Back to the Basics: Investing Simplified - Practical Advice Inspired by Peter Lynch

Dave [00:00:00]:

All right, folks, welcome to Investing for Beginners podcast. Today we are going to talk about nine practical Peter lynch quotes that you can use to help you become a better investor. For those of you unfamiliar with who Peter Lynch was, he operated the Magellan fund and returned to 29% annually for 13 years. And that's nuts. It's crazy, crazy numbers. Those are like video game numbers. And so that is a fantastic, fantastic baseline and return. So he's a smart guy and he's written a lot of great books.

Dave [00:00:36]:

Two of them, which Andrew and I are big fans of, in particular, One Up on Wall Street and Also Beating the Street, are both kind of must-reads, especially for beginner investors. And he writes in a style that's very approachable and very easy to read. And he explains things in a very clear, concise way and so can't recommend his books enough. So we thought we would take some different quotes that we've gathered through the years from him that have helped make us better investors and we would talk a little bit about them. So let's go ahead and dive in with the first quote. So here we go. During the gold rush, most would be miners lost money, but people who sold picks and shovels, tents and blue jeans, Levi Strauss made a nice profit. So, Andrew, what does this mean to man?

Andrew [00:01:22]:

I mean, I think about one of the best stock picks I ever had, which is one of my most tragic stories because I sold it and then it quadrupled or something. They were classic picks and shovels. And I remember the first time I heard an idea like this, just so brilliant because you really think about like you have it today. I mean, it comes in every form. There's always some speculative bubble, something that people get really excited about. Back then it was the gold rush. If you could just hit one of those gushers, you would strike it rich. Turns out the people who did get rich were the ones who said, you know, I'm not going to even try to find gold.

Andrew [00:02:03]:

I'm just going to sell picks and shovels. Such a brilliant model. And really you can apply it to so many industries today still. And it's a great way to make money.

Dave [00:02:13]:

Yeah, it really is. And it's such a great way to think about different investments and kind of work backwards in the food chain, if you will, of how the company does what they do. And one of the things that kind of, the easy one that really springs to mind for me is a company like you think about Taiwan semiconductor. They're really a picks and shovels of the semiconductor world, even though it's maybe a little sexier than what we're talking about with picks and shovels and tents and blue jeans. But it's the same kind of thing. They actually make the chips that go in our computers and everything else. The other companies are the ones that do all the sexy stuff and they design it and they come up with all the different pathways and what are the functions and everything that it's going to do, and then they sell them. But Taiwan semiconductor is the company that actually makes them.

Dave [00:03:05]:

So it's really a picks and shovels play on the semiconductor space. And there's other million other ones along that same adjacency that have kinds of the same idea. They're related. They provide products and services to the semiconductors or to TSMC that allow these companies to do what they do. And so a lot of times if you find an industry that you really like, you can kind of work backwards in the food chain from what they do to other places that can allow you to invest in an industry but maybe find a better opportunity. Restaurants. If you think about restaurants, it's not just buying the olive gardens of the world. It's also the people that supply them the food or the people that make the food, that give to the food suppliers, that give to Olive Garden a company that makes the chicken or the company that makes the pasta, and then they sell it to us foods, who sells it to Olive Garden.

Dave [00:04:00]:

So there's three potential investments just in that little space there. And so to me, that's what makes this idea and this quote so brilliant. It gives you more opportunities to find potential investments.

Andrew [00:04:12]:

I love what you said about going up. I mean, you could call it the food chain, I guess, if you want. But going up the value chain to the different companies that are supplying some of the bigger businesses that we think of. So how could an investor figure that out for a semiconductor stock or maybe life sciences or pick whatever industry you want, how could an investor find those kinds of opportunities?

