Amen brother. That's the way to do it. And for whatever reason, the stock market is the only place when things go on sale, where people run everything else. If we were gonna go buy a Tesla and they were offering it to us for $40,000 cheaper than it was on the showroom two weeks ago, we'd all jump at it. But for some reason, with the stock market, that's when the fear seems to take over. And I understand psychologically we feel a loss; I think twice as much as we do a win.

And so when we see that our portfolio is going down or we see the companies that we're interested in buying are going down, then we get afraid. But like you said, if you're buying a company now, whatever company it may be, if it's a strong business, whatever that may be, then you're just buying it at a discount. And eventually, it's gonna rebound and go past that. And you're gonna be like, I'm the smartest guy ever or person

BRADEN: Ever when the market is in correction, territory and sentiment for the market are lower than usual. Like I would say right now, as a recording, it's usually a good time to invest aggressively historically. And back to what you're saying. I mean, you can just dollar-cost average, right? Like it's so easy to just continue to dollar cost average as a self-directed investor. Like there's no one you have to answer to, this is your greatest edge. And so people always ask me like, what do you do?

Like how do you do this in your own portfolio? And my strategy is so ridiculous. You wanna know what it is? I buy stocks on the first Tuesday of every month. <laugh> why like, oh, okay. There's no real science to it. Other than the fact that I used to do it on Mondays, the first Monday of every month, you know, that makes a lot of sense.

You know, picking up regular occurrence Mondays a business day, it turns out markets closed a lot of Mondays <laugh>, historically <laugh>. So I was like, okay, we'll do it on Tuesdays Tuesday. Yeah, exactly. And so in a time like this, as you said, when stocks go on sale, and everyone's worried, I'm sticking to my plan, and I'm doing, I'm gonna get much better value on some of the positions I own, you know, if I, I was buying shares at 150, the business just reported earnings.

As I said, I'm using random arbitrary stock prices right now. But say that share traded for $150 at the end of last year, by the way, we're recording in January. So it's still relatively close to the end of last year. And MasterCard saves, you know, X dollar amount. It's fallen 30% in, you know, the same timeframe. And then this month I contribute to it.

The business has increased its revenue by 28%. Since this time, since the fourth quarter of 2020, the business has gotten stronger. Cross-border transactions are coming back. Earnings per share are going through the roof. They're buying back stock. Like you wouldn't believe they're investing in the business. You know, margins are incredible, and I'm getting a better deal on the merchandise that I'm buying. Like, as Warren Buffett says, they buy stocks. Like they buy stocks. <laugh> when merchandise is marked down. Yeah. It's the same; it's a very similar thing. But with humans, they're very emotionally driven. That's just the nature of the game.

ANDREW Mm-hmm <affirmative> yeah. I mean, you gotta feel with humans, I guess, you know, we're all, we're all humans in that category, and it is tough because, you know, you mentioned the visa example at the very beginning of the show where there are all these fears that pop up of, you know, crypto is gonna take over Visa by now pay later is gonna take over Visa. All these fears when the stock price is going down.

Now, all of a sudden, these things that people just kind of thought now become amplified. And it's almost like a megaphone on all of these concerns. And so that's kind of where a service like yours, where you break down, like what business does. So people actually understand mm-hmm <affirmative> and can get past all the noise and feel the conviction to be like, you know what the stock price is going down, but I know why the business is strong because either I've done the research or somebody's done the research for me to show me that, yeah, there are some risks, but the business is in able to overcome them. This is how they do it. And this is why you put more into the market. Even when other, you know, less convicted investors are running for the Exits,

BRADEN: you touched on an important point there, which is knowing the business, right? That is critical in a drawdown. If you buy some shares in a company and you don't understand it well, when the share price is in decline, you are going to think that the market knows something that you do not. And many times, that's just not the case. Like right now, the whole market's in a widespread, your auto on. So, you know, this is, this could be your opportunity, but if you don't know the business, how are you supposed to decipher that? Right? Like, how are you supposed to know that? Were we talking to Amazon before Amazon's been a

nothing for the past year and a half on a share price basis? You know, Shopify has lost 50, 50% of its value in the last three months. Mm-hmm, <affirmative>, it's been cut in half for a business that's growing extremely fast.

I mean, valuation matters, and the multiples got stretched. And so it's getting absolutely hammered more than the rest of the market is. But if, if you didn't know what Shopify even is, I feel like most people know roughly what the business is now at this point. But if you didn't, and you own shares, you've seen your investment gets cut in half. That sucks, especially when you don't know what the business is.

