IFB343: Investing in Nvidia and Tech's Value Chain - Risks and Opportunities

Dave [00:00:00]:

All right, folks, welcome to Investing for Beginners podcast. Today we have episode 343. Today we're going to answer some fantastic listener questions we got recently with that. If you have any questions, you can send them to newsletter investingforbeginners.com dot. You can also reach out to us on Spotify. They have a place where you can ask questions at the bottom of each show, or you can reach out to me at Twitter or x at IFB Underscore podcast, and we'll go ahead and read the questions on the air for you. So with that, let's go ahead and dive into the first question. So this is from Nocturne.

Dave [00:00:36]:

Hello. I'm a new viewer and really liked your podcast. I wanted to know how I should be investing in an ETF. Do I just put money over time or wait till there's a price drop to invest? So great question about ETF's Andrew. Do you want to take a first swing at this?

Andrew [00:00:52]:

My vote is to put money over time. What's your vote?

Dave [00:00:57]:

My vote is to put money over time.

Andrew [00:00:59]:

Yeah.

Dave [00:01:00]:

How would we say that? Well, I guess, first of all, what's an ETF?

Andrew [00:01:03]:

Yeah, ETF. If you're a first time listener, it's basically a way to buy a basket of stocks. Some of the most popular ETF's are ones like ticker spy, and that gives you the S P 500. It buys a basket of the S and P 500 stocks. So instead of having to buy them individually, you can buy the ETF and it holds all of those for you. And so there's a very good reason why you would not want to buy those waiting for the price drop to happen. Because I have no idea when the price is going to drop and Dave has no idea and your neighbor down the street has no idea and your stockbroker has no idea. Nobody has any good idea of when the stuff's going to drop and when it's going to go up.

Andrew [00:01:49]:

The only things that we can know is over the very long term, stocks have a good price appreciation because they grow alongside the economy, and thats pretty much all weve got.

Dave [00:02:00]:

Steven? Yeah, thats true. We dont really have any way of predicting when the prices are going to go up or down. And one of our favorite strategies is to use a process called dollar cost averaging, where you put a regular amount of money into the stock market at a regular intervals. So just for easy numbers, you take $100 and you put it in the stock market every first Tuesday of every month. And by doing that, you kind of avoid the trying to air quote time the market and wait till there's a better price because you're just buying whatever price it's offering for you at that particular time. And most 401 ks, I would probably hazard to say all 401 ks, this is exactly what they do. You decide on an allocation, whatever that may be, and then the money is taken from your paycheck and given to the brokerage that manages the ETF for you or the 401K for you at your job. And then they buy that particular basket of stocks.

Dave [00:02:55]:

And it's a time proven, well worn process, and it works really well. And it takes the, the thing I like about it, it takes the thinking out of it. You don't have to stress about, okay, should I wait for the price to go down? Should I buy on Wednesday instead of Tuesday? It sets a habit and it starts you getting invested. And it's not necessarily a set it and forget it. But it's certainly more so than buying Amazon or Nvidia, for example. So it can be a fantastic way to invest. And for most people, it's the best way to invest because as Andrew said, it's a basket of stocks. You don't have to stress about individuality of like, am I picking this one or is this one bad or this one good? You're just buying all of them, and then you let somebody else do all the heavy lifting and all the work.

Andrew [00:03:40]:

Yeah, 100%.

Dave [00:03:41]:

Yeah. All right, so hopefully we answered that question adequately. So let's move on to the next one. So this one is dear Andrew and Dave, first off, I want to thank both of you for creating the investing for Beginners podcast. I'm 30 years old and finally wanted to get into investing after landing a salary position as an assistant superintendent and golf cool job. All of their podcasts seem to be running on caffeine and market mover news. So thanks for pumping the brakes and shining a light on air quote, boring value investing. As I start to build my portfolio, I have a high concentration on undervalued securities.

