Back to Basics: Portfolio Sizing and Diversification Strategies

Dave [00:00:00]:

All right, folks, welcome to Investing for Beginners podcast. Today we're going to go back to the basics. So we're going to talk about portfolio sizing. This is part of our continuing series on back to the basics. We'll do one of these every Thursday. So come back next Thursday to hear another episode of back to the basics. As I mentioned a moment ago, we're going to talk about portfolio sizing today. So Andrew, what does portfolio sizing mean to you? What's a air quote definition of portfolio sizing?

Andrew [00:00:29]:

Basically, you're looking at a portfolio and you're trying to build diversification. You're trying to have exposure to certain things, but also make sure that any one mistake is not going to kill your portfolio. So, you know, financial planners might talk about, you want some exposure to the United States and you want some exposure to emerging markets. Stock picker might say, well, I want some cyclicals and I also want some financials. Those would be a few easy examples. You only have 100% in your pie. So its one pie. You got to figure out how youre going to split it up.

Andrew [00:01:03]:

And thats what the art of portfolio management really is.

Dave [00:01:09]:

Yeah, exactly. So what is the air quote, traditional textbook kind of portfolio sizing look like? Is there an ideal number, if you will?

Andrew [00:01:21]:

I think in retirement planning you have the 60 40, which is 60% stocks, 40% bonds. And I think thats something that a lot of people will recommend for people getting close to retirement. And then for stock pickers, a lot of people talk about having 15 to 20 stocks sort of evenly spread out between something like that. Those are the two big ones. Ive heard. What kind of rules of thumb have you heard? Are there any others?

Dave [00:01:44]:

No. Generally that, I think a lot of people refer to buffets 20 number of 20 punch cards. Like, oh, yeah, you know, you should have 20 punch cards, you know, a card with 20 punches so that you make 20 investment decisions throughout the life of your investing career, if you will. And so that would be your portfolio would be 20 different individual companies.

Andrew [00:02:07]:

I used to like that one a lot and I think it has a lot of good application. That one makes me just not even want to buy anything if you try to take that literally.

Dave [00:02:17]:

Right.

Andrew [00:02:17]:

It's a very scary idea.

Dave [00:02:19]:

It really is.

Andrew [00:02:20]:

You can't make a mistake. This is one.

Dave [00:02:22]:

I know I only have 20 choices to get it right.

Andrew [00:02:25]:

Yeah.

Dave [00:02:26]:

You know, I do wordle with my family and I get nervous about six choices, you know, to get it right. So 20, oh boy.

Andrew [00:02:34]:

What's the logic behind that because there's a lot of good logic there, I think.

Dave [00:02:37]:

Well the logic is that if you confine yourself to fewer choices then in theory you will think more deeply about your potential decisions. And in theory, you know, in a perfect vacuum the thinking deeper about your potential choices would make you make better decisions. And so ideally the 20 companies or 20 investments that you would make would be the best that you could do of all those. So every company you would pick would be know the best of the best, if you will.

Andrew [00:03:10]:

And also I think we have to recognize that the market doesnt give you very many opportunities very much of the time. I mean you can get average returns anytime you want, but to really have the exceptional opportunities, those dont happen every day. No, theres not a lot of AAA pitchers in the stock market throwing new meatballs every single pitch. Its a very professional game, a very professional game.

Dave [00:03:34]:

And its also very cutthroat. In other words the market a, doesn't care that you own the company and b, it also doesn't care that you think it's the greatest thing since sliced bread. If it is not performing it's going to get smashed.

Andrew [00:03:46]:

Yeah I heard something recently, somebody called it like the familiarity premium. It's like some stocks get higher valuations simply because a lot more people are familiar with it.

Dave [00:03:58]:

Right.

Andrew [00:03:59]:

It could be a bias that creeps in with a stock here and there.