So if you do know it, well, you'll go, okay, I'm gonna buy some more Shopify. They just did more gross merchandise volume. Then they did like 30 years ago by like 40 X. Like it's ridiculous. And so I, I think that, that you touched on an important point there, which is you have to know the business all the time, but in a drawdown, it's particularly important. And also, you might do something that might not make a whole lot of sense.

So at Stratosphere, like my company, what we do is we cover about 50 companies, and we write these primers for our members that basically say what the business does, and you know, it doesn't talk a whole lot about the real intricacies of the return on invested capital. You know, it doesn't talk about, you know, the DCF model that's being run in the background. Like it doesn't touch on that stuff because the reality is, is that the important part is understanding the business.

You have to know the business before you do anything else. And so I, I think that that's why we arrived at what we do. And I think that people get value from that during this type of time, you have to be able to act rationally. But if you don't equip yourself with the right knowledge to act rationally, then it's very hard to do.

DAVE: It's very hard to do. And I agree with what you're saying and your company's service. It's awesome. I know that I've read some of the reports and have been very helpful for me to understand how some of the businesses, I, I remember not too long ago, I reached out to you cuz I was, I had some questions about a particular company you shared with me, one of the reports.

BRADEN: I think you were asking about Brookfield. Yeah,

DAVE: It was, yeah. Brookfield asset management. And it helped a lot because trying to read; honestly, when I tried to read through their 300-page annual report, it was a bit of a challenge. And, some of it was a little confusing to me. So it was helpful to have that breakdown to help me understand.

And I love your analogy of Shopify and how the market has punished the company. Even though the business performance has increased fourfold, it highlights the fact that sometimes the market is separated from the reality of what's actually going on with the business. That's, we're having some of the business fundamentals and understanding some of those can really be helpful during these periods,

BRADEN: The market on, on the short term, as we said before, axon, mostly factor rotation and sentiment. So there's a big factor rotation right now from growth to value. And so that's when so growth is getting hammered. And I look at that, and I go, there are some really high-quality names in growth. And I think that you know, some of them, as businesses are sitting there today, the ones that are gonna be more important, more profitable demand, more market share, have better branding, all of those things in the future that some of these companies possess. Now, some of them are not great. Some of them are extremely high quality, like the Shopify example. So yeah, that's a good point, Dave.

DAVE: Yeah. What do you think investors should do in a five-second spot? <laugh> how can they five seconds. Okay. Five seconds. Like Andrew likes to say, tell me like, I'm five. How can a beginning investor earn some fundamentals about a business, and how can that help them through a period like this?

BRADEN: Yeah. It's a great question. What do you do right now? What do you do in a drawdown? What I will say, what I won't do is wait; there's an old adage about catching falling knives. Don't catch a falling knife like, oh no, you know, wait till the market bottoms out. If you can correctly tell me <laugh> the trading day that the market bottoms out, I'll buy you a beer. Like I'll buy you more, more than Vegas. <laugh> more than Vegas. Yeah. You're coming with me, and we're going to Vegas. And so I say, you know, I have a counterpoint, and I say, you gotta catch falling knives. And I know that if I put fresh capital in today, the market could go down another 10%. Absolutely. Absolutely. It could. Some of my positions could get absolutely cut in half from here. I own Unity, the gaming engine.

I think it's one of the coolest companies in the world that trades at nose bleed, face-ripping valuations. That makes me feel a little uncomfortable even after how much it's fallen. If I buy more shares, you know, I went from 180 to 90 in like a month and a half <laugh> if I buy more shares. Cause I believe in the company long-term, which I absolutely do. I could still get wrecked in the next month and a half. Right. Mm-hmm <affirmative> I have to be okay with that. I have to be okay with that.

And this relates back, you know, to know the business, but you cannot predict a market bottom. It is literally impossible. So you want to deploy money during drawdowns, but no, during that drawdown, you could be in the middle of it. Right. And that's totally normal because it's just the reality of the game.

DAVE: I would agree with that. If there's a company that I really like, there's a lot of 'em, and a lot of the payment companies that I've bought over the last year or so have gotten butchered <laugh> over the last two or three months. And to me, this means that they're cheaper now and I'm still gonna buy 'em because the underlying fundamentals for the come companies are still doing well. And you know, a little cheat sheet is when you look at, you mentioned earlier that on Stratosphere, you guys have the press releases. If you don't know anything about a company and you read the press release, the first two or three statistics that they put in the press release are the three most important things that the company believes in, whatever they may be.