Dave [00:04:40]:

Well, I think the way that I do it is I look at the proxy of the company, and then in the proxy of the company, they will list any sort of competitors or companies that are similar in their industry. And then I look through those companies and I find out what it is they do. Other companies. Some companies will be nice to you and they'll actually tell you who they're buying their products from. But unfortunately, that's sometimes few and far between, so it can be harder to do that. So I look at the company's proxy. I will look at their ten ks, and then they'll also read about other smart investors writing about those particular companies on a substac or a seeking alpha. And they may reference, hey, Taiwan Semconductor makes all the chips for Nvidia and for Apple and Intel and AMD and all these.

Dave [00:05:28]:

Okay. I mean, that's an easy way to find it, but that's not always. Again, not always the case. Sometimes you just have to work through who buys what and who's related to who. And that's the way I do it. What about you?

Andrew [00:05:37]:

So for the second episode, maybe the third, 4th, 5th in a row, I'm going to plug Bamsec's premium service. Those guys need to sponsor us already, right? But they have a feature where you can search every filing for a particular term. So if I'm looking at company like builders first source, I can put builders first source in the search bar, and then you can pick what kind of companies you want to look for. And every time that a company has mentioned builders, whether it's in a proxy or it's in like a ten q or a ten k, a press release, whatever it is, it shows up right there. And you can sift through and see if other companies have talked about other companies. Because take an example like, is it linear technology, who has a huge exposure to Apple?

Dave [00:06:27]:

Yes.

Andrew [00:06:28]:

Something like 40% of their revenues go to Apple. You can be sure that they're telling shareholders, hey, by the way, our relationship to Apple is really important. And so, because there are those connections that often happen, that can be another tool to put in your belt.

Dave [00:06:44]:

Yeah, those are good tools. All right, let's move on to number two. Know what you own and know why you own it. I think this is a great one. How does this impact you?

Andrew [00:06:54]:

Oh, man. Yeah. You can tell yourself over and over and over again, yeah, I'm going to buy and hold for the long term. I'm going to buy and hold for the long term. But like the great Mike Tyson once said, everybody has to play until they get punched in the mouth. So if you don't know what you own and why you own it, it's really easy to continue owning the stock if it goes up and up and up. But the minute you get punched in the mouth, that's when it's going to test. Okay.

Andrew [00:07:20]:

Do you really know what you're owning and why you own it? So to me, I probably pull my hair out a little too much when it comes to buying something, but it's because I want to be prepared to get punched in the mouth. And when somebody comes up and says, well, what about this? Or what about that? I want to already have the answer. So when the market crashes, I'm not freaking out about dick sporting goods being down 25% or Crown Castle being down 30%. Those are the things that if you've done your research, you know what you own. It helps you keep a level head and then you don't panic sell, which can be one of the worst things that you can do on Wall street. So, Dave, what does this quote mean for you know what you own and know why you own it?

Dave [00:08:06]:

To me, it means that I really need to understand the business model and I need to understand their competitive advantage moat. And if I understand those things, then it really helps clarify why it is that I own it. And kind of the tag along with this is I've started using our friend Jake Taylor's website called journalytic, which is a free resource, by the way, and you can use that to keep track of why you own what you own. You can write it in words so it's there for posterity. So as Andrew was saying, when you do get punched in the mouth, you can refer back to your notes and go, oh, yeah, that's why I own this. And it can help you alleviate any of that stress. Well, at least reduce some of the stress. You're still going to feel stress.

Dave [00:08:52]:

But to me, this was really one of the first quotes or first ideas when I started investing that I really took. Like, this is important. This really stuck out to me like neon lights. This is important. Know what you own and know why you own it. And I think so many people don't really understand that. And I think once you do, I think your level of comfort with the company and also your ability to sleep at night, it becomes a lot better because you know what you own and you know why you own it. So to me, this was probably one of the most important things I ever discovered when I first started investing.

Andrew [00:09:28]:

There was another great quote can move on to unless you have more to add. No. All the math you need in the stock market, you get in the fourth grade. Controversial statement.

