IFB348: The Art of Stock Picking - Expectations and Realities

Dave [00:00:00]:

All right, folks, welcome to Investing for Beginners podcast. Today we have episode 348. Today we're going to answer six listener questions we got from Spotify. So this is going to be rapid fire for us. And if you have questions, if you are have something your burning desire to learn about and for us to talk about in the air, you could send us the questions at Spotify. You could also send them to newsletterainvestingforbeginners.com. Or you can reach out to us on Twitter at IFB Underscore podcast. And you can send us questions all three of those places.

Dave [00:00:33]:

So with that, let's go ahead and dive in. So here we go. What books would you recommend to new investors? I've started with the richest man in Babylon, rich dad, poor dad, and being the street, but would like more material to read. Love the podcast. So great question. So, Andrew, what are some other reading materials we could pass along?

Andrew [00:00:51]:

Well, I'm going to steal one that you like to recommend a lot, and I'm going to say rich or wiser? Happier by William green. That one's an awesome book. You get perspective from a big group of investors, all been successful in their own right, and you get good wisdom not just on investing and stock picking, but also on just living, hopefully a more fulfilled life, more satisfied life, and just good tactics and information in there for that. And another one I'll kind of pull from the archives, if you will. The Warren Buffett way by Robert Hagstrom. I love that book because he got to be involved with Warren back in the day and really broke down Warren Buffett's magic in the early days, the seventies, the eighties, and just shine a light on what Buffett did, what Buffett's principles were. And then I love in the back of the book, there's an appendix where it shows Warren Buffett's portfolio in 1970, 719 78. You get like a year by year, and you can see the positions he had and the way it transformed over time.

Andrew [00:02:00]:

So I found it really useful. The writing is great, the lessons are awesome. And I would pick that book up in a heartbeat. I love rereading that every once in a while.

Dave [00:02:09]:

Yeah, those are great choices. Since you pick two, I'll throw two other logs on the fire. So the first one would be psychology of money by Morgan Housel, along the lines of William Green's great book. Morgan's book is a great foundational book to kind of teach you the psychology behind money, why we value it so much, why it's such a, I guess, controversial topic and such an emotional topic. And he really kind of lays everything out. And how you can better manage your money through the psychology of how we think and how we behave can go a long ways towards our success or failure with money, just like anything else. And he's probably one of the best storytellers I've come across in the finance world. I mean, he's a fantastic writer in general, but he's really good at weaving stories along with lessons kind of in everything.

Dave [00:02:56]:

And it's a skill I wish I had. So it's a fantastic book. The other one I would throw out there would be the essays of Warren Buffett, and these are basically speeches and writings that he has done over the years. A lot of it's a collection from his shareholder letters that he puts out annually. And just a great overview of kind of his mindset behind all the great investments he's had. The way he thinks about choosing stocks and running a business and all those kinds of things. It's fantastic. And just a kind of a side note, I'm reading through his partnership letters, which are prior to him owning Berkshire Hathaway.

Dave [00:03:33]:

So starting in, I think it was 1956 up to around 1969, and they are a great kind of, you know, I guess, snapshot into his early years. I mean, he was in his thirties when he was writing these, so he's very young. And it's interesting to see that a lot of what he teaches and preaches today has not really changed much. You can also see some evolution of things. I was mentioning to Andrew the other day that it makes me kind of chuckle because almost every letter he mentions, the Pepsi's on ice, and he's waiting for it. He's best known for his coke investment, so he was not a coke drinker before he bought it. So that's kind of, kind of interesting. The other thing, another little tidbit is he destroyed the Dow Jones, which is what he was kind of comparing himself to.

Dave [00:04:19]:

Through that period, he was earning 25 30% returns annually, compared to the Dow, which was around eight to 10%. So when he says he could do really well with a limited amount of money on a smaller budget, he's not kidding. So I think those are great books. I think all of those would be great choices to help keep you on the path. Anything else you want to throw on there, Jeff?