Dave [00:04:15]:

The market is somewhat shunned but still pay an impressive dividend as well as the dividend aristocrats and kings. My question is, and I'm sure the answer is obvious, what if you purchase a stock for a deal steel. But the price starts running away from you and the comfort you're willing to pay for a second or third position goes out the window? Do you keep purchasing good stock at a premium or build up positions elsewhere in the portfolio? Thank you again. I've binged to episode 100 and can't wait for the COVID episodes. This from Ryan. So fantastic question, Ryan. Thank you for sending that in and congrats on the new gig. That sounds like a lot of fun and hopefully you get to play a lot of golf.

Dave [00:04:52]:

So, Andrew, you want to go ahead and kind of help Ryan figure out this perplexing problem?

Andrew [00:04:58]:

It is a perplexing problem and there's probably no good universal answer for it. You wonder if every investor might answer this slightly differently. And you have very good investors who are very smart and do very well. And some might answer one way and some might answer the other way. So I dont think theres particularly a right answer here and it really depends on what youre trying to achieve. And to me, I think it would depend on the stock itself as well. Like what kind of a company are we talking about? If id answer for myself, I would probably say, I guess because my track record shows once the price starts running away, then I'm pretty much, you know, used up that opportunity and move on to looking for the next one. But that doesn't mean that that's the best thing to do at all times.

Andrew [00:05:44]:

So I'm curious what your thoughts are.

Dave [00:05:46]:

Well, I'm trying to approach it in a different way. So my normal reaction or my normal methodology is to look for a company that is, you know, going the other way price wise. And so if it's a great company and I can buy it on a deal, I prefer to do that when I'm trying to buy companies that I already own in the portfolio. I generally look for that in my process. But one of the things that I've been trying to learn how to do is average up as opposed to averaging down. I think it's natural for most investors and probably very common for most value investors to average down. So it's easy when the stock market, the tide goes out and everything drops. It's real easy to buy then because you feel like you're getting a good deal on your socks or your stocks.

Dave [00:06:35]:

But averaging up, it's a lot harder thing to do. And so, for example, with Microsoft, I bought it for the first time in 2014 at like 33, $34 a share, and then I bought it again maybe four or five years ago at around $120 a share, and then I bought it again at 240. And now Im considering buying some more. But along the way, I have tried to, I got some advice from Brian Feraldi and some others that you should figure out the valuation now as opposed to comparing it to the anchoring of the price that you originally bought it for, because if its still undervalued, even though its two or three, four times the price that you originally bought it at, its still a good deal psychologically is hard for me to do, ill admit. But its something that ive been trying to make a more conscious effort to look at when Im trying to reinvest in my portfolio as opposed to gathering new positions. And so thats something ive been trying to do. What are your thoughts on that?

Andrew [00:07:39]:

Yeah, I was going to tell a similar story. So im glad you told a better one because thats such a great example and such extremes, right. Going from 33 to 200 and something, and I did something similar. And it's because the business itself actually grew that much and became that profitable, which is astonishing and doesn't happen every day, obviously. But for certain businesses it does play out that way. And you do get situations where a stock might be just as attractive as when you first bought it even though it's up 50% or it could even be an even better deal even though it's up 100%. It really depends on the underlying business.

Dave [00:08:20]:

Right. Exactly. So what are your thoughts on buying it at a premium? Like, is there ever a situation where you would pay, you know, if you normally buy the company at 25 or 35 times earnings, would you ever pay 70 or 80, you know, just because you want to own more of that particular company?

Andrew [00:08:40]:

Yeah, definitely never to that extreme. But I do, and this isnt like a hard science. I dont have strict buckets where Im putting these stocks into, but in my context, with a portfolio of 25 ish names, I do have stocks that Im more willing to pay a premium with and other stocks where Im not able to put a premium on. Im not willing to put a premium on, period. And that doesnt have some hard science behind it. Its really a company like Microsoft. I feel I understand why its going to grow at a higher rate than most businesses and so I understand why it should do it. It also has had the track record to show it can do it.