Dave [00:09:37]:

Very controversial, but so true. I guess the myth about investing is that you need to have a higher math level. You need to go to MIT and be the borderline math genius to be able to invest in the stock market. And while there are some people in the stock market that do do it that way and they have success with that, you do not need to be higher level math. You need to be able to add, subtract and divide. And you learned all that in your fourth grade. And I know that because my daughter's in 6th grade, and I remember her going through all that in the fourth grade. So you don't need higher math to be good at investing, so.

Dave [00:10:15]:

Period.

Andrew [00:10:16]:

Yeah. Are you smarter than a fifth grader?

Dave [00:10:19]:

Yeah, hopefully.

Andrew [00:10:21]:

I question that myself.

Dave [00:10:23]:

Yeah.

Andrew [00:10:23]:

All right, next quote. This one's really good. Also, he who turns over the most rocks, wins. What does that even mean for a beginner investor? And why is that a great quote?

Dave [00:10:35]:

It's a great quote because really what it's telling you is that you need to do research. You need to spend time learning about different investments and trying to find the best investment you can. Taking stock advice from your uncle at Christmas dinner or Thanksgiving dinner, probably not the best. No offense to relatives, but unless they're in the stock market, the proverbial hot stock tip idea generally is not a hot stock tip. And so spending the time learning what you need to know and understanding the businesses, you're going to find better returns. And Peter lynch was a bit on the obsessive side. And so I know he had hundreds of stocks in his portfolio and he turned over a lot of rocks to find those. And really what that means is you're looking in every possible way that you can look to try to find the best investments.

Dave [00:11:30]:

And a lot of times you're going to kiss a lot of frogs where you find the prints, so to speak. And so just because you find a company that like, oh, great, you need to do all the research to make sure that it's the right company for you. So what are your thoughts on this? I know you'd like to turn over a lot of rocks.

Andrew [00:11:46]:

Yeah. Manically, I might add. I don't know if it was Philip Fisher, one of the other great legendary investor authors, who said something about he likes to talk to a management team. Obviously, this doesn't apply to us, but we can use the same principle. He likes to talk to management team. He likes to ask, which competitor are you most scared of? And then if he starts to hear the same company, now that becomes a company he's interested in. So I can't tell you how many times I've come across something that was interesting. And then as I'm looking at the industry map and seeing who competes with who supplies this person, who's their customer, you start to see something that's like, wow, this is even better.

Andrew [00:12:36]:

And so you don't get there unless you're turning over rocks. You can't just stop at the first frog and think, this is the most pretty thing I've ever seen, and stop there. That is a surefire way to become a losing investor consistently over the long term. You have to flip over rocks if you're going to be a stock picker, you just have to.

Dave [00:12:57]:

Yes, you do. Screeners are your friends.

Andrew [00:13:01]:

What is that real quick for beginner who doesn't know what that is? Because that's a good piece of actionable advice they could take today.

Dave [00:13:08]:

Stock screeners are websites. I use finviz.com. That's one of my favorites. And it's an easy way to sort through the 8000, 10,000 plus global stocks that are available for us to potentially buy. And you can use different kind of filtering metrics, like terms like market cap, like how big the company is, or a pe ratio, price to earnings ratio, for example. You can use those kinds of things to help narrow the field of rocks that you want to look over. If you want to start at number one and work through 10,000, more power to you. But if you want to save a little bit of time, you can use stock screeners to help you find specific industries or just general companies that you can start to try to research that have financial metrics that fit your criteria, whether it's revenues, whether it's profitability, whether it's returns on capital, whether it's stock returns, whatever it may be.

Dave [00:14:05]:

Market cap, I mean, there's million and myriad ways you could go, but Finviz is a free tool that you can use, and it's a fantastic way to try to find rocks to start tipping over.

Andrew [00:14:15]:

You know, even a simple screener for Finviz, so simple, because when you pull up a ticker, it will tell you the sector that the stock trades in, and then it generally tells you an industry. So you can literally just click on that industry and bam, you got a list of tickers that Finviz has categorized as, okay, these are generally, they play in the same sandbox. It's a great way to flip over rocks. Great.