Andrew [00:04:41]:

I'll just say if you're, like, super cheap, really tight with your wallet, and you don't want to shell out for a book or take a risk on a book, we did interview William Green, back in our archives.

Dave [00:04:52]:

Twice.

Andrew [00:04:53]:

Twice. Okay, so you can listen to those and see if you like his stuff. And then, yeah, you'll buy the book after.

Dave [00:04:58]:

Yeah, you will. Two other, I guess, cheapskate ways to define great books is your library. The public library is a great source of a lot of these books, especially older books, are going to be a great place. And the other great place now is Spotify. So they have an audiobook section, and if you're a premium member, you can get access to those books. And that's a great resource as well. And they have a lot of the ones that we're talking about in there as well, so that you can listen to books while you're doing other stuff, hopefully not working. All right, let's move on to the next question.

Dave [00:05:30]:

So this is from David. Currently have a 457 from work, but they also offer a SDBA with Schwab. Should I move some of my money over in order to invest in other parts of the market? My 457 is limited to nine categories. So great question. Maybe we could start with what a 457 is and then we can kind of move on from there.

Andrew [00:05:51]:

Yep. Thanks for writing in, David. This is a great question and I'm honored to be able to try to answer it. 457. I'm not an expert, but from my understanding, it's kind of like a 401K account, but for nonprofits or public employees, government, teachers, things like that. So like a 401K, sometimes those options can be limited.

Sounds like David is hoping to maybe expand his horizons with the nine categories that his 457 offers. Maybe there's not as much there as he'd like.

Andrew [00:06:22]:

SDBA. I did a little Google search and somebody somewhere called it self directed brokerage account. So we're going to go ahead and assume that that's what we're talking about here. Now the question, it's like, all right, do I move money over to that? Because I'm going to have more options versus staying in a 457? And I feel like there's two primary factors that come to mind for me. And then I'd be curious, Dave, what else you think somebody would think about? The first is, what kind of investor do you want to be? How much time do you want to put into this? And does this prospect of stock picking excite you? And if you answer no to any of those three in the sense that I dont want to spend more time, I dont want to do the work and this isnt fun, then I would probably most likely keep it in a 457 or try to find some sort of index fund thats really, really low fee because those fees do add up over time. And thats one of the drawbacks to some 457 options. So try to find lowest fees. Go for an index fund.

Andrew [00:07:21]:

Thats your easy button. You dont have to do much work. Robert, the other kind of, I guess, idea behind that is when you plan to draw the money out when your retirement ages and how much the fee actually is. And so we did kind of a breakdown on that a few weeks ago, and I didnt look up which number it was, but you should see it in the podcast episode title where we talked about four hundred and fifty seven s at length. And so if you feel like you're kind of in that gray area where you're weighing the difference between this fee and that fee, that conversation might be good for you. What kind of jumped out to you on this? And how would you answer this question.

Dave [00:08:00]:

From David, I agree with what you were saying, and I think really deciding what kind of investor you really want to be, sometimes maybe having the limited choices can help you focus on what is important to you. And if you feel like that you might have more opportunity to maybe grow your wealth by having some other money in the SDBA, then that could be something that you could pursue. Just keep in mind that when you start down that path, you're just going to have to spend more time, you know, doing the work to decide whether this is going to be the next Amazon or not. And so that can be, if you love it and you feel like you can do well with it and it's something that you find enjoyment in, then by all means, you know, life is short. Do it. I guess the really, the big question to me would be how does this impact your taxes? Because one thing you'll have to think about with a 457 versus a self directed brokerage account is there's probably different tax implications. And so I think, you know, depending on what your situation is, I probably would want to maybe talk that over with a tax professional just to get some input on, you know, how much do I need to kind of figure this when I'm filing my taxes at the end of the year? How much could this impact me over the next 2030 years? And because that will, it's something you have to account for. And if you aren't paying taxes now, you will have to pay them later.