Dave [00:04:03]:

Oh yeah for sure. I always associate that idea with sports teams like your local team that you support because you're so familiar with the 7th player off the bench and your college basketball team. You think the whole team is really is better than they actually are because you're so familiar with their players and you're not with the other team. And so you just start assigning, because I have that familiarity with Microsoft and Apple. I think that's, you know, those are the greatest investments ever. Just like my, you know, local basketball team is the best ever.

Andrew [00:04:36]:

Yeah, you definitely gotta be cognizant of that bias, cause it can creep in anytime with any, any type of stock.

Dave [00:04:42]:

Yeah, absolutely.

Andrew [00:04:44]:

Okay, we talked about the punch cards so maybe the 15 to 20 stocks. Just in general rule of thumb, what are your thoughts on that and what is the basis behind that kind of idea? That's been bandying around a lot.

Dave [00:04:59]:

I'll admit I don't know the academic reason for why that number has been bandied about, but through my years in the market I feel like it's a number that I think there's several things. So number one is 15 to 20 companies, if you own that many, can be a manageable amount for an individual investor to attempt to stay on top of. In other words, be aware of what's going on with the company, the news, the ins and outs of management decisions, new products, things that are potential risks or not risks, maybe a better understanding of the particular sectors that those investments work in. And so I think that can help you manage the portfolio well. And then the other part of it, too. If you have 20 companies and you can only have 100%, then 5% per stock is pretty easy to think of. And, you know, as far as like position sizing kind of idea, you know, it's not crazy numbers. You know, you start getting like a pizza pie where you got eight slices and it's different size of the pizza.

Dave [00:06:08]:

For me, those are the two kind of reasons why the 15 to 20 number sticks around, because I think most people can manage that number. And a 5% position size, if one of those goes south, then it doesn't, to your point earlier in the conversation, it doesn't ruin your portfolio returns. So if one or two of those companies, if they're a smaller position size and they fail or they don't perform like you expect, then that's not going to ruin your returns overall, because the other ones can do well enough to carry the weight.

Andrew [00:06:43]:

What else should be considered around that topic?

Dave [00:06:47]:

The other big part of it should be consider. You need to consider what kinds of diversification that you have with those particular companies. Like if you're investing in 20 companies, you don't want all of them to be trains, or you don't want all of them to be in grocery stores, you want to have different allocations, you want to break that 20 up. If that's the number you're shooting for, you want to break that up into different sectors. So that, to your point, again, if one sector is not doing well or underperforms, it doesn't impact the overall portfolio. Some sectors are going to be correlated to a certain extent, but others are going to be completely uncorrelated. And so if tech is a big part of your portfolio, but then you also own energy or commodities or things of that nature, those necessarily won't be correlated. So if tech doesn't do well, and the other two could do well, and that could sustain your portfolio when other parts of it aren't performing, give you.

Andrew [00:07:51]:

That dry powder to pounce on opportunities and stuff, right?

Dave [00:07:54]:

Yep, exactly.

Andrew [00:07:55]:

Would you say that there's a right way to balance all of those allocations?

Dave [00:08:00]:

No, I don't think there is. I'm sure there's some people out there who argue with me. I feel like that it really comes down to there's a few things you gotta consider. Number one, you don't have to swing at every pitch, right? So you don't have to just because theres somebody whos determined that eight or nine different sectors are the things you need to have as part of your portfolio. So you need to own a commodity like gold or oil or something. If thats something that a, you dont understand, b, you dont only think about, c, you dont have any interest in then just having it, to have it I dont think is the right way to think about it. I would probably err on the side of trying to stick within your circle of the competence, as opposed to just having things to checklist and mark off a checklist. And so I guess the way I try to look at it is when I'm building a portfolio, I'm trying to find the best company I can, and that really more trumps to me, whether it's in a neatly defined sector or not.

Dave [00:09:05]:

How do you think about this?