Dave [00:14:41]:

Yeah, it really is. I did that a few years ago when I was looking through payments companies as well as when I was looking through the solar industry and things like that, because it just lists all the particular companies that are in the solar industry, for example. And so then you can start flipping over the rocks, opening up Bam. Sec, our favorite website, and start reading through their financials and deciding, is this rock one I want to keep flipping over, or does this go on the pile.

Andrew [00:15:08]:

Just don't do it for regional banks. Trust me.

Dave [00:15:11]:

Yeah, that's an endless rabbit hole. You don't want to go down. All right, let's move on to the next quote. So this is a good one. Often there is no correlation between the success of a company's operations and the success of its stock over a few months or even a few years. In the long term, there is 100% correlation between the success of the company and the success of his stock. So what are your thoughts on this one?

Andrew [00:15:34]:

Yeah, I've heard this idea shared multiple ways by multiple people, multiple times. And I think even Peter lynch elsewhere in one of his books, showed stock charts of different companies and the ones that had earnings per share, EPS, that was in a long term uptrend, their stock price followed. And that's one of the misconceptions that beginners come across when they start in the market, is they look at how up and down it is, and they say, how can anybody ever make money doing this? It's so random. But there's no perfect market, unfortunately. So the market is what the market is. But over the long term, the market will follow what the business does. And that's because investors are looking for the profitability of a business. When a business has profitability, that can do a lot of things.

Andrew [00:16:30]:

So they're either looking at the profitability today or the profitability in ten years. But as long as enough investors see profitability into the future, that stock becomes more valuable. At the end of the day, it's all just a game to figure out what profits are going to be for different companies ten years from now. But you do see the stocks follow that because as companies grow, people figure out that, okay, they should be worth about this much based on how much they can eventually earn. A little complex, but it's kind of simple, too.

Dave [00:17:06]:

Yeah, really is. It reminds me of the Ben Graham quote. In the short term, the stock market is a voting machine, and in the long term, it's a weighing machine. It's the same idea. And like Andrew said, the success of the stock in the stock market will follow the success of the business. And it really comes down to the durability of what the company is able to do and how long they're able to do it. And that's what makes the really outstanding businesses stand out from the others. You think about companies that have stood the test of time.

Dave [00:17:38]:

Some of them today are not shades of what they used to be. But you think of companies like Standard Oil or ExxonMobil. Think about at and T, GM, Ge. Those were profitable, successful businesses for 50 plus years. They aren't what they used to be, but at one time they were powerhouses. Today we think of meta and video and Microsoft and Google and companies of that nature. But those companies have all stood the test of time and when they first ipoed they were popular. But you've seen as they've been able to continually churn out profits over long periods of time, they become more and more valuable.

Dave [00:18:18]:

Amazon, perfect example. So that's really what this means to me, is try to find those businesses that you think are going to be durable, profitable, competitive companies for a very long time. It boils down to they have a product or service that people want and we think they're going to continue to want that for a very long time. And if you find that Nike, if you find that meta, then those can be great investments.

Andrew [00:18:46]:

So why not for somebody who's just getting into this and thinks that sounds like the best thing since sliced bread, why not then just buy any stock at any price because you know the company is going to be successful. Why not buy a company at a PE of 150 because you're confident that in 50 years they're going to be as strong as they are now.

Dave [00:19:12]:

A because none of us can see into the future and none of us know what that company is going to do in next year, let alone five years. And so any of this is really, they're educated guess at best. And so none of us know exactly what the company is going to do. The price you pay, if you hold the company for 30 years and it has great returns, it may end up not mattering that much for that particular company. But those are one in 500 shots. And so the other 499, it does matter what you pay for it, and it will matter even over the longer period of time because you can get a better return. So the better price you pay and the more valuable it becomes over a longer period of time, the more value it becomes to you. And so if you think about using Amazon, if you bought the company in 1999 for $7 a share or whatever crazy number it was at that time, and now it's trading for whatever over that period of time, you would have made huge returns because you would have gotten a lot of value out of it.

