Value Spotlight: The New Updated Sather Research eLetter

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Dave

0:00

All right, folks, welcome to Investing for Beginners Podcast. Today we have a special announcement, Andrew is going to talk about some upcoming changes to the Sather research e-letter. And with that, I'm going to turn it over to our friend Sir Andrew. And we'll go ahead and start.

Andrew

0:15

Thanks, sir Dave. The Sather Research eletter for people who are just tuning in for the first time was a newsletter I started in 2014 stock pic a month, it's been a long journey. So coming up almost on a decade of running that we decided to go back and see what its subscribers want with the leather, and got some really good feedback. So moving forward, the research the leather is going to include not only stock picks, but it's going to include news and commentary on the companies in the portfolio, it's going to have regular rankings and they're updated deep dives on peer companies, which might be related to the companies in the portfolio.

For example, I just did one on Google, which competes against Microsoft in the cloud. And then also regular letters to investors, which allows me to pontificate about whatever super, or the thing I want to talk about when it comes to investing. So we're calling that value spotlight now, which I feel better reflects what the news others trying to do for people. And so we're relaunching it from now on, we're going to call it value spotlight. And it's going to be everything that the safe the research you'll either was with stock picks every month, but it's gonna have all this new content and just be presented in a different and easier way to consume to now you're gonna be able to download an app, and more easily access on the computer or your phone.

Dave

1:50

Yeah, exactly. So the real money portfolio will continue as well. Correct? Of course, yeah. Okay,

Andrew

1:57

so it's getting a little bit of a name change and a little bit of fresh paint.

Dave

2:02

It's a little more than a fresh coat of paint. For sure. So I guess what prompted the decision to make a change?

Andrew

2:11

Well, to be honest, you were a big part of this, and my wife was a big part of this. And you guys helped create the name value spotlight. And I feel like I knew there needed to be a rebrand as far as what are we actually trying to do for people. And I felt like the Santa researchy leather didn't really communicate that. So it was a lot of your help. I had some help from our partner, Andy, my wife came up with the spotlight idea I thought was brilliant. And just really excited to see how it comes out. Yeah,

Dave

2:44

yeah, me too. I mean, I think the switch to the new platform is going to make it you know, as somebody who reads it monthly myself, I'm excited for it, because it's going to make my life easier. And it's just, you know, being able to access the information and read it is going to be so much easier and so much simpler. And then the user experience is 10 times what it was before. And to me that alone is enough to make the change. But the other stuff that you're doing as well, is going to be pretty awesome as well. So I'm super excited about the change.

You know, like we've talked about a million times being able to access the past, you know, write ups and past research, and working out what you said about this company, and that company is just going to be 10,000 times easier than it is now I am super excited for the change for

Andrew

3:38

class. That's awesome. That's music to my ears. I thought you know, take this opportunity, since this is a big moment for the sailor researcher, you either to kind of look back over its history, and maybe go through some of the big moments. And I can talk about some of the lessons that I learned from running this portfolio for almost a decade.

Dave

3:59

Crazy, isn't it almost 10 years.

Andrew

4:03

I don't know if I have any clothing that as a couple cross country moves will do that. Yes, you lose a lot of physical things. So I mean, we've talked about the evolution of stock picking over time. But the first thing that jumps out to me was, you know, I bought a company every month until 2016. And then 2016, you started seeing me sell some positions. And that was back when I had a trailing stop. And I know trailing stops work for certain types of investors. But don't work for other kinds of gay like me. What are your thoughts on trailing stops?

Dave

4:46

I probably would agree with your assessment. I think they're perfectly fine in certain situations, but then in other situations are just not appropriate. They just don't work. They kind of they kind of defeat the purpose what you're trying to do.

Andrew

4:58

Yeah, I know that At certain strategies, like there's a growth investor who talks about buying stocks that are accelerating in their growth. And he uses a trailing something very similar to a trailing stop. And that seems to work very well because you're trying to catch that momentum. And so it makes sense. You're starting up where the acceleration is happening, but then you're getting out because the downside to buying those kinds of stocks is if it all collapses, it can go way further down than where even the momentum started, right.

And so for somebody who's not even looking for stocks like that, and more and looking for stocks that might be misunderstood in the market, having the trailing stop worked against me, because there'll be great companies I had that I was forced to sell out prematurely because I was just a little too early on when I bought them. So for example, I bought Best Buy in May of 2015. And I was stopped out of it on February 1 2016. And that was at Best Buy at $25 A share that was a good company, it was doing fine at the time. And so that was a loss that I took that I then need to take. Because I was trying to miss fit a strategy. I was trying to miss fit a tactic to a strategy that didn't necessarily gel even though on the surface, it sounds like something that should work.

Yeah, yep, totally agree. The next big move I see which I feel like I've harped about this for a while now. But in July of 2016, I sold, footlocker and Tiffany and I bought a company called Franklin resources. And that's been a stock that has been burned in my memory. And it's funny to look back over almost a decade because the stock picks I remember the most are the ones that didn't go the way I wanted. I almost have to remind myself about like, oh, yeah, I bought errands and I got out at like a 60% gain. That was awesome. That that's not even in my memory, you know, like it's been filed away somewhere away from my consciousness. Oh, yeah.