Dave [00:09:25]:

Uncle Sam's going to get it cut one way or the other. You know, we just have to accept that and just decide what works better for us. And so that would be really the only thing I probably would want to maybe really verify before I decide to, okay, hey, I really want to pick individual stocks along with it. And there's nothing to say that you can't do both. That you can put, you know, a good portion of your money in the 457 and you can take some air, quote play money and put it in the SDBA and start working with that. And if you find a lot of success, you can just start allocating more money to the other account so it doesn't have to be a one or the other. And I guess that's kind of how I would try to approach it.

Andrew [00:10:04]:

Along those lines, if you're somebody who's newer and maybe you don't have a good idea whether you have what it takes to find success as a stock picker, what would you suggest in a situation like that?

Dave [00:10:17]:

The first thing is I probably would not encourage somebody to stop investing in their 457 and just continue to put money in that and then take a small portion of money that you do not need and start putting that in either an SDBA or a brokerage account and start putting skin in the game and seeing if this is indeed something you really like to do and you want to continue with it because there is time involved in doing it. And depending on your family or life situation, you may or may not have the time necessary to put into it as much as you'd like. But I think there's nothing wrong with continuing down this air, quote, safer path and then starting on something that could be maybe a little bit riskier, but also giving yourself the grace to understand that, you know, hey, I may not, I probably not going to be Warren Buffett out of the gate, right? And I'm going to make mistakes. I may lose some money on investments. I may choose poorly. And with that being said, I think it's a good idea to start with a smaller amount of money that you can afford to lose and just start putting skin in the game because experience is going to teach you more, way more than reading a book. And just, that's how I would approach it. What about you?

Andrew [00:11:32]:

I love that advice. I think going into the minds, going into that with like a really good mindset, I kind of like the way you framed it of, you know, it's not like we're trying to be Warren Buffett tomorrow. It's more like, hey, I'm trying to put some skin in the game and I'm trying to continually progress over time. And part of progressing is making mistakes. I mean, you take even the most successful stocks, they have times where their price goes down, where the business maybe has a hiccup or a stumble, the stock price takes a tumble. So if you think that's for the best stocks in the world, how can you become a good stock picker unless you go through that as well? So I wonder if the right mindset will help you. I know for me, like, when I kind of tried to think, and sometimes I have to remind myself, but luckily, I got Dave over here to remind me all the time, like, to approach things from a curious standpoint versus, like, putting, like, an absolute judgment on yourself at any point in time. Approach it more as, like, I am learning and growing every day.

Andrew [00:12:36]:

Even the best investors have to do that to stay on top of their game. So if they're going to do it, you're going to do it. And there's a lot of satisfaction in that, I think.

Dave [00:12:46]:

Yeah, I agree with that. And keep in mind, when you're investing in individual companies, you're not going to hit a home run every single pitch. You're not going to be 100%. I've read Joel Greenblatt or somebody said that if you can get five out of ten, six out of ten right in investments, you're doing pretty darn good. So keep in mind that the batting averages are not 100%. So, you know, give yourself some grace. You will make mistakes. It's part of the game.

Dave [00:13:11]:

And if you understand that going in, I think it's a little easier to understand that. Okay. The trick is to learn from the mistakes and not to. What was that definition of insanity? Do the same thing over and over again and expecting different results. So if you're going in buying things and they're not performing well, then that's when you need to start, I guess, assessing what is my process and how is this working? And if it's not working, what about it is not working? And don't beat yourself up and just think that you're stupid and you're dumb and you can't do it. That's not the case. It's just there's something off in the filtering process that needs to be adjusted, and once you kind of get that right, then you'll start to perform better. And that's just, that's part of the game.

Dave [00:13:50]:

We all went through that. I hit a home run with Microsoft, and the next two were complete duds. So it's just, you know, that's the way it works. I think probably the next three were complete duds, to be honest. So it's part of the game.

Andrew [00:14:03]:

Yeah.