Dave [00:20:25]:

But the flip side of that is if you buy a newer company that is not proven and doesn't have a track record, I'll think of a company. You think of some of the companies more recently that were more the pandemic darlings. You think of what was the I'm blanking on the bike company.

Andrew [00:20:44]:

Peloton.

Dave [00:20:44]:

Yeah, Peloton. Perfect example. You could have paid a very expensive price for that company, but they have proven so far that their earnings or their profitability is not durable, and the revenue growth is not durable. And so in that case, any price you paid for it would have been too much. And Zoom may end up being a great company someday, but right now, the price you paid for it at the height of 2020 is not worth what it is today. And so that's why it's important to think about the price that you pay and have it be fair as best you can compared to what you think, the durability of that company being profitable and being more valuable in the future.

Andrew [00:21:28]:

So, not to beat a dead horse, but I'm going to do it. I heard a podcast recently. It was a great episode. It was with Thomas Ricketts. He was on Bill Brewster's podcast. And Thomas is known for investing in innovation. That's his big thing that he's been doing for decades. So he's buying a lot of these companies with the high price to earnings ratios.

Andrew [00:21:50]:

He said something about the competitive advantage. I think it was called the competitive advantage period, basically how long the general stock can keep its competitive advantage. He said. Back in the day, in the good old days, it was like 20 years. Now, with technology and innovation moving so fast, it's less than a decade. And so if you're planning to hold Zoom for 50 years, and you're so confident that it's going to be the way business is done for the next 50 years, and you're able to buy any price, no matter what the fundamentals are, I think you might be in for a tough sledding. So be careful about how far out you're paying for earnings.

Dave [00:22:31]:

Yes, very much so. Bottom line is the price you pay matters, and how long you hold the company matters, and understanding the business matters. And if you try to combine all those things in a way that you can be rational and logical about them, the more likelihood of success you'll have over a longer period of time. Can you hit a big with one home run? Absolutely. But that's a hard way to invest, is just trying to swing for the fences and try to just hit that one home run with a lot of losses, because if you don't hit that one home run, then you're going to be a 190 hitter with 450 strikeouts in a season, and we don't want that for you.

Andrew [00:23:13]:

Non baseball people out there. That's not good. You never want to go below the mentosal line.

Dave [00:23:18]:

No. Very bad. All right, so we got the next one. So this is also a great one. The biggest losses in stocks come from companies with poor balance sheets. Always look at the balance sheet to see if a company is solvent before you risk money on it. So what does this mean to you?

Andrew [00:23:35]:

Yeah, balance sheet can be very important, particularly when companies get a little too fat and happy, and then they start to become really relaxed with what they do with their finances. In the last, let's call it 20 years, it's felt like poor balance sheets were more of a symptom than a cause. And we don't know how the future will hold if that's still going to be the case. But a lot of times when the company is failing to be profitable, when they are failing to grow their revenues in a way that's beneficial for the company, a lot of times you'll see it start to play out in the balance sheets, and then it's almost like snowball effect, where now they try to borrow a bunch of money to try to get out of it. They try to do all these different things with the balance sheet, and the business might shrink and shrink and shrink, and you can get a lot of problems. So an easy way to stay away from businesses where there's a lot that could go wrong is just to stay away from bad balance sheets. That part is really not rocket science.

Dave [00:24:42]:

No, it's really not. And I think we really got a front row seat to how important balance sheets were during the pandemic. Because when you come across a global shock like that, where economies are literally shut down, then a balance sheet becomes very important, because that's how they can sustain themselves. And companies that had super strong balance sheets came out way ahead during that period. And you think about a company like Microsoft or a visa, they had monster strong balance sheets, which allowed them to withstand any sort of downturns in their business during that period and still remain solvent and still remain viable and profitable. And balance sheets, sometimes I feel like get a lot of value. Investors spend a lot of time analyzing balance sheets, and I think when people think about balance sheets, they think about maybe more capital heavy, boring companies. But if you think about it, balance sheets are really what drive the business.

