IFB308: Listener Q&A - Learning from Mistakes: Understanding Capital Allocation and Due Diligence in Investments

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Dave [00:00:00]:

All right, folks, welcome to Investing for Beginners podcast. Today we have episode 308. Today we are going to answer three fantastic listener questions we got recently. So without any further ado, let's jump in and start answering some questions. So here we go. Hi, listen to every show here in England. My question is, when you talk about splitting your portfolio evenly, percentage wise, do you mean by value or number of stocks in each company? Thanks, Craig. All right.

Dave [00:00:27]:

Andrew, do you want to go ahead and take the first stab at Craig's? Great question here.

Andrew [00:00:31]:

Yeah, it's pretty simple answer, Craig. When I say splitting up position sizing, I'm talking about from a percentage perspective. So if I was going to try to have, just to use easy numbers, a 25% position size for every stock in the portfolio, it'd be 2525-2525. So I could have $2,500 in Apple, $2,500 in Microsoft, on and on. And so it doesn't matter how many shares that is, necessarily more so the percentage of if I have $10,000, let's go 25%. And that's how I'm going to allocate it. So I would try to think and that's good practice. Just in general, when you're thinking of your portfolio, try not to think about the number of shares of stock, but more so how much does Apple, what percentage does that make of my portfolio? And think of it that way.

Dave [00:01:24]:

Yeah, that's a great way to think of it. So when you start a position, do you generally have a size you want to start with? Do you go for maybe a smaller size and grow into it or start at a just I know some people like to just start at 3% or 5% or whatever, I guess. What are your thoughts on that?

Andrew [00:01:44]:

For me, I kind of just try to take what the market is giving me. So recently, a few months ago, I saw something that just looked like a complete fat pitch to me and I wanted to swing for the fences because it felt like a really unique opportunity. So in that case, I sold some other positions, raised some cash and put in a pretty hefty size. It was over 5% after I already had a 5% position. So it made up around these are rough numbers, but it was somewhere around 12%, 13% of the portfolio. Other times, like last, let's say two months ago, I found a great stock. It maybe wasn't screaming, hey, this is a crazy deal, but it was a great stock. I'm trying to find great opportunities every month.

Andrew [00:02:28]:

So I put in my regular $150 a month for the model portfolio and that at the time probably made up half a percent of the portfolio, something like that. So to me, I just try to take it month by month basis. I think some good general rules of thumb are, like you mentioned, the 3-5-I know 5% is a good rule of thumb where if you can have a lot of your portfolio that way. A lot of investors have done that, but for me personally, it kind of varies. And I know we've talked in the past about having much greater concentrations in the past, like 20%. I've stayed away from that. But if it grows to that again, we'll just have to see. What about you?

Dave [00:03:13]:

Yeah, I probably do something similar. I don't necessarily have an ideal starting position. A lot of times it just depends on what the market is giving me and how much firepower I have to take advantage of a particular position. Sometimes I will start small and try to build into the position. Maybe as I become more aware of the company and as your knowledge builds, it gets easier to take a bigger and bigger slice of the company. And so I've tried to do that. My portfolio ranges, I think the highest is Berkshire Hathaway is around 15%. And

then I have several other positions that are around a percent or maybe less, kind of depending on how they're performing.

Dave [00:04:01]:

So that can adjust for that as well. And I have found that that kind of works well for me, and I can sleep well with that at night and feel comfortable having Warren manage 15% of my money, I'm okay with. I know not everybody is comfortable with that high of an allocation, but that works for me. I think, like you said, having a rule of thumb of maybe a 5% as a starting place is probably not a bad place to get. That indicates that you're going to get up to 20 positions in your portfolio. And obviously if you have less than that, then you may have altering percentages across the board. I think one thing I'd like to caution people on, don't get caught up on the position sizing per se, in that let's say that one of them gets up to, because it does really well, all of a sudden it jumps up to 7% of your portfolio, and another one drops to four and a half percent. Don't get too excited about that.

Dave [00:04:57]:

That's kind of a normal thing. 401 can be set up to naturally rebalance, and they can do that. And you have the same option of doing that as well if you want with your portfolio. It's not something I generally do, but I wouldn't try not to get too obsessed about, hey, this position is at 5.24%. I got to get it back to five, and the other ones have dropped to 4.92. I got to get that up to five. There's going to be natural fluctuations in the market. Amazon is going to drop 2% in a day.