Andrew [00:09:06]:

I agree with you, I don't think that there is an absolute right way at all times. I think it's a balancing act. You want to try to get exposure to as many things as you can, but to your point, Dave, like, it's not possible to get exposure to everything. So by trying to get exposure to everything, you're probably going to run into a lot of just subpar decisions or subpar ideas. So I also don't think you want to take it to the extreme in the sense that like, I'm just going to avoid all tech, because that could be also really hard to beat the market if you're not in tech at all.

Dave [00:09:38]:

Right.

Andrew [00:09:39]:

And so that becomes a tough thing too, because what sector people say you can't like, you have to have that changes over the decades as well. So yeah, it's hard because the answer is always changing. And as an investor, you just to me try to go back to the basics of, I want to be diversified, I want to have exposure to a decent amount of trends, but I know I'm not going to get all of them.

Dave [00:10:04]:

Yep, exactly. Do you ever feel like at a point where maybe concentration is harmful or not beneficial to the portfolio and maybe what does that mean to you? This is a little more, I guess, art?

Andrew [00:10:18]:

Yeah, I mean, my thoughts on this evolve a lot. I kind of go back to the same idea with the sectors and kind of the way, industries can go in and out of favor, portfolio strategies go in and out of favor. And if you look at, there was a paper I did, and I'm not going to even try to look it up. If you're super curious, I wrote about it to value spotlight subscribers in what are the odds? He looked at the dispersion of returns over time. And so everybody is talking about now how Nvidia has been driving the index and Nvidia, and it was like the mag seven have all been driving the index and everything else just doesn't matter. Right. And so that kind of fat tail nature of the stock market returns is very prevalent right now. But if you look at a 20 year history, it fluctuates in and out.

Andrew [00:11:14]:

And so people who are very into the whole fat tail nature, and they say you want to have a lot of little bets at times like this, those voices will be the loudest. And then other times when returns are more evenly distributed, you probably hear people making more the case of concentration. I think the way you said art is a very good way to think about it because it's a topic that constantly evolves as the market constantly evolves. And it really just goes through these cycles over and over and over again.

Dave [00:11:45]:

Yeah, completely. Your point? I read something earlier today that Nvidia, Microsoft, Apple, Google, Tesla, Meta and one other company I'm blanking on, make up 38% of the Nasdaq right now. And they actually just readjusted it. It was 52% of the Nasdaq and they just adjusted it. And so now it's 38% of the Nasdaq.

Andrew [00:12:07]:

It's huge, right?

Dave [00:12:10]:

It's monstrous. So it's just monstrous. I think the kind of your point, when youre thinking about creating your portfolio or how you want to size new investments or current investments, I think a lot of its going to evolve as you learn more about just that particular art. And then also as you learn more about the companies that you own in your portfolio, there are some that are you just going to be more comfortable with? Youre going to know them better and youre going to feel a lot more comfortable about having them potentially be a bigger part of your portfolio as opposed to other ones that a, may be newer or b, maybe you just aren't as comfortable with, you aren't as familiar with the industry, the sector, the products that they offer. You're just not as comfortable. So it would be natural to have a smaller position in that company. And it's also natural, I think half a dozen or more of the companies really driving the bigger portion of your returns, then you have other companies that may grow into those positions or theyll kind of ebb and flow depending on their business results. And that can have a big impact on the returns as well.

Dave [00:13:22]:

If you look at Buffetts portfolio, I dont remember the exact number he has now, but its in the sixties, I think. But theres probably five or six, seven companies that really drive the vast majority of his returns. Charlie, on the other hand, was extremely concentrated with only four investments. So I think everybody has a different way to play the game. And I don't think there's any right way or wrong way. I think it really comes down to what you're comfortable with.

Andrew [00:13:49]:

Well, there's definitely wrong ways.

Dave [00:13:50]:

And those would be all you could.

Andrew [00:13:53]:

Concentrate into high growth stocks and you could also put all your money into a lottery ticket. You'll get one person who hits the lottery and makes it sound like, well, I made the right decision. No, you didn't. You made the wrong decision. You just got lucky.