Dave [00:25:50]:

And the income statement gets a lot of press, gets a lot of acknowledgment because of revenue growth in particular. But those revenues are coming from the products that are selling, which comes from the balance sheet. You think about a company like Walmart, for example, groceries, that's all inventory, and it's all represented on the balance sheet. And so you can see how much cash Walmart has versus the debt that they have, versus the inventory that they have. And as those inventories go up, that's money that they have sitting on the balance sheet. And if they buy poorly, which is what happened to target, they bought poorly in their inventory. And that really hurt them, because that's money that's just sitting on the balance sheet that they can't use. And so that's where the balance sheet can become something that's very important now.

Dave [00:26:38]:

Yes, today's industries move faster. They're also more less balance sheet accounting. So accounting is a fun thing. So if you take a company like Microsoft, Microsoft really is investing in their business through R D, which is represented on the income statement. You don't really see that represented on the balance sheet. So accounting measures have not caught up with the realities of business yet. And so, without getting into all the nitty gritty, because this is more beginning ideas, safe to say, balance sheet analysis is important. And understanding what a strong balance sheet is versus what a not strong balance sheet is.

Dave [00:27:17]:

And Andrew has written a lot about companies that have gone bankrupt. And you can look at some of those companies balance sheets and compare them to ones today, and you can see some that were strong and not strong, and some of it can stem from the balance sheet, and you can see that. But the balance sheet is really what's going to sustain a company. And so that's why it's important to always understand how strong or not they are.

Andrew [00:27:40]:

Yeah, I like the Microsoft and Walmart example. Microsoft invests a lot in R D to hire engineers to write code, but they also buy a lot of servers for their cloud services. And that shows up on the balance sheet. Companies invest, and you can definitely see growth in investments on the balance sheet. It's called PPE.

Dave [00:28:00]:

Yep, exactly. So, contrary to popular belief, balance sheets are important, and you do need to understand them.

Andrew [00:28:08]:

How dare you?

Dave [00:28:09]:

I know. Rude. All right, let's move on to the next quote. If you invest $1,000 in a stock, all you can lose is $1,000. But you stand to gain $10,000 or even $50,000 over time. If you're patient, the average person can concentrate on a few good companies. While the fund manager is forced to diversify by owning too many stocks, you lose this advantage of concentration. It only takes a handful of big winners to make a lifetime investing worthwhile.

Dave [00:28:37]:

So how does this quote strike you?

Andrew [00:28:40]:

This was one I did not learn for far too long. And the way I like to think about it is we live in the physical world, so we think of everything as pretty distributed linearly, but finance and money and investing is exponential. And so one of the ways that it's helped me visualize exactly how powerful this is, is if you took ten dudes and just stacked them up based on height and you took the average, the average is going to be somewhere maybe close to five nine. But if you took those ten dudes and took their net worth, maybe their average net worth is like, I don't know, $150,000. But if you took one of those gentlemen out and you put in Elon Musk, the average net worth is going to be billions, millions, whatever huge number, because of that one outlier number. That's the power of a large number is exponential. So some portfolios, or even average investors turn out the exact same way. It's truly fascinating when that happens.

Andrew [00:29:51]:

You can get into a company like Tesla. Ron Barron's done that. People have made a fortune with Amazon or Google investors 20 years ago, made a fortune on Microsoft and Apple. So those are the things that can happen. And, yeah, he's absolutely right. The power of the stock market is that a handful of big winners can fund their retirement. And I think it's a beautiful, beautiful thing.