Dave [00:05:26]:

It's not unusual if you're looking at rebalancing your portfolio. I guess I would try to look at longer time periods to do that. Don't obsess about doing it every day that A, will drive you nuts, and B, it'll probably drive you out of the market.

Andrew [00:05:38]:

And if you do that, you're just naturally going to put the good money after the bad money, right. If you did it every time right.

Dave [00:05:45]:

You're watering the weeds or potential weeds. Yeah, I think that's a good way to think about it. One last thing I think I want to mention is even if you start with a smaller position, let's say that it's 1% or 2% and you let it run and it becomes a bigger position, that's a good problem to have. And that's one of the things I know our friend Brian Feraldi does with his portfolio, is he generally starts with smaller positions and he lets the winners run. And that's just kind of how he builds that into his portfolio to maybe start at two or 3% and realize that if it performs well, it will go up and will increase the percentage in the portfolio as well as the returns of the portfolio. And I guess there's an advantage, too, that I guess I didn't think about before, is that if it doesn't do as well, it's not going to impact the overall returns of your portfolio that.

Andrew [00:06:30]:

Much when it's a smaller size.

Dave [00:06:33]:

Right.

Andrew [00:06:33]:

So can you maybe feel that layer one more? So what is it about having a position that's doing well to continue to become a bigger, bigger portion? What's the fundamental driver behind that?

Dave [00:06:46]:

I think, well, a lot of times it's going to be business performance. Hopefully that it's the business performance. Sometimes it can be. The stock market can be a fickle friend, and Nvidia is obviously killing it with the revenues and everything, but time will tell whether the price that people are paying for right now is justified. I'm not going to weigh into the pros and cons of that. But when you have a company that you buy and it does perform well over the long period of time, history has shown that it's the business performance that will drive those returns. So if you buy a really good business, let's say you buy Apple or Microsoft or Texas Instruments or insert company here, if they do well performance wise with the business, the market

will recognize that over time and it will grow the performance of the company. Sometimes you'll get lucky and you'll buy a company and it may pop, and it could be because it becomes the new darling in the market.

Dave [00:07:40]:

And sometimes that's based on bads and sometimes it's based on actual performance, like what's happening with Nvidia right now.

Andrew [00:07:46]:

Yeah, very well said. So move on to the next question here.

Dave [00:07:51]:

Yeah.

Andrew [00:07:52]:

Any comment on hedging say, if you have investments in SP 500, what would you do when you see the curve going down fast like it did in 2020?

Dave [00:08:03]:

Smyther yeah, that's a great question. I am not a hedger. Are you a hedger?

Andrew [00:08:07]:

I'm not a hedger.

Dave [00:08:08]:

I'm not a hedger.

Andrew [00:08:09]:

I don't have any hedges. I'm looking outside of my front yard right now. I have a big bush. I don't know if that counts.

Dave [00:08:15]:

Yeah, I don't think that counts. I have a rainforest in my backyard here, right out my window. So I don't really have any comments on Hedging. It's not something that I partake in, in my portfolio. And if I was invested in something like in the S and P 500, and I see the curve going down fast, like it did in 2020, I would either hold or I would take advantage of it. Because I knew that the fundamentals of what it was that I was either owning or looking to buy are still solvent and still in place. And that's what I did with Visa during that period, is I saw an opportunity to take advantage of a fantastic company that was seeing kind of a historical downturn. That in hindsight was a good call, as much luck as anything, but that's how I would treat it.

Dave [00:08:59]:

What about you?

Andrew [00:09:00]:

I did treat it in a way where I just held on and just as I process what was going on, eventually reacted to the big major events over time. And I didn't try to do it all at once. And that served me well because my portfolio crashed by 30, 40% like everybody else's, seemingly overnight, but then in a very short amount of time came back up. So the idea behind Hedging, I think there's a time and a place for it. So I don't want to get super into the weeds, but let's say you are a pension fund, right? And you manage pension for firefighters. And so money maybe goes into the pension, but also sometimes money comes out of the pension to pay off people, the firefighters who have retired. As a pension fund, you can't afford to have 30% down in a year and not have it come back because you still have to make these pension payments. So a pension fund, they might invest in a hedge fund who will hedge, and so they might not have the highest returns when the market goes up, because you lose money when the market goes up and you have hedges.