Andrew [00:09:26]:

And so Im more willing to pay a premium on a company like that rather than something that maybe is a little more cyclical or more of like a buybacks machine that once the price runs up, you don't get Microsoft type growth from this kind of company. So that's kind of how I try to look at it in that, like certain businesses, you do allow the exception to pay more of a premium than your, than a different business. And it really depends on what the market's showing you at any given point in time. And you just kind of have to. It's a never ending balancing act because everything changes so fast.

Dave [00:10:02]:

Yeah, it really does. I would never pay, I kind of try to look at it kind of like you're doing where you're looking at it on an individual case by case basis. So I will be willing to pay a higher premium for a company like Visa because I know it really well and I feel like their earnings are maybe more valuable than, let's say, JP Morgan's. And so it's also kind of not necessarily an apples to apples comparison either. So even though they're both in the financial industry, you would never equate JPMorgan's business model with visas. And a bank generally has lower valuations because it's just a different kind of beast. And the market generally values their earnings lower than they would a company like visa. And so I would have to treat that differently.

Dave [00:10:52]:

Like if you're looking at a JP Morgan and they're trading at normally just a 14 P E and all of a sudden it's at a 25, I don't know that I would go that far on them, but a visa is trading at a 28 and it goes to 36. I might be willing to pull the trigger on that because I feel like that risk is worth a reward where I wouldn't feel like that with JP Morgan.

Andrew [00:11:14]:

I guess I'm 100% with you. And I love to camp out here for a second because I own both companies. And so the context behind this is my belief. And everybody has a narrative for every valuation in every stock, right? So heres my narrative. My narrative is that JP Morgans upside is more limited because you have regulatory issues. They are already the biggest bank in the United States. And then those regulatory issues keep them from being able to buy back a bunch of stock because they have to keep just the nature of banks. You have to keep a certain amount in reserves.

Andrew [00:11:51]:

Now that can change in the future, but thats how it is right now. And so they have really nice, consistent, steady growth that if you pay the right price for it, it can make double digit returns for your portfolio. Visa, on the other hand, I had a post I did for value spotlight subscribers a couple of months ago, I think using data that you had sent over to me, Dave, about the value of checks, the value of payments, thats still being done through check versus card. And so the available tam that Visa still has looks like it can be very, very high still and support really high revenue growth as the company has earned and so you have two reasons to kind of think this narrative through. One is if you look at the history of the recent history of Visa and GP Morgan, you say, wow, visa has grown a lot faster than JP Morgan. Okay, that could deserve a higher valuation. And then the second part is everything we just described, where the future upside, from all the information we could gather, appears to be in visas favor of AP Morgan. And so because of those things and the power and magic and beauty of compounding at higher growth rates, that's why I believe that those stocks trade at those different valuations.

Andrew [00:13:16]:

And thats also why I would be more willing to pay a premium on the visa thing. Not because the markets paying a higher multiple for it, but because I believe that their upside and their longevity demands and my comfort with understanding why their moat allows for that longevity allows me the comfort to pick a stock at a premium like that.

Dave [00:13:38]:

Yeah, I think thats great advice Andrews right there is. Everybody has a different narrative when you talk about valuation. And even though we're using terminology like P E ratio, which is price over earnings, that's a very common terminology to use to value companies when you're talking. But I generally try to use a lot more involved methods to devalue the company. But using a PE ratio is an easy shorthand to talk about it

amongst trends, if you will. Yes, if I tried to talk to you about the DCF valuation for visa versus a valuation model for JP Morgan, you guys would all be falling asleep at the car. So we don't want any of that.

Andrew [00:14:17]:

Yeah, I do. Lots of things I liked about the question, Ryan, I liked, he talked about the dividend aristocrats and the dividend kings, and it does feel like some of those maybe haven't gotten as much love lately. So maybe you can describe what those are and why those are potentially attractive for people. Yes.

Dave [00:14:39]:

Okay, so dividend aristocrats are a group of stocks that have paid a growing dividend for 25 years or more. They also have to be a certain size of market cap and they also have to be part of the s and p 500, I believe. And I'm not sure about that third one. I'm not sure either, truthfully. But I know they have to pay a dividend for 25 years and they have to be a certain size of company. So it can't be like a $500 million market cap. It's got to be a fairly larger company. Dividend kings are basically an extension of that.