Dave [00:30:14]:

Yeah, I agree. And I always kind of go back to Warren Buffett said that every investor should have a punch card with 20 potential investments to think about what it is you're buying. And also, when you're buying more than just one or two companies, you have a greater likelihood that one or two or three of those are going to be bigger winners. And then that, to Peter's point, can make you a lot of money over time. And the key is patience. We in today's society want everything yesterday. And so when you're investing in a stock market, you have to understand that when they're talking about a $50,000 gain over time, it doesn't happen in a week and a half. It generally happens over years.

Dave [00:30:59]:

I'm going to give you a quick story. Brian Staffel, who's one of Brian Feraldi's partners, he was recently talking about an investment he made in Shopify about five years ago. It took him five years, but he made, I don't know, 30 or 40% on the company in five years. And he started with five. Bagger, what's it.

Andrew [00:31:18]:

Yeah, okay. Yeah, 30 or 40. Bagger yeah, 30 or 40 or 40%.

Dave [00:31:23]:

Yeah, sorry.

Andrew [00:31:23]:

Yeah, got you.

Dave [00:31:24]:

But it took him. No, it was eight years ago. It took him eight years to get to that point. So it didn't happen overnight, and he had to hold it for a big upturn and a very big downturn, and now it's starting to rise again. So he's had to hold it through a lot of volatility. But the main point of that is that he's had a very successful investment by being patient. And so he knew what he was buying. He understood the financials, but he was also patient.

Dave [00:31:52]:

And so that is, I guess, one of the biggest advantages that we can have as investors. And so that, to me, is part of this question is, what makes it so powerful?

Andrew [00:32:03]:

Or, quote, I guess, yeah, compounding can be really insane if you can get on the right ships. So the next quote here, a stock market decline is as routine as a January blizzard in Colorado. If you're prepared, it can't hurt you. A decline is a great opportunity to pick up the bargains left behind by the investors who are fleeing the storm in panic. How do you interpret this quote?

Dave [00:32:27]:

Well, this reminds me of the WArren Buffett quote, be GreEdy when others are fearful. And it also reminds me, know, you always know who's swimming without underwear when the tide goes out kind of thing, or swimming suit. And when the stock market drops, that's an opportunity to find great investments. It doesn't mean YoU buy things that drop the most. But if you invest in a great company and the company is still performing when the tide goes out, it's going to take all the ships down. And so even though a company like visa may be rocking and rolling, it's still going to drop. And that gives you an opportunity to buy a rocking and rolling company at a cheaper price. And who doesn't want to buy a tesla for a discount? Nobody.

Dave [00:33:13]:

If Elon said, I'll give you all the top Teslas for $15,000, he would sell every single car and more. It doesn't mean that the Tesla is worth less than $15,000. It just means that's what he's selling it for, less. And so to me, that's what this tells you, is that a great company is a great company. And if you can find it at a discount, just like you would at WAlmart for your stocks, YoU got to jump on it.

Andrew [00:33:34]:

That illustration is actually really powerful to me if you think about it, because even during stock market crashes, there are lots of investors out there across the globe, across the world, they're all trying to figure out what a stock is worth. So when they see a Tesla like stock for 15,000, they all know that this is severely discounted. So even if they don't have the cash to maybe capitalize on it now, you can be sure that very soon that gap is going to close and the business will trade where it's supposed to. So to your point, if those discounts happen, they probably will disappear soon and other people will figure it out. And so that's actually very soothing if you're an investor, to know that, you know what? The stock market could crash. But if this business isn't as great as I think it is, it has value, even if the stock price is down and that value will be realized eventually.

Dave [00:34:34]:

Yes, we've had two recent examples of that in the market over the last year. Plus, Netflix dropped 20% in one day, and in a few days, it recovered back to its normal price because everybody saw that the company was still executing on what they were doing. And even though there was a dislocation in the price, they saw that, hey, this is worth it, and they jumped back into it. And the same thing happened with Ajin. The company dropped from around $17 a share to nine in about less than a week. And they came out with an investor day. Kind of soothed everybody's fears, and the market saw that, hey, there's a dislocation between what the company is doing and the price. And everybody jumped in and the price went right back up.