Dave [00:14:03]:

All right, so let's move on to the next question. Can we talk about Autozone being $3,100 a share? How is this possible? Why didn't I get into the zone? I asked myself that question every day. So, Andrew, want to talk a little bit about Autozone and Hawaii? It's $3,100 a share getting the zone.

Andrew [00:14:24]:

So, you know, I hope we're more so talking about why is the stock price higher? And not necessarily why is the dollar amount higher? But kind of the story behind autozone, as I understand it, is it's a buybacks machine. And so they're not necessarily growing like a crazy amount. They're not doing this land grab kind of thing. Theyre not doing a land and expand. Theyre more just keeping the doors open, generating a bunch of free cash flow and then returning that free cash flow to shareholders and buying back a ton of stock. And thats why you see the price going up. And so when companies do that, and if they dont do any stock splits after, thats why you get a stock thats $3,100 a share or whats MVR at something like, oh, gosh, five. I don't know.

Andrew [00:15:18]:

It's in the thousands, I think, also. And then, then you got Berkshire right, or Berkshire a shares, which are six figures. So that's what happens in the technical sense when you continue to buy back shares and you don't do any stock splits. But the autozone story is really interesting. Why didn't you get into it?

Dave [00:15:37]:

And, you know, probably because being dumb, can that be, can that be a legitimate response? Jeff? You know, to be honest with you, it was a company, it's been a company that I've never really been interested in learning about on a deeper level. And maybe it's because I've never really been into cars. And so that's never really been my thing. And so because of that, it's just something I just have never really looked at very deeply. I've always known that it's a quality company, that they buy back a lot of shares, and that's one of the, I guess, major ways that they return value to shareholders is through that method. And I guess maybe there's some bias that it was not overpriced, that's not the right word for it, that maybe it was past its best days as far as a business goes. And whether or not that's true or not, I don't know enough about the company to make that assessment, but that's just the feeling I had. And so that's just kind of a bias that I've had against the company.

Dave [00:16:37]:

And there's no question that they've been very successful at the buyback machine, and I think they're probably the number one or number one or two company in the market. Whenever anybody talks about buybacks, Autozone always comes up as one of the examples. NVR, the home builder, is the other one that I think comes up a lot, too, but mostly ive passed. What about you?

Andrew [00:16:57]:

Well, these are the type of companies I love to scatter throughout my portfolio, and my only excuse will be these arent Pokemon cards. Im not trying to catch all of them. So im going to, and this is probably my limited knowledge, but I've always just questioned the impact of electric vehicles and the fact that they need less parts than your traditional. And so that's kept me out of the stock. But it's also kept a bunch of other people out of the stock, too, which is why the PE has been so low, which is why the buybacks have been so effective. And that's generally what you get with one of these buyback machines, is most people don't see why this thing is sustainable and that's why they don't pile in.

Dave [00:17:42]:

Right.

Andrew [00:17:43]:

So there's, but then if you can get past why is it actually sustainable and why is the popular narrative wrong, then you can make a ton of money. But you also, you have to be right, too. So I have my own buyback machines and people don't understand them, and that's okay. Like John said, right. He said you actually want, if you're getting a buybacks machine type stock in your portfolio, you actually want it to stay as under discovered, under the radar as long as it can, because then their free cash flow is working for you that much better because theyre buying that many more shares back, right?

Dave [00:18:19]:

Yeah, exactly. I think this also illustrates the point that you dont have to invest in everything. You dont have to swing at every single pitch. You can find lots of great companies that will work for you and your portfolio and be successful without investing in every single thing. So if an autozone doesn't fit your bill, it's okay to pass on it. If Nvidia doesn't fit your bill, it's okay to pass on that. And you can still, you know, have, build wealth and have a great, you know, great returns over a long period of time. Yeah, yeah.

Dave [00:18:50]:

You just can't miss Berkshire Hathaway. You can't miss that one. Joking. Of course.

Andrew [00:18:55]:

I love for like a good kind of thesis of why the whole EV thing is an overblown fear. I just havent stumbled across it yet.