How did Franklin resources do when you bought that in? 2016? That's a scar that's never a believer. Right? I bet that's those those painful lessons, I think can produce something really, really fruitful for people. Particularly for me, when I look at a company like Franklin resources. We just did a episode about industry analysis. And I have it burned in my memory where I was looking at Franklin resources, and TR T Rowe Price. And it was basically value investing versus growth investing. And I pass on to you even though T Rowe was cheap, it was very cheap at the time.

And I pass on T Rowe the by Franklin because Franklin was cheaper. And to see that stock completely just go up like the rest of the market while Franklin resources sputtered along, right is a very, that's gonna be hard to forget, it does teach you that, you know, when you're looking at industries, it's not just about necessarily who has the best balance sheet, or who's the cheapest stock. It's also about who has the best underlying business and making sure that you're paying a good price for that. Because if you don't, you could end up with a company that splutters for years and years and years, like Franklin resources did. Yeah, exactly,

Dave

8:22

it certainly illustrates the importance of the price you pay, and how much of a bearing that can certainly have on a company and just buying based only on the price can also be the thing that comes back to bite you in the butt too.

Andrew

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And putting a lot of money in, in something like that can really set you back for a long time. So I think when I was a more newbie investor, I would not blink at putting 20% into a position. Now it's like I'm doing brain surgery, but my latest position was like almost 15% And that was like performing triple bypass brain surgery on myself like three times before saying, Okay, this is good. We're gonna we're gonna move forward with this heavy concentration. This is a little bit poetic to me, but I know this that, you know, Franklin resources was obviously really painful for me that stock on there performed for a while.

But as I was kind of looking back over this history, I noticed that sometimes in the lesson you can almost redeem yourself. So if you know this, the company I switch, you know, obviously, if you're just looking at Franklin resources I bought here I sold here, terrible result, I still made money, but it did not beat the market by a far stretch, right. But the great thing about that as the story doesn't end there. And so when you sell a position that is a loser, it hurts because you're taking that loss and you're having to rip the band aid off for yourself and realize that loss, but it also opens opportunity for you moving forward to have a better and brighter future. And so when We sold Franklin resources, we bought VSA. And that's been a way better performer to have in the financial industry. And that's done well, for subscribers so far.

So it's cool to see that, even though the scars can be really, really painful and very visual, that there can also be good things that come out of them. And you know, I won't make that same mistake twice, you know, so not only do you get the lesson, but you also get a chance to find better companies, and maybe some of the new companies you find will be better opportunities in the future than they are for you now. Right? You look at any stock that has dropped a lot. And you could say, Okay, well, you know, the stock I've held for three years, let's say, it might have not done as well as I wanted. But maybe this new stock I'm buying, even if all the bought three years ago is still expensive. So you can still have a lot of opportunity and finding stocks that used to be expensive, just because you were willing to hold off. I don't know if that makes sense. But no, no, it totally does.

Okay, starting to like visualize how even in the loss, you can find things to happen. Yeah. And I feel like Lisa was one of those. So I see Gamestop in the here a couple times. That's interesting. I bought GameStop. In January of 2017, ended up selling, where did I sell, I don't know where I sold it. I don't have that pulled up. But it was not a very long holding. And I was definitely going for the whole mean thing, main thing, but something I guess we can both say, right, as we had some GameStop, before Gamestop was GameStop.

Dave

11:42

Right? Our line.

Andrew

11:45

In June of 2017, I bought a chicken company sold a lot of positions to load up on the chicken company that just kind of reinforced the idea that man on you put 20% in that position. When that goes well, your portfolio looks great. But when it starts to slow down, it can really hurt your performance. And that can last for years. So you just got to be careful. And then of course, there's like companies in here where it's like, how did I escape that. And when you're really buying deep value stocks, I think that probably happens a lot more than if you stick on better companies.

So like when I look at errands, I'll bring that up again, you know, you look at the price when I got in the press, like all the hours like dodging bullets. Same with American Eagle, you know, the biggest place I think they must have had negative earnings or something, then that's why we got out but it was getting close to the end of the cliff and then jumping out of that, right before everything came down. So I think you get some of that too. I mean, I don't really remember those as much as I do. Like, I still think about Griffin, even though I know I shouldn't. Because we sold that in early 2022. And ever since we sold it's just continuing to go up, right, which confounds me. But that's a story for another day. Because it's just funny again, how the brain works against you and making you really remember your mistakes, while you're gonna have great, great rides with certain stocks and not even think twice about them.