Dave [00:15:13]:

So dividend aristocrats can also be dividend kings and dividend kings are companies that have paid a growing dividend for 50 years or more. And so aristocrats can be kings, but kings cant necessarily be aristocrats. So a lot of income investors love dividend aristocrats, and theres a basket of, around the last I remember counting was 66 dividend aristocrats. Im not sure about the kings, but they're very generally very solid, stable companies. If I tell you some of the names, you'd be like, oh, yeah, okay. Like Johnson and Johnson, for example, is probably the perfect use case of the dividend or a scrat. It's a growing company. It's not a fast grower like an Nvidia, but it pays, you know, a growing dividend, and it's a great, they actually buy back a lot of shares, too.

Dave [00:16:00]:

So it's a very income friendly investment. But they also tend to be air quote, boring companies. So you're not going to see a lot of tech in the dividend aristocrat space, at least not at this point. Maybe in ten years youll see more of them. Nvidia actually does pay dividends. May shock some people, but thats what I know about those.

Andrew [00:16:18]:

Preston so would you say, you mentioned the income investor, would you say the attractiveness of a dividend, take your typical or average dividend risk dividend keen. The attractiveness of that depends on your goals as an investor.

Dave [00:16:34]:

Trey yeah, definitely. Some of them are going to probably grow about as fast as the economy. So your share appreciation is not going to be as great as investing in Apple, for example. But the total return you would get from these kinds of investments would be probably maybe a third from the dividends, maybe a third from buybacks, and maybe a third from share appreciation. So it may grow like 3% a year revenue wise, and it may pay a dividend of 3.5%, and it may have a two and a half percent dividend or a share buyback yield. And so that would give you an eight or 9% return, which is nothing to sneeze at by any stretch. But they get shunned because they're not shiny. They don't get a lot of press.

Dave [00:17:19]:

And like I said, the majority of them are under the radar kinds of companies that just, you don't hear a lot of people talk about unless, unless there's some sort of tragedy or some really bad news that happens with the company. They definitely fly under the radar.

Andrew [00:17:31]:

Yeah, for sure. I would like one of those, but raise the three to five.

Dave [00:17:39]:

Exactly. But because of their stable nature and their stable growth of paying a growing dividend, that's what makes them attractive to income investors. So people that are trying to build up a portfolio that will pay them growing dividends as they get closer to retirement or are in retirement. And so that can be very, very attractive for those kinds of investors. And they're not super volatile. You can generally sleep pretty well at night owning these kinds of companies, too.

Andrew [00:18:07]:

So I guess what is it about the businesses themselves that gives them this characteristic in nearby?

Dave [00:18:14]:

I think as a general rule, they have proven 25 years in business growing a dividend. That means that they have created or produced a product or service that people find valuable for a very long period of time. And it

also means that management does a good job of operating the business so they can generate lots of free cash flow because that's where the dividends come from. So if a company isn't generating cash flow, it doesn't generally, it doesn't have the wherewithal to pay a growing dividend. And so a company like a dividend aristocrat, you know, Pepsi, Coca Cola, Johnson and Johnson, these are businesses that have been around for a very long time, and they're very efficient. They do what they do very well. People like their products a lot and use them regularly. And so that allows them to be efficient with the revenues that they generate.

Dave [00:19:07]:

They don't waste a lot of it. And it becomes free cash flow, which they can use for dividends, growing the dividend, or they can buy back shares, because a lot of times they generally don't have tons of reinvestment opportunities like Microsoft does, for example. So it just lends itself more to being something that they would pay out as a dividend instead of just building up cash on their balance sheet.

Andrew [00:19:30]:

Right. Are there any red flags youd look at when sifting through these kinds of companies? Steven?