Dave [00:14:10]:

Right?

Andrew [00:14:11]:

So there are some wrong ways. If I could offer kind of a suggestion along these lines, concentration and not, I have something that's coming out tomorrow called what are the odds? Again, so I like the same post and kind of took both sides of the equation. It's almost like one side's arguing for concentration. The other side's arguing for smaller position sizes that can grow into bigger position sizes. And so, again, looking at the history of the stock market and the way that, like I said, these returns can disperse at different ways at different times, you probably want smaller positions on companies that have a wider range of outcomes. So if you have a company that's a high growth, maybe it's the best grower, it's the fastest growing company that we've seen in the last 510 years. It has more of a chance of a drawdown. And so you want a lot more smaller positions of those type of a business.

Andrew [00:15:11]:

Whereas if you have something that's a sure thing, like Coca Cola when the price crashed in 1987, those, you can feel a lot more comfortable putting a big portion of your portfolio into because the chances that that investment goes south are really, really small because youre getting it with a big margin of safety. So kind of to your point, again, it depends on what game youre trying to play. There are certainly wrong ways to play it. But at the same time, I think you got to be careful about mix matching, what kind of stocks youre buying with, what kind of portfolio strategy youre following. Thats something I didnt really pick up as a beginner, that theres a lot of nuance to that.

Dave [00:15:50]:

That's a great point. By the way, do you have like a high number that you would be like, okay, I've reached this number. I don't think I need to grow my portfolio any bigger.

Andrew [00:16:00]:

I've been doing this long enough for now. I say that. I'm not going to say it out loud, okay. Because it really depends on the business. So, and the stock. And not just, you know, not just okay. I feel a certain way about the position. But if I have a stock and Im looking at it and maybe I think its matured and maybe I think its best days are behind it and maybe now its like 30, 40% of my portfolio, then I probably make a decision on that to try to reduce some of that exposure.

Andrew [00:16:32]:

But then you always run the chance that youre wrong. Because when you buy stocks, the beauty of it is sometimes the growth can come from unexpected places.

Dave [00:16:41]:

Right.

Andrew [00:16:42]:

But that's kind of the way in my frame of mind right now that I'm looking, looking at it. But on the flip side, if it's a business that's constantly innovated, maybe even though they look matured right now, maybe there are those offshoots they just don't see. And so maybe you continue to hold that at 30, 25, 20%, whatever the number is. And it also depends on what's the alternative option at that time.

Dave [00:17:09]:

Right.

Andrew [00:17:09]:

It's too many factors.

Dave [00:17:11]:

Right.

Andrew [00:17:11]:

What about you?

Dave [00:17:12]:

That's a lot of factors. You know, that's one of the things that I frankly struggle with this, because as we've talked about many times, payments is, you know, it's a soft spot for me. And so every once in a while, I'll come across a company that I'm like, you know, this is pretty awesome business. But then I look at my concentration of my portfolio and I see that financials is 45, 50% of it. And I'm like, okay, do I really need to add another one to that pie? And so it becomes sort of a struggle because I'm not intentionally trying to fish in a particular place. It's just things that get, I just notice and then like, huh, I wonder. So then you start kind of looking at it and you go, yeah, I kind of like this. And then you start thinking, okay, maybe that's too much.

Dave [00:18:05]:

It's an ever evolving, you know, group of things. Because I have a group of companies that I think are really, really strong, and then I have other ones that are not in the payment sector or financials that I think are really strong. And so I mean, my ultimate goal right now I have 1718 companies in my portfolio. My goal is to get into the 25 ish range. I don't want to, you know, say I don't want to, I only want up 26 and that's it. Because, you know, Amazon could drop and that could be the greatest thing I should ever buy and that would be number 27 and I can't do that. But I think to me, I think if I can get to in a 25 range, I think that's something that I can manage as far as like keeping track of it, staying on top of the companies and everything that's going on with them. And so that's kind of my goal, but I just kind of keep working towards that as I keep evolving.