Andrew [00:10:09]:

But they get that consistency year to year to year so that they can continue making these pension fund payments to the people for them. For most long term investors who are building a portfolio and looking 10, 20, 40 years ahead, what happens tomorrow if the market crashes again like it did in 2020 does not affect what my hopefully eventual retirement would be in 2030 years or whatever that looks like. And so that's why Hedging sounds great. And you can totally use your time machine and put yourself in different places in history and look at all the money you could have made. But hedging is also expensive. It weighs down on your portfolio over time and it just simply puts a lid on your long term compounding. So I would not advise doing it because hedging over time is expensive. You pay a good amount of percentage points per year to hedge.

Andrew [00:11:02]:

It doesn't sound like a lot, but it adds up over time. And that's why I think for most investors who are long term mindset, which you should have, should not worry about.

Dave [00:11:10]:

Hedging, can you maybe explain in a 30,000 foot view of what hedging is, people that maybe aren't familiar with that?

Andrew [00:11:18]:

Yeah, it's a great point. Great question. So let's say I want to protect against the market crashing 30% tomorrow. So one way to do that is to buy like, a put, which is basically you're betting against the market. So if the market crashes, this put will go up in value by a lot. And we had Cameron Smith on our show maybe a couple of years ago talking about Hedging with puts. And that's a good conversation if you find that applies to you. But you're basically putting a very small amount, like half a percent.

Andrew [00:11:52]:

You could think of like, half a percent in order to make like, 100%. So the payoff is really huge, and you don't have to put that much money down. The problem is 99 out of 100 times, you're just throwing that money down the drain. And so it really only pays off in these super extreme events like we saw in 2020. It's all in the

spectrum. So I'm just giving a basic way that a lot of people hedge. There's a whole wide spectrum that you could do that you could pay more to have it happen more, but with less payoff. It's a sliding scale, but that's the general concept that a lot of people use, is I'll throw a little money away to have that downside protection, and it pays off really high in the case that we get some crazy event in the market.

Dave [00:12:41]:

That's a very good explanation. That makes a lot of sense to me.

Andrew [00:12:44]:

Okay, cool.

Dave [00:12:45]:

All right, so let's move on to the next question. So we got hi, guys. How do you evaluate management or CEOs of a company? What is the best way to know if a company has a good CEO who will benefit shareholders? And this is from Eric. So this is fun. Fantastic question, Andrew. I'm going to let you take the first stab at it, Eric.

Andrew [00:13:02]:

I mean, if you have the answer to this, I'd love to hear it. If you have a way to look at a person and instantly know if they're going to know a good worker, somebody with integrity, all of these things, I would love that tough. And you know, it is part of the job of an investor. If you're picking stocks, you're trying to buy individual companies and become part business owner in these companies, it is a tough. So there's I don't know. There's a lot of ways to go about it, I guess. Dave, if you had to laser in on maybe one that's a good way to focus first, particularly if you're a beginner. Where would you point people?

Dave [00:13:37]:

Well, I think probably the first thing that I would probably laser in on is a metric called Turn on Investa Capital or ROIC. And this is a metric that allows you to tell how efficiently the company manager, management, CEO,

allocate the money that they earn the business back into the business to generate more returns. So you have to think of it this way. Every company, regardless of who they are, whether it's Microsoft, Apple, Visa, Alibaba, Amazon, any of the greatest companies you could ever think of, they all have to reinvest. They have to spend money to make money. It doesn't just poof appear. And so ROIC is a metric that we can use as outsiders of the company to measure how efficiently the company reinvests the money that they make. And so when a company generates revenue, they have all kinds of costs that are associated with that.

Dave [00:14:36]:

And some of those costs are investment costs, and the ROIC can tell us how efficiently. So the higher the number, the better. So, for example, if you're looking at Microsoft and they have 25% to 35% ROICs depending on the year, that's really good. And then if you look at Visas, those are in the 20% to 25% range. Again, pretty good. But then you look at Apples and they're over 100. And so it's kind of ridiculous. But the point is that those are great numbers.

Dave [00:15:07]:

It's an easy way for you to go to Stratosphere.com or Stratosphere IO sorry, and look on their website and see put in your ticker for your company, and you can see the ROIC. And that could give you an indication that the current management does a good job of allocating their money efficiently, because, in theory, the higher that number is, the better the company will grow over a longer period of time. It may not happen tonight, but it will over a five or ten year period, because that nose to the grindstone will make an impact over time. I think that's probably the easiest number to look at to give you an indication of how well management allocates money.