Dave [00:19:37]:

I think theres probably two things that really spring to mind. Number one would be a unsustainable dividend. If you see a ratio called a dividend payout ratio, where you basically compare the dividends to the earnings of the company. And if its over 100%, thats not sustainable because you cant pay out more than you make, right? Just like we cant pay out more than we make. And it's the same thing with the business. Now, they can do it short term if they're borrowing money and things of that nature. But again, that's not sustainable. So generally, when you see companies that have a really high payout ratio, that could lead to some problems, depending on if there's upheavals in their business or their business model gets rupted, or we go through an economic calamity like we had during COVID those can all put a lot of strain and stress on those dividends payments.

Dave [00:20:24]:

So that's one thing. And then the other thing would be if the dividend yield is really, really high, generally that's not a good thing either, because the higher the dividend yield, that means that there's something going on with the price of the stock, and that is probably not desirable. So generally, depending on what kinds of company it is, a reit, for example, a real estate investment trust, they have to pay out the majority of their income as a dividend. So they generally have very high dividend yields. But a company like Johnson and

Johnson or Coke, their dividend yields will sit in the two, three, 4% range, and that's pretty normal for them. So if you see that shoot up to like eight or 9%, that's a red flag.

Andrew [00:21:02]:

Yeah. Have you found a unicorn like that yet?

Dave [00:21:06]:

Not yet. I'm still looking, I'm still looking. I'm still looking.

Andrew [00:21:11]:

What was GameStop at way back in the day?

Dave [00:21:14]:

Oh, God. I think at one point it was 810, 11% yield, dividend yield, or something like that. It was ridiculously high.

Andrew [00:21:20]:

Yeah, yeah, yeah. Too funny.

Dave [00:21:23]:

Yeah.

Andrew [00:21:24]:

Hey, you know, never say never. Maybe one day, maybe one day apple.

Dave [00:21:28]:

Will be a dividend aristocrat, right?

Andrew [00:21:30]:

Yeah. Maybe one day interest rates go high enough, then that'd be a different world.

Dave [00:21:36]:

Yes, it would be. All right, so let's move on to the last question. So we got Nvidia is the hottest and trendy buy these days. What are your thoughts on the company? I can't seem to figure out what are the recent events that caused the continues ups of the stock. This is a great question. So this is from Leslie. Andrew, I'm going to let you take first a stab at this.

Andrew [00:21:56]:

Yeah, thanks for writing in, Leslie. I don't own Nvidia. I've been looking at it here and there. I do have some positions in semiconductor companies and so I have a basic understanding of some of the technology and also I have positions in Microsoft, so I'm very invested in the cloud and that's basically what Nvidia does, right? They make these semiconductors that go into data centers and servers, and that's a very booming industry at the moment. What I understand about their tech, if you look at their investor relations, you can go on their investor relations, you can look at their earnings slides and see visualizations of it and I think that's kind of helpful. If, if you're not very techie, at least you get a visual understanding of what's going on. But I think it's fascinating. They used to make these GPU chips, and it used to be mostly for gaming and then, like, very specific computer applications.

Andrew [00:22:57]:

And now whatever advancements they made in that technology has now they've been able to fully utilize to put in these data centers. And some weird mix of the software and the hardware has enabled Nvidia to be the leader in basically making computing power happen at the highest levels. And so that's why it's a nice story. But then also, if you look at their earnings, I think it was like, in one year, their earnings in the next year was higher than their revenue the previous year, which is, like, unheard of, absolutely insane. And so that's my understanding of the story right now. And obviously, everybody's huge in the AI. Curious your thoughts?

Dave [00:23:44]:

Well, I agree with everything you're saying. I think it really stems from the fact that the tech that they've created and the stack, the data center stacks that they've created have really enabled OpenAI, Microsoft, Google, and some of these others to really accelerate their usage of AI. And that is really driving the majority of what's going on with Nvidia as it really comes back to this technology that they created decades ago, has found a much broader use than what it was originally intended for. And they have also been working really hard to create the cutting edge of servers and data stacks and these farms that people are buying hundreds of these things, that tens of millions of dollars to create data servers that they can meta compete with Google for AI, because that's where the cutting edge is right now, is AI. And that's really where the fire is. That's where everybody's moving towards right now and trying to compete to. I guess the way I try to

envision is trying to position themselves in a land grab, to position themselves. So once things start to settle out, so to speak, that there will be three or four winners in that space.