And if you just look at those and track those over, you can just go, you could literally go on Stratosphere and look at the last three-quarters of press releases and see when those, what those revenue numbers are, the earnings numbers or whatever metric or whatever fundamental that the company is talking about. And you could just look at those, and if you see those are going up, and the stock price is going down, chances are as probably a stronger company. And you could, you know, make your decision with some other information. But I think just those simple things are an easy way to kind of start learning about kind of what's going

BRADEN: On with the company. Yeah. I do believe that. Well, I'll say one caveat about the press releases is that make sure year over year that they're still reporting on the same metrics. <laugh> yeah,

DAVE: That's true.

BRADEN: <laugh> true. That's an important thing to

DAVE: Track. Yeah. If they change, if they start changing 'em, that's probably a red flag to be like, that's right. , you know, <laugh>

BRADEN: Yeah. Like my Spotify example before, right at the top, I pasted on every press release monthly active users. Mm-hmm <affirmative> they go monthly active users is this number. And then they break them

down, and I say, which one of them are paid, which of them are ad-supported. That's the top of their press release every single time I know this cuz I, I read every single one that comes out. Yep. If they started saying some weird listening time metrics or something, right.

DAVE: Like the watch, watch time on Netflix. Like

BRADEN: Yeah, yeah. Or like the like Spotify art, all of a sudden started doing like a number of artists on the

DAVE: Platform. Listen, listen to <laugh>.

BRADEN: Yeah, yeah. Yeah. Like, like a number of people that shared their Spotify wrapped, like you gotta be careful. They're not moving the goal post, but I do agree with that, that sentiment that, you know, even just tracking one, two metrics, that's what I do. I have my portfolio. I have beside them in a simple spreadsheet. It's very simple. Like it's not scientific at all. And I just have two KPIs that attract each company, and that's it now like myself and my analysts for the companies we cover, we cover like usually a ton more metrics, and they're all graphed out nice. But just in my own personal portfolio, that's what I do.

I like keeping it simple. Dave, David, Andrew, you guys should know how goofy and complicated the models I used to write when I was a university student for my investing, the companies I invested in, it was ridiculous. As I have simplified my models, the results have gotten way better and have focused on what's important. I think that that's one recommendation. If you're building model is simple, it is better. As the back of the envelope, calculations are some of the best investment thesis I've ever seen. Mm-hmm <affirmative>,

ANDREW: It's a great recommendation and a ton of good advice for people today. I think of all levels, beginners and people who have been in the market for a while, anytime that there are big changes in the market, it's a good opportunity to gut check yourself, and you know, maybe have an open mind, learn and figure out what you don't know and figure out how you can improve. So, you know, I wanna be respectful of your time. Where can people go to learn more about you, everything you've got going on, and some of the great resources you've talked about today,

BRADEN I co-host a podcast that comes out twice a week called the Canadian investor. You can find that anywhere on your podcast app. And I founded a company called Stratosphere, which is stratosphere investing.com. You can also type in get stock market.com. It'll bring you there. I'm trying to build the platform for what I wish I had when I'm looking for stock equity search and the software tools to be able to find ten-year financial statements on a dime. I know that you guys like looking at his longer-term historical financial statements; you know, if you go on some of the free sites out there, you'll get like three years tops, you type in quarterly, and they're like, oh, you gotta pay. I don't have any of that behind the paywall. It's all completely free.

You can check that out. And yeah, on the podcast we talk about, it's called the Canadian investor. Cause two Canadian guys do it. But I wanna say like; we talk about like 50, 50, probably like 60, 40 with the US companies as well. So I think there's something interesting for all, all skill levels, I would say.

DAVE: Yeah, I would agree with that. They're great resources. It's a great podcast. As I said, it's one of my favorites. I listen to it both episodes every week, and I really enjoy Braden and Simon's takes on stuff, and it's, there's some humor involved in there as well. So, they get into some interesting conversations between the two of 'em. So Braden, again, thank you for taking the time to come join us tonight. We really appreciate it. It was a great conversation, as always. And hopefully, everybody got a lot of great takeaways from everything we were talking about. So without any further ado, I'm gonna go ahead and sign us off. You guys,

go out there and invest with a margin of safety emphasis on the safety. Have a great week. Talk to y'all next week.

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