Andrew [00:15:48]:

That's perfect. Would you look at ROIC over time? How would you look at ROIC over time?

Dave [00:15:53]:

Yeah, the ROIC number. I think the way that I would probably try to look at it is I would look at a one year time frame, a three year time frame, a five year and a ten year time frame, and just look at those numbers and try to average those out over those periods of time to give you a sense of how well they've done over time. In

addition to that, this is a little more work. But in addition to that, I would try to overlay the CEO or CEOs of those time periods, because, unfortunately, not every company is going to have Warren Buffett as a CEO for 65 years, so you won't have a track record to measure it against. So if we take Microsoft over the last ten years, almost ten years has been satya nadella. So that would be easier. But other companies, you may not have that luxury. They may have a new CEO, and they may have only been with the company for two or three years, and maybe the person before that was with them for 15 years.

Dave [00:16:53]:

And so maybe you look at the 18 year period of those two CEOs and see how the ROIC has been. And again, with Stratosphere, I know you can go back longer periods, so it makes it a little easier to measure some of that stuff. So that's, I guess, one thing I would do, I guess the third component of that is I would try to look at Microsoft's ROIC in comparison to Google's and Amazon's, for example. Amazon's going to be a little bit messy because their whole business is not centered around the cloud. But Google's, most of it is, or advertising, and it's close enough that you can give it a comparison. But try to compare the peers of the company that you're analyzing and see how their ROIC compares to the company you're analyzing. And if your company is the best, then that's a good thing. If it's not, then you might want to ask yourself, why is it not? Or look at those questions of a historical and maybe it was at one time, but the CEOs, the new CEO that's been with the company for three years, since then, the ROICs haven't been so great.

Dave [00:17:56]:

And so maybe those are things that you can ask yourself to start to, I guess, dial in on maybe why the CEO is maybe not managing. Because job number one for every CEO is managing capital. Allocating the money that they generate for us as the shareholders, as a public company, they work for us. And that's their job is to allocate the money that it makes to make sure that they get the best return for us. And sometimes, I know they all do it for themselves, but it's really supposed to be for us. And so I guess that's how I would kind of look at the ROIC idea and look at it in a few different ways to give you, I guess, a better indication of how management is doing and how the company does in comparison to historical and peers. And I guess, what are your thoughts on that?

Andrew [00:18:44]:

Just to kind of hammer down on what you were saying about if the CEO hasn't been around a long time, I recently invested in a company called McKesson, and the CEO had been around for maybe three years or so.

There was a lot of noise in the financials because they've gone through this litigation thing. But in general, I saw a trend of ROIC going up, and that also coincided with some other big actions that McKesson took, like, shedding lower margin businesses to improve, basically the capital efficiency of the entire business. And so for me, that was one signal for McKesson in general that I like where management's head's at here. I like the fact know, they might not have inherited the best ROIC, but I'm seeing not only are they saying out loud in their conference calls that, hey, we're doing these different things, but I'm seeing the results play out in the financials in the ROIC. And so to me, like, to your point, where is that ROIC moving and what is that telling you about how management is allocating their capital?

Dave [00:19:52]:

Yeah, that's the great observation. And I think really kind of understanding what management is doing will help you, give you a better sense of how well they're doing, I guess. Do we want to talk about maybe some of the softer skills of trying to kind of look at management and maybe how well they're doing or not? Yeah, one of the things that I guess this is very not a hard and fast rule, and it's certainly not anything you can tangibly, quantify, or qualify is when you listen to them talk, how do they treat other people? I know it's kind of a dumb thing, but one of the things that I have noticed is that the companies that I've ended up liking the most, the CEOs generally tend to be courteous, at the very least to analysts or to interviewers or to other people that they're talking to. And I think sometimes CEOs can get a bit of a God complex. And so when you find people that treat other people with respect and humility and come across as a genuine human being, that tells me that that's the way they're going to treat their employees, and that's going to filter down through the company. And that's A, where people are going to want to work, and B they're going to want to be productive while they work there, and they're going to want to do well for their boss and the company. And I think those kinds of soft ideas can go a long ways towards indicating a potential culture in a company. And that's A, where we all want to work, and B that's what we all want to buy.