Dave [00:25:06]:

And Nvidia is right now the place you need to go to get the best tech, to compete with the other ones that have already bought the best tech. And so that's where Nvidia is really hopping on us. Bagwing. What's kind of amusing to me a little bit is that it just shows the people don't know much about the history of the stock market. Nvidia has been around forever. It's like, been around for 40 years. And like I said, it pays a dividend. That's very unusual for a tech company.

Dave [00:25:36]:

But it hasn't been a cutting edge, weeding edge company for, you know, very long time. The GPU's obviously were very cutting edge, but like you said, it was very niche, specific to gaming and things of that nature. And now it's become the hottest thing in tech. But it's not a brand new company. They didn't just IPO like two years ago. It's been around for a long, long time.

Andrew [00:25:56]:

Yeah. That's part of the fascination behind it. I mean, we haven't seen something this crazy from a big tech company maybe since Microsoft in the cloud.

Dave [00:26:07]:

Right.

Andrew [00:26:08]:

Or maybe Amazon in their cloud. I don't know.

Dave [00:26:10]:

I mean, frankly, even, I think even those even pale to what Nvidia has been doing, you know, like you said. Right, right. To grow from having, you know, the earnings being bigger than the revenue was the year before, you know, kind of thing. I don't think. I don't think Amazon or Microsoft were doing that. So it just. Yeah, that's. Those are big boy numbers.

Andrew [00:26:30]:

Yeah. So you feel like investors should be looking at a stock like this. What's your take on that?

Dave [00:26:37]:

Boy, that's the $24 question, right? The two things that you hear everybody bandy about, at least on social media, is, number one, it's a can't miss company. But the other, the flip side of it is you get a lot of raging debate on whether it's too expensive or it's reasonably priced. And that seems to be the. Nobody questions the product that they're selling. I think the biggest issue is whether the demand will continue and how long it'll continue and what is a good price to pay for buying it now when you bought it, there's a lot of people on social media doing victory lapse because they bought it a year ago. And now it's up. I don't know. I don't even know how much it's up.

Dave [00:27:19]:

It's huge. It's the second or third largest company in the world now, right now. But who knows how long that's going to last? And so that's the question is that did you miss the boat or can you still hop on that train? Is there still, you know, a lot of track left to run? I don't know the answer to that because I have not, other than reading some periphery stuff about the company, I'm by no means an expert.

Andrew [00:27:44]:

Yeah, I. I feel like for me, it at the moment falls outside of what I'm comfortable with, but I reserve the right to change my mind in the future. I have two conflicting thoughts on it. So the first is, everybody had problems with the valuation of Facebook and Google and Amazon for years and years and years, and the investors who did not listen to that were paid very, very handsomely. You also have a company like intel, which is a good parallel, because back in intels heyday, they had what Nvidia has now, this monopoly on the leading edge of a big technology. And a lot of investors made a ton of money for very many years buying intel. So thats one side, and then on the other side, you have the pessimist, I guess, in me that says, be careful, reversion to the mean and all of that. And I guess along the lines of looking at hottest and trendiest stocks and wondering, am I going to be able to keep up if I dont have these in my portfolio? I think theres a decent chance Nvidia could be a Facebook, Google, or, you know, Amazon, but I also think there's a pretty good chance it, it won't be.

Andrew [00:29:12]:

And so the question you have to ask yourself is, is that the game that you want to play? And so what I found comforting that I stumbled across in a book that I was reading, it's called the drunkards walk, talks about why. Yeah, funny name, right?

Dave [00:29:26]:

Yeah.