Andrew [00:18:55]:

Yeah, I mean we have such a different approach because I have like a bird's eye view of my portfolio and I can see in real time, maybe not real time but month to month to month how the sectors exposures are. And im constantly thinking of that and it goes to show that there are multiple ways to approach that problem, but we both run into it. I feel like ive been so bullish on homebuilders for a really long time. Ive resisted against adding more because I felt like I had a full position. I put that in air quotes, whatever that means, I have a full position. That is the right idea for me. But it also comes with understanding that the downside to that strategy is if I am 100% right about home builders, im going to have left a lot of money on the table. And so it all comes down to really whats an exposure thats good enough and whats one thats maybe too risky, too return seeking.

Andrew [00:19:55]:

Thats the endless game of the market. And I think you start to get to some point of diminishing returns where the optimization just can be overly optimized until the day you die, you know.

Dave [00:20:07]:

Right, yeah, exactly. I personally don't, I don't get too hung up on the whole optimization idea of the portfolio. It's more about trying to just find the best companies I can and try to fit them into the swaths as best I can and not worry about having 5% of this and 6% of that and 8% of this and 12% of that kind of thing. And I know there's, there's a lot people that do that and there's some benefit to it. But for me that that doesn't work.

Andrew [00:20:33]:

That's me. So then that's why I guess I feel so strongly about trying to not over optimize because I'm naturally doing it right. So what would be a big struggle for you that you find with not taking that kind of approach to your portfolio construction?

Dave [00:20:49]:

Well, I think the obvious thing is that you can, if you're not trying to confine yourself to a certain extent, you can run into the over concentration problem.

Andrew [00:21:00]:

Okay, so how do you determine what that is? Because I think that'd be super interesting to think about.

Dave [00:21:05]:

I don't know that I have, well, a couple of things. Number one, I don't feel like I've really answered that for myself yet. So there's that. And number two is I think it's going to depend, really, it's going to depend on, I feel like the investor, some people are going to feel more comfort in having a bigger concentration in certain sectors because of their, I guess, their expertise or that lies in with very strongly within their circle of competence. And so I feel like that would also naturally lend itself to you being more comfortable with a bigger concentration in those sectors. But I guess the logic part of my brain kind of screams a little bit like, you know, hey, you know, you know about correlation, you know that, you know, you know, I'm not saying I'm the smartest investor ever, by any stretch, but sometimes knowledge can be a hindrance. It can cause you to maybe overthink sometimes things. And so that's my cross to bear, is that I feel like I know enough about the history of the market and I know enough about the theory behind the ideas of concentration and correlation and those kinds of things.

Dave [00:22:21]:

But then I also know that I have a circle of competence and I have an area that I feel comfortable looking at and investing in and have done okay with that. It's like, okay, you know, do I want to keep feeding that, that fish or do I want to go fish other places? And that's, that's my personal cross to bear.

Andrew [00:22:41]:

So I'd love to get some ideas on, like, how can an investor know if they have a circle of competence? Because sometimes I look at my portfolio and there's a very low correlation between my circle of competence and the actual long term returns.

Dave [00:22:56]:

Right. I mean, for me, it's been following things that I find interesting. It's literally been as simple as that. So I like the whole payments, financial industry, insurance, banks, payments companies. I find all that stuff kind of endlessly fascinating. And then I love the whole idea of energy and energy creation. I haven't really been able to invest in it yet, but it's something that I find kind of endlessly fascinating. And I love reading about electrical grids.