Dave [00:19:04]:

No, me either. But im sure its out there.

Andrew [00:19:06]:

You know whats cool about autozone too? Since 2020, revenue growth for the company exploded. They had 15% in 20, 111 and 22 and seven and 23. But this is a company that before then they were only growing at like 5% a year. Thats for like not just like a ten year period but that was like 1520 year period. So just goes to show you that you dont need a ton of growth to get really great returns. I was looking at just randomly, I was looking at dominoes and reliving that mistake that I bought too expensive and sold. I still stand by that sell but its okay. I still sold at a loss with dominoes pizza.

Andrew [00:19:46]:

But theyre kind of always been known as buybacks. Huge buybacks. ROIC is ridiculously high. They dont need any capital to run the business and just completely levered up the balance sheet to have like just insane buybacks. Right. And the stock was one of the best performers. I think somebody on Twitter showed a chart that outperformed Google or something. So crazy story.

Andrew [00:20:09]:

And then I was using thin chats API thing. So I think it was the 2014 when they kind of revamped the menu.

Dave [00:20:17]:

Yeah, I think so.

Andrew [00:20:17]:

Basically like realize that our menu is garbage and we're going to.

Dave [00:20:21]:

Right. We actually need to make good pizzas instead of the trash they had before.

Andrew [00:20:25]:

Yeah so that's kind of the period. A lot of people use that as a starting point, right. If they're saying look at all these great stock returns, like go back ten years, but then like the ten years before that, that was a business that was growing at like 5% a year. I was like, that's weird right? Like right at the time you're looking at a business, if you're buying in 2012, 2011, this company is only growing 5% a year. And then it goes on to like outperform Google after the fact. But of course you had the same kind of revenue explosion that you see here with autozone. It just goes to show you that you cant always just count businesses out just because we dont understand why they cant have accelerating growth. And I think thats inspiring because it goes to your point that you can really pick your spots and find good value and you dont have to overpay for things because theres plenty of opportunities, Robert.

Dave [00:21:17]:

Right. All said. Very well said. All right. So let's move on to the next question. So we got, this is from onfar. What if one's life changes and all of a sudden him slash her has a decreased monthly income than before? Now they're unable to put in the same amount into the market each month as before. A studying example.

Dave [00:21:36]:

So great question. How would you kind of treat this if you have life changes and you can't allocate as much as you want or were before, how would you deal with that?

Andrew [00:21:47]:

Yeah, obviously do what's best for you. Since the beginning, I've talked about, like, picking a number that's so small that you could sustain it through anything, and then when you generate good money, then put in a lot more. And that's kind of the philosophy I've always advocated and that's what I would advocate to, I've advocated to my brothers, you know, advocated it to him when he was in college. Still, just a small amount, $150 is easy to remember and, you know, has good, good compounding behind it. If you can have it long enough, even just a little bit, it sounds like not much, but even doing a little bit over time is better than doing nothing because there's too many studies and too many charts online of people who wait until 35 and 40.

And even if you're putting like three times more money, you're not going to beat somebody who put in just a fraction but kept at it longer. And that's just, that's just the reality of compounding. So use it to your advantage.

Dave [00:22:45]:

Yep, I agree. I mean, I think you kind of have to adapt to your life circumstances. Right. And if something comes up that you aren't able to allocate as much as you were before, you obviously have to adjust for that. I think to Andrew's point, even if it's $50, if you're putting that money away and continuing to build on that sandpile, it's going to grow bigger. And if you have to take a temporary pause on putting up in as much as you were before, then that's obviously what you have to do. And I think building it in as part of an expense into your budget will really help solidify that as a habit and you'll build your life around that as opposed to the other way around where it's like, oh, I'll just do it at the end of the month or I'll do when I have extra money kind of thing, because something always comes up. A bill that you didn't expect, you know, maybe you get sick and you have to go to the doctor and you have to pay $50 for antibiotics or, you know, just something.