Andrew [00:29:28]:

It's talking about randomness and its effect on our lives. But he talked about why reversion to the mean is an innate part of our physical reality. Because if reversion to the mean does not exist for something, then that something grows out of control. So take human height as an example. If there was no reversion to the mean and human height, then every tall person would have a taller offspring, would have a taller offspring, would have offspring, couldn't fit on the earth. Right. You have reversion to the mean instead, where the heights of each generation kind of change, and you do get some variation that's kind of close to that mean, that average, but it fluctuates up and down from that. And so if we see that with human beings, we see that with trees, we see that with so many things on this planet, I think for our investment portfolios, we can feel safe that there is that as a constant force.

Andrew [00:30:27]:

And so because there is enough reversion to the mean, you dont have to be buying all the hottest and trendiest stocks. Some of them, yes, youre going to wish you bought a lot of them. Youre going to be glad you didnt. And its because of reversion to the mean. And you can believe that reversion to the mean is going to happen because you see it in our daily life every single day.

Dave [00:30:47]:

Jeff yeah, thats very well said. And I think thats one of the, probably the best way to think about this, is that the likelihood that goes on to become the next Amazon, Google, Microsoft are those, you have to balance that with, Andrew was saying, with the reversion to the mean and the likelihood of that. And I would probably hazard to say that the reversion to mean is probably more likely than the other. And so that's how I would bet on it. The other way that I would look at it is trying to look at maybe backing away from Nvidia and maybe looking at some of the value chain around Nvidia. So a company that I own, that I'm familiar with is Taiwan Semiconductor, and that's the company that physically makes the chips that Nvidia uses for their data centers. And so that would be a way that maybe you could take advantage of the demand that Nvidia is seeing without having maybe to take on as much risk of investing in Nvidia. And that's the way that I have chosen to play this game, if you will, is by investing in a company like Taiwan Semiconductor to help me mitigate the risk of maybe missing out on Nvidia but still being able to partake in the growing demand in AI because Taiwan semiconductor does, is build those leading edge chips.

Dave [00:32:00]:

And so that's, and there's a lot of demand for them. And so that can be a safer way to play it. But there's other opportunities as well.

Andrew [00:32:09]:

Yeah, I love that. There are so many opportunities with every trend. Yeah, I love the TSMC thing, too. How can I forget?

Dave [00:32:16]:

Yeah, right, right. But to me, it's more like that. It's not really, but it kind of is more like the picks and shovels of what Nvidia is doing. And so to me, that feels like a safer way to go, but that also means that I could be taking the risk of underperforming. Like Andrew was saying earlier that if you don't invest in Nvidia, you may struggle to keep up with the market. But I'm trying to play a long term game. And so my bet is that Nvidia will slow down and cool off at some point, whereas Taiwan semiconductor will be more like the tortoise and just kind of keep grinding on. You can win that way, too.

Andrew [00:32:51]:

Yeah. And, you know, if, if you're wrong about the Nvidia, thing. But the next, you're right about the next three hot and trendy things that phase out, then you still win in that scenario.

Dave [00:33:02]:

Right?

Andrew [00:33:02]:

Because this is a very long game.

Dave [00:33:04]:

Yes. Yes, it is. And you know, the last thing I'll throw out there is you don't have to invest in everything. Just because it's the hottest thing doesn't mean you have to invest in it. You can pass and still do great in the stock market if you, you know, if you go back to our mentor, Warren Buffett, he's never really invested in the hottest thing. Apple was probably the closest thing he's ever invested in. That was the air, quote, hottest thing. And it was kind of out of favor when he bought it.

Dave [00:33:28]:

So it, you don't have to do that to, you don't have to play the, the hottest thing game to be successful in the stock market.

Andrew [00:33:36]:

Perfect.

Dave [00:33:37]:

Okay.

Andrew [00:33:39]:

All right.

Dave [00:33:39]:

All right, folks. Well, with that, we will go ahead and wrap up our conversation for today. Thank everyone for taking the time to send us those fantastic questions. Please keep them coming. Newsletter@investingforbeginners.com Twitter at IFB Underscore podcast or you can do them on Spotify as well. So with that, we'll go ahead and wrap us up. You guys go out there and invest with a margin of safety. Emphasis on the safety.

Dave [00:34:03]:

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

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