Dave [00:23:28]:

My nighttime reading is electrical grids. But those are kinds of things that I find interesting and fascinating. You know, I spent a long time in the restaurant business. I should be investing in the restaurant business. I haven't really, but that would certainly be someplace that I would feel comfortable investing if I felt better about the particular companies that I could invest in. But I think for me, it's just literally, it's been as simple as this is something I find interesting and fascinating, and I've been able to follow that passion, and that's what I have done. And so I think, but again, I think every investor is going to be different. I think you have to learn what's, what you're interested in, excited about, learn about, you know, do you want to sit there and read about banks? If you don't, then don't.

Dave [00:24:12]:

You know, if you find tech fascinating, then I think that's great. If you find trains fascinating, and I do, then I think that would be something that would be really interesting to learn more about.

Andrew [00:24:23]:

How would you keep somebody who's going down that path from, like, getting really interested in the horse and buggy or something, right?

Dave [00:24:33]:

Boy, yeah, that's a tough question. I think part of it is you have to be aware of where everything sits in the ecosystem and be aware of the trends and the things that are going on. If you're going to invest in landline phones and everybody around you is out buying an iPhone that may be assigned to you, that, hey, maybe this is not the thing, you know, or to your point, you know, you see everybody, all your neighbors and all your friends are all driving their model t's down the road and you're thinking, I should go invest in, you know, the latest, you know, horse and buggy, you know, duo. Yeah. Do you really think that's gonna end well? I mean, so I think that's the way that I try to do it, is. I think the more you get into an industry, like, you're been very bullish on the housing sector, and so you have a lot of familiarity with that. So if all of a sudden everybody and their brother wants to build, you know, I don't know, hence, instead of homes, you know, you would know about that before pulling the trigger on a home builder.

Andrew [00:25:38]:

If you've done the work, right?

Dave [00:25:40]:

Yeah, if you've done the work. I mean, if you're just walking in off the street, and you open up your fidelity app and you decide, I want to buy something that's maybe not the recipe I would follow. If you're interested in a particular company, then also looking around at the other companies in the industry, you don't have to do a deep dive on every single payments company. But if you really find that you are fascinated by a Mastercard, you need to know at least what's going on at Visa before you pull the trigger on a Mastercard, or vice versa.

Andrew [00:26:09]:

Yeah, 100%. So I'm asking this question because I don't know what the answer would be, but.

Dave [00:26:17]:

I already tell you I don't.

Andrew [00:26:20]:

You know, we talk all the time, I feel like, about trying to shut off the noise and don't look at Wall street and don't fall victim to all its biases in the crowd and everything. But you think there's value in watching ipos, because you could see, you know, the next thing that takes out a long standing industry. What are your thoughts around that?

Dave [00:26:42]:

I think my initial gut reaction to your question is, I think it's worthwhile to be aware of what Doordash or Uber is doing. It may not be that you invest in it, but I think if it's going public, that means that it's developed a platform, a product, a service that people are, have been willing to pay for. And it behooves you to be at least familiar with it and aware of it even if you don't invest in it. Just because it could have a bearing on Texas Roadhouse. If you're ignoring DoorDash and just focusing on foot traffic for restaurants and not understanding that there is another revenue stream for restaurants and DoorDash is place in that extra revenue stream, then you could be doing yourself a disservice. So I think at least being aware of the ipos and understanding what Reddit does and how that could impact an investment in meta or Snapchat or Google or somebody like that. Not saying that they're necessarily correlated, but, you know, it's been around for 20 years, so it's maybe not a brand new, fresh idea, but I think, yeah, at least being aware of what the ipos are. I read new banks IPo, you know, 272 document, you know, IPO s one.

Dave [00:28:08]:

And I mean, it was fascinating. I learned a lot about the company, but I think it was helpful to compare that to what I already knew about us bank or JP Morgan, for example.

Andrew [00:28:18]:

Right. That's super cool. Cognizant of the fact that our thoughts on things may evolve over time. Do you still like that idea of taking small starter positions to get familiar with a company like, I don't know, like a 0.4% position size? How would they, do you still have thoughts on, like, whether you like that or not?

Dave [00:28:40]:

I guess I would qualify it as depends, right? I think it depends on the business. So if I'm starting a new position in, I've heard a lot of people.