Dave [00:35:15]:

So it's trading around the same price it was before it fell. So two very easy examples of that.

Andrew [00:35:22]:

Yeah, that's awesome.

Dave [00:35:23]:

Yeah. All right, so let's move on to the last question, our last quote. So time is on your side. When you own shares of superior companies, you can afford to be patient. Even if you've missed Walmart in the first five years, it was a great stock to own in the next five years. So what does this tell you? Or what does this say to you?

Andrew [00:35:42]:

I mean, I probably should get this tattooed on my chest because I love it so much. If there's ever a word that describes the type of investor I am, it's late. If you want a couple of words, late to the party. But it's true. The one that I really like, because Microsoft is a good example of I was lucky to buy a share in 2012. We've talked about that over and over again. And even though Microsoft Windows was everywhere and the company, everybody knew about the company. People had already made a fortune on the company.

Andrew [00:36:12]:

It ten bagged in ten years, which is truly extraordinary. And it's a great story. The best example I like is when Warren Buffett talks about what I think it was Robert Guilletta, the CEO for Coca Cola, did at the time, is apparently somebody in Forbes or one of the big newspapers or magazines of the time had this quote about somebody had said over and over again, people look at Coca Cola and say, coca Cola's won too much. Coca Cola's grown too much. Coca Cola is the best stock. Its best days are behind. It's already. You've missed the boat.

Andrew [00:36:52]:

It's too late. You can't get into this stock. And so many people thought that. And so what ended up happening is Coca Cola ended up continuing to be one of the best businesses in the world. And that quote was actually from 1930, something like mid 1930s or something. And so Robert Guietta kept that in his desk. And sure enough, in 1987, when Warren Buffett bought the stock, same thing, same story. And it continued to be a crazy investment for him for at least ten years.

Andrew [00:37:27]:

So I find that really inspiring that you don't have to be at the forefront of innovation to make big gains and find companies that can compound and become huge winners for you. I just absolutely love that idea.

Dave [00:37:43]:

Yeah, I do, too. And it really goes to, you don't have to buy in on the IPO to realize a good return on a company. It might mean that you may not make 322% on the stock. You may only make 200% on the stock, and that's still nothing to sneeze at. And so I think really trying to find the best businesses that you can for the best price you can, irregardless of where it is, how long they've been a public company, it doesn't mean that you missed out on it entirely. I invest in Kothco. I didn't invest on it in the. But I invest in it now.

Dave [00:38:22]:

And I'm still going to get a good return going forward because they're still going to keep doing what they do, building on what they do, producing profits and earnings and growth, and all those things are things that investors want. It's not necessarily tied to what was the price in 1992. It's when I bought it. Going forward is what really matters. Just because you don't get it at the beginning or the low point, it may not have been an attractive company at that time, and Walmart is a great example, because early on, if you looked at the financials, it was a dog other than the revenues, but it's turned out to be a fantastic investment. And Coke, I think that quote from Coke is the perfect illustration because it's a 1934 quote, but 55 years later when Warren Buffett is buying it, it's still considered over the hill, and look what he's done with it when he bought it. So maybe not tattooing it, but certainly writing it down and putting it on a posted note I think is quite good.

Andrew [00:39:22]:

Good. At least there's one of us who's reasonable.

Dave [00:39:26]:

All right, folks, well, with that, we will go ahead and wrap up our conversation about Peter lynch and all his fantastic investment quotes. These can be very helpful as long as any other quotes that you come across.

Try to think about what it is the quote is trying to teach you and how you can apply that to your investing life. And you can find a lot of wisdom in a lot of books. There's a lot of great advice out there. So with that, we'll go ahead and sign off. You guys go out there and invest with a margin of safety. Emphasis on the safety.

Dave [00:39:53]:

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