Dave

13:18

Right? Well, there's some research that says that we feel the pain of a loss, two or three times more than the joy of of a success and sound. Yeah, believe it makes sense that we remember, we remember our failures, far more than we do the things we do well,

Andrew

13:37

right. And you know, one other thing that's stands out to me here is I now have harped about this idea that dollar cost averaging and into the same stock has been a very bad thing for me because I bought the well brands in 2018. And that one was a huge loss. not huge, but I mean, enough for me to remember painful. Yeah, exactly. But you know, I'm looking at this actually did that in the early 2019, with American Eagle, February, March, April. And that turned out really well. So that might be one of those mental models I revisit and we'll probably talk about for weeks before I decide whether I'm dismantling that mental model or keeping that right. I mean, that's interesting. I want to never pick that up.

Dave

14:25

Now, that is interesting. Where do

Andrew

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you stand on the whole dollar cost averaging into the same position?

Dave

14:31

I do it simply I mean, I have 816 companies in my portfolio. And right now, I'm not I haven't really any there's a few things I've considered buying outside of that. But a vast majority of them. I've just been continually putting money into what's in my portfolio simply because I think there are good values now and I don't know whether the things that would potentially buy it would be a better fit than the things I currently own. And so And I'm also trying to, I guess, diversify my portfolio a little more than it had been. And the companies that I bought are ones that you kind of put me on the map to and have done really well. And so it just makes sense to keep feeding the winners, if you will. Do you find

Andrew

15:17

that certain months? It's easier or harder to do that? Depending on valuations?

Dave

15:22

Yes. Yeah, for sure. Yeah, there are some months that you know, only one of the companies may offer an opportunity to reinvest. And then there can be some months where it's like seven or eight of them, and you got to decide which one is the one, right, look, you one or two that are going to, you know, get some more funds. So it can kind of depend just like the market. But yeah, I noticed there's definitely fluctuations in that, for sure. That makes

Andrew

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sense. So I guess the last thing I'll leave us all with today, is zooming out. And looking over the history since 2014. There's been an obvious change. I mean, some things have changed, and some things have not. But there's been a shift in the focus of the types of businesses that are in the portfolio, the types of businesses that are added to the portfolio. And I wonder if that's an interesting evolution for other people to kind of witness. And what's cool about value spotlight is you can look through the archives with just a click or two. And you can see, oh, wow, these are the deep value years, these are the years where Andrew was buying, as ticker azz, and, you know, some obscure AI, oil company, sh o hotels, like some really obscure the value names.

And then more recently, Microsoft fees Apple, American Express, you know, on coincidentally, those companies are doing a lot better. And what's interesting about that, too, in my opinion is, in the early years of doing that, I had a lot of success. And you can see the performance and how much I was warping the s&p by. And then that same approach did not work for three, four years. And then through that process of beating the market by a lot and then losing to the market by a lot. I had to get kind of a mirror to like this is what I'm doing. Is this what I want to continue doing. And I realized it's too much action, I would rather be holding a company like Apple for a really long time and letting them do the compounding for me.

Yep. And I think by being able to see somebody kind of go through that, I wonder if people can wonder if they want to do something like that, too. And especially if you're feeling like you're not beating the market right now. Well, maybe that's instead of an opportunity to just give up, maybe it's an opportunity to put that mirror to your face and say, and I changed something that's gonna work with what I want to do for the next 10 years, and not necessarily worry about what's happened for the last five years.

Dave

18:01

Right? I find that a very empowering takeaway, because it shows a growth and an evolution of a thought process and a self reflection to figure out, hey, this isn't working. What do I need to change? And how can I change it because the more we learn, the more we're going to grow. And the the ideas that you had 10 years ago, sometimes will change doesn't mean that the values changed.

But the maybe the way that you execute different things will change over time, as you get more experienced, and you learn more things. It's just natural for, for everybody to evolve. I mean, our hero, Warren Buffett certainly did the exact same thing that you're going through, he evolved, he changed what he was doing when his process needed to change. And it's worked out really well for him. And it's going to work out really well for you do.

Andrew

18:54

Yeah, thanks, hoping we continue this nice ride. So just along with all of this, you know, we've opened it up now. So people who want to get in can get in so the sailor researchy leather is now value spotlight, you can access to that value spotlight.com We're keeping the price the same until December 4. And then the price goes up to $49 a month. Right now it's 29. So we're gonna honor that for the next three months to give people who've been long term subscribers, or long term listeners a chance to still get in that what the law there used to be. But moving forward, there's gonna be a lot more content, it's going to be more interactive on the platform. And it's going to go up in price as a result in December.

Dave

19:39

Yep. Perfect. Well, I mean, I'm looking forward to the update and the changes because I think this is all going to be a fantastic opportunity for people to learn, as well as to find great stock picks that they can use to start to build and grow a portfolio. I know I have. I mean, it helped me tremendously. I'm looking forward to it for sure. Awesome. All right. Well, with that, we will go ahead and wrap up our show for today. I wanted to thank Andrew for taking the time to talk to us about these upcoming changes. Because this is important. It's important for our listeners, it's important for our business, and it's going to help a lot of people and that's what that continues to be why we do all this is to try to help everybody learn and to grow as as investors. So with that, I will 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, and we'll talk to you all next week.