Andrew [00:28:48]:

Talk about this company.

Dave [00:28:49]:

I have no, almost nothing about the company and I have no position. But there's an e commerce company called Coupang out of Korea. And let's say that I wanted to start a position in that company. And I think because I think maybe that's a great opportunity, I would probably, in that circumstance, I probably would be like, you know, half a percent ish, 1% ish of my portfolio, I could allocate to that company to give myself a chance to learn more about the business and kind of grow into, grow into a bigger investment in that company. I think if like, I'm going to invest in Berkshire Hathaway, I would be more inclined to not necessarily back up the truck, but I would be more inclined to take a much bigger swing at something like that than I would like. Coupang, for example, just because of the familiarity with the business, I know the business a lot better and I just would have a bigger comfort level with the company. So I think to me, it comes back to comfort level of the business versus not.

Andrew [00:29:48]:

What do you mean by comfort level?

Dave [00:29:49]:

I guess probably to our earlier conversation, a bit of familiarity with the business. I already know what Visa does. So being able to understand that company, I think I can understand it better because it's something I'm familiar with and I understand the economics of the company better, and I may not Coupang is in e commerce, which is outside of my comfort level. And so Im not as familiar with the economics of that kind of business, for example. So I would be more comfortable taking a bigger position in something like visa or progressive than I would in a coupang, right?

Andrew [00:30:31]:

Yeah.

Dave [00:30:32]:

If that makes sense.

Andrew [00:30:33]:

Yeah, I gotcha.

Dave [00:30:34]:

But if theres a company that ive not bought for a while and lets say its Amazon, lets say its a company that Im familiar with the company kind of what they do. And I've been studying it off and on for multiple years, and all of a sudden I get an opportunity because the market turns and all of a sudden now I have an opportunity to buy company that I think is a great business but I haven't bought before then I might go bigger into that because I spent more time learning about it. And so I feel a lot more comfortable about taking a 10% swing at Amazon than I would at Coupang, if that makes sense.

Andrew [00:31:11]:

I feel like I did something similar a few months ago where it was a premium business that as it got cheap, I don't feel like it'll stay this cheap for very long.

Dave [00:31:21]:

Right.

Andrew [00:31:21]:

So it was like a swing, 10% kind of play.

Dave [00:31:26]:

Right.

Andrew [00:31:27]:

And to me that was more because I felt the opportunity might get away and I wouldn't have a chance to kind of like step in, you know, half a percent, a percent, 3% maybe. Great. Right. If you could do that and you just know the stocks can continue to go down, you continue to buy, buy, buy.

Dave [00:31:44]:

Right.

Andrew [00:31:45]:

But to your point, I mean, on some of these really great businesses, the opportunity window might close very quickly. And I think it makes sense to swing big if you get something like that, even if it makes you long comfortable. But, you know, to each his own, right?

Dave [00:32:02]:

Like you say, right? Yeah, for sure. There have been a few times where I've passed on businesses and then they've gone on to do really, really well and you kind of kick yourself in hindsight. So when you do get the opportunity to take a, to take a swing at a really, really good company, then you kind of got to do it.

Andrew [00:32:22]:

Yeah. Mister market might be crazy, but he's not crazy every day all the time.

Dave [00:32:27]:

No, no. He, he goes and stretches. Sometimes he has runs of a week or two where he's completely nuts and then can be rational for a while.

Andrew [00:32:38]:

Yeah, exactly.

Dave [00:32:40]:

That happens. All right, folks, well, with that, we will go ahead and wrap up our conversation on position sizing. Again, this is part of our back to the basic series. We do this every Thursday. So come back. We got about, yeah, we're going to do about 20 episodes, so we got a few more to go. So with that, we'll go ahead and sign us off. You guys go out there and invest with a margin of safety, emphasis on the safety.

Dave [00:33:00]:

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

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