Andrew [00:21:27]:

That's awesome. I'll throw another log in the fire. Maybe one of the more softer skills I won't call it skill, but I guess a softer eval, if you will. This is a stock I sold recently. One of the things I noticed is every time I would read the earnings report, it seemed like they focus on a different metric. Like, what was the metric that was the most attractive today? And then another one that was kind of weird was all the analysts asking about market share, and then now all of a sudden, you're going to talk about market share in a call when those numbers look good for you. So it wasn't like the all encompassing reason why I sold the stock. There were other huge, fundamental reasons.

Andrew [00:22:11]:

But it was one of those that made me feel like, okay, I think I'm on the right path here, because something just seemed off. That was one of those things that stood out to me.

Dave [00:22:20]:

Yeah, I think that's really telling. Right. When you see they focus on these particular metrics for a very long time, and then all of a sudden, they stop.

Andrew [00:22:28]:

Right?

Dave [00:22:29]:

We need you to ask the question, why? Why was this so important for the last five years? And now all of a sudden, it's not? Is that because something changed? Or is it because maybe they're not trending in the right direction? And so they don't want to point that out. And that was something that PayPal did, and I didn't like it. They changed some of the metrics that they were measuring their success by when things started to not go the way they wanted. And that's not really a great sign. And I think the other kind of aspect of that is my favorite is the whole adjusting of this, that, and the other thing. And I understand that there is going to be some of that, and it's just kind of inherent in the business. But sometimes when it's adjusted 18 times, and then the next earning call, it's adjusted 27 times, and then the next earning call, it's adjusted 14 times, because maybe things got better. Okay.

Dave [00:23:24]:

It seems like it's a moving target for me. It makes it hard for me to trust that the management, a knows where they're trying to go, and B, as somebody who's trying to analyze the business, I don't know what target I should be shooting for, because it's moving all the time, and it's not a video game. It shouldn't be moving that much.

Andrew [00:23:43]:

Now you're making me think of another company. So they adjusted all the time. And this was a stock I owned in 2020, and I got out of it. But one thing maybe to keep in mind, since we're kind of on the whole ROIC train, is if a management look at the track record and look at the history of what management has done with their money, and if there's been any impairments, and it basically lit money on fire, watch out for that. Because when you impair an asset or an acquisition, that actually makes the ROIC jump up higher. So, kind of like what I was saying. If I see an increasing ROIC, I like to see that. But the reason why ROIC got higher is because they wrote down an asset.

Andrew [00:24:27]:

That's something that you got to watch out for. That's not a real increase in the efficiency of their assets. They just literally said, these assets aren't worth anything anymore. And so now we have less assets. That doesn't make your company more efficient. You just reduce the assets. So if you're a beginner hopefully you all through some of that. But that would be one of the Pitfalls, I think, to the discussion we're having earlier about ROIC is watch out if Manjun's making these acquisitions and I'm writing them down, it's almost like a sneaky Way to hide the Fact that you're lighting Money On fire.

Andrew [00:24:59]:

It's one of those things. I Don't Know how we change the accounting around that, outside of you just kind of have to pay Attention and hope you catch it.

Dave [00:25:07]:

I think that's a great assessment. And it all goes back to what I said earlier about capital allocation. And everybody makes know once in a while we'll make a mistake. I Mean, Buffett has made plenty of mistakes, and that's OK, and that's understandable, and you can't expect them to all be perfect. But if you have company or a CEO that is constantly impairing because they're buying lots of things and none of them are working out, and they're Constantly, like Andrew said, lighting money on fire, then that a big red flag. Because it just means that either they're not doing their due diligence and doing enough work to understand what it is they're buying and how they're going to integrate it into the company. Because It's not just So simple as

Popping down Your money in Monopoly and buying property. You have to integrate the systems, you have to get the employees to buy into your culture.

Dave [00:25:52]:

You have to make sure that the product that they sell is compatible with what your product is and that they can make it work with the product that you're selling. And if it doesn't, then you have Just wasted everybody's money and time. Like I said, sometimes you can overestimate how well Something may do, and that's human nature. But if a CEO is buying stuff just because he wants to boost his ego, or that's how they want to grow their revenues, because it's an easy way to grow revenues, but they buy a Company, it boosts their revenues, gives them More earnings per Share, and makes it look good on the stock market. But then two years later, they have to impair that investment. In other Words, they have to write it down and say that they overpaid for it. And then that is a big red flag. If it happens once in a while, okay, fine.

Dave [00:26:42]:

But if you have a company that's buying companies regularly and they're setting money on fire regularly, that's not a good sign. You want to run for the hills, for sure.

Andrew [00:26:51]:

100%. So maybe for the beginner, who wouldn't know what the first step is to learning about an impairment or even capital allocation, outside of seeing big flashing headlines on the Internet. If I wanted to know, like Microsoft, for example, how did they allocate their capital in 2022? How would somebody even find that out?

Dave [00:27:14]:

Yeah, that's a good question. So I guess first understand that there's basically five ways that a company. Can allocate money. Number one is they can reinvest. So they can reinvest money back into the business. They can buy shares. They can buy their own shares, eat their own shares, if you will, reduce their share count, which makes every share more valuable for owners. They can pay a dividend.

Dave [00:27:36]:

They can pay down debt if they have it, so they can take a bigger portion instead of just paying interest payments. They can go, here's 20 billion to throw at this debt. We're talking big boy numbers here. So it's not the same scale as what we operate on. And then they could also acquire other companies so they can use the money that they generate to buy other companies. So in that framework of those basically five different ways that they can do that, the quickest way to see what they're spending their money on, for the most part, is to look at the cash flow statement, or the statement of cash flows. Because in those three subsections of the cash flow statement, you're going to see things like capex or capital expenditures, which is going to indicate that they're reinvesting in the business. They're buying furniture, they're buying computers, they're buying towers to build more cloud infrastructure.

Dave [00:28:30]:

All those things are reinvestments in the business. You're also going to see dividends paid. You're also going to see share repurchases or shares bought or treasury stock bought. All those indicate that they've bought their stock. You're also going to see any debt that they either paid out or took on. And so you'll see the inflows of all that. They'll also see acquisitions. So if they bought any other companies, or even percentages of companies, you'll see the money allocated to go out to spend on that.

Dave [00:29:01]:

So you can see all those things in there. And ROIC is basically a compilation of part of the cash flow statement and part of the income statement and part of the balance sheet. And I won't bore you with all that, but if you really want to dive into ROIC, go to our website, einvestingforbeganners.com, at the big search bar, at the top, type in ROIC or Return on invested capital, and you'll be inundated with all kinds of information to help you learn more about how that whole thing works. But bottom line is, the cash flow statement, I think, would be the best place for a beginner to start to peel back what is Satya Nadella spending last year for Microsoft.

Andrew [00:29:43]:

Yeah, exactly. If you're a beginner and you look at the cash flow statement, it looks like a lot. May I recommend? Pick one. Dave outlined the five ways a company can allocate capital. Pick one. Maybe dividends. Like, how did a company pay dividends? Or capex is a good one. Capital expenditures.

Andrew [00:30:03]:

Because, like you said, it's long term assets. It's buildings, it's equipment, it's land. So pick one of those, and then look at, like, five companies that you can think of. Apple, netflix, chipotle, whatever. Just companies you're familiar with. And then look at each of their cash flow statements, and then focus on another one, and then another one, and just try to see what kind of things stand out to you. Like maybe Microsoft's capex is really high compared to everything else, whereas Coca Cola's dividends are really high. Things like that.

Andrew [00:30:39]:

You can start to get a basic understanding of how these companies allocate capital. And you maybe won't figure it all out in 15 minutes on your computer. But over time, if you're really interested in learning all of that, I think you can pick it up, and then before you know it, you'll be spouting out all five ways to allocate capital. Like Dave did, right?

Dave [00:31:00]:

Exactly. And a useful little trick to help you with some of that analysis, or at least to where to find the numbers control F on your keyboard. Gives you a search option in financial statements in any document. But in financial statements is where I use it the most. Just type in dividends, and then every time the word dividend is used in that financial statement, it will pop up in yellow, and then you can just move down to that each section. And then you can learn more about what the company is saying about dividends. In particular. For Microsoft, it's an easier, quicker way to than trying to scroll back and forth or read all 122 pages of their ten k to find the needle in the haystack.

Dave [00:31:41]:

All right, well, with that, we will go ahead and wrap up our conversation for today. Don't forget to subscribe to our show on your preferred podcast app. If you enjoyed our little show, if you would kindly consider giving us a five star review, it greatly helps our show. And don't forget to browse the incredible materials we've created for you at lookup ROIC. And lastly, continue growing your knowledge as an investing for Beginners Insider with insights and educational tips delivered right to your inbox for free. Sign up today. And with that, I will go ahead and sign us off. You guys go out there, invest with a margin of safety, emphasis on the safety.

Dave [00:32:19]:

Have a great week, and we'll talk to you all next week. Bye.

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