Dave [00:23:48]:

And if you build it in as an expense, then you'll build your life around it, and that will become a norm for you, like your cell phone bill or your insurance or your cable bill or whatever. And then it's a little easier to kind of absorb when, when life changes because you've already built your life around that. And so if your income is less, then you can, can't give up one thing, you might have to give up another. And if you have to shrink other things to kind of adjust, then that's what you do. But that's how I would try to approach it, and that's how I've tried to approach it because life happens. You get things happen. You know, you have heart attack and you have hospital bills you got to pay, and so you have to adjust for some of those. And it sucks.

Dave [00:24:29]:

It's not fun, but it's part of life, and you just have to deal with it and do the best you can.

Andrew [00:24:35]:

Yeah, it can be done. Like you said, dave. I mean, it doesn't make us many friends when we say it, but it does work some magical thing when you put it at the top. I think that was the point of both rich dad, poor dad and the richest man in Babylon, which were the books mentioned earlier. In this episode, you pay yourself first, because if you wait until you're at the bottom and you're the last one to get paid, you just don't get paid because things come in to fill that gap. And, you know, I've been there, too. I've gone through divorce and have had ridiculous alimony and child support and had to sell my truck and had to live in the shack. And you can do it.

Andrew [00:25:13]:

It can be done. And you will get out of whatever situation you're in. And if you're studying, that's awesome. And you know you're going to unlock a great future for yourself and you'll look back and be so glad you did the things you did. So I commend you for what you're doing, for continuing to want to learn and continue pushing through. And perseverance can get you very, very far.

Dave [00:25:36]:

Well said. Bravo. All right, so another great question. This is from Jason. So this is good afternoon. I am new to investing, and I want to get the most information from companies as I can before I invest. Where can I start and what outlets do you recommend, if any? So great question. And we actually kind of did a tools episode for back to the basics.

Dave [00:25:56]:

So we'll, this will answer a lot of this, but we can throw some stuff at you right now. Jason.

Andrew [00:26:00]:

Yeah. If I was brand new, man, I'd probably jump on seeking Alpha and just try to absorb as much as I can. Seeking Alpha is nice because you can just put in any ticker. So if I'm curious about Apple, I want to hear what other people have to say. AAPL, you type in the ticker, sign up for a free account, and then you can start dipping your toes and getting exposure. And that's really the big thing, I think, is like, immersing yourself in the environment is how you try to soak things up like a sponge and start learning. What's one that you would recommend?

Dave [00:26:32]:

Well, there's probably lots I would think of, but seeking Alpha is a great one. I probably would recommend going to. If there's a company that you're super interested in, I probably would go to the company's investor relations website and start kind of digging into what it is that they're offering about the company. I probably would also try to find some beginner level books that you could start reading. So to Andrew's point, you can start coming to a better grasp on the fundamentals of what these companies are, different things that they're talking about as far as financial statements, terminology, things like that. A great resource is our website investing four beginners.com Dot. Another great resource is our friend Brian Ferraldi. He's got tons and tons of information on Twitter and LinkedIn about different things that you could do to start kind of building a financial foundation, if you will.

Dave [00:27:25]:

But if I wanted to learn specific things about the companies, I probably would either look at seeking Alpha or I would go to the investor relations for the company website. So you can start reading the source material and start kind of digging in from there.

Andrew [00:27:38]:

Yeah, that's great.

Dave [00:27:39]:

Okay. All right, so let's go to the last question. So this is from Ryan, and he asks, how high can a stock go? Is it worth investing in Nvidia at $800 plus a share? Will it be an autozone? So autozone is coming up a lot today. So great question, Ryan. What are your thoughts on Nvidia and how high a stock can go?

Andrew [00:27:59]:

Yeah. Welcome back, Ryan. Long time no talk. Yeah, get in the zone. All right. Is it worth investing in Nvidia? How many times you want to talk about Nvidia? Yeah, if the price is right. That's kind of how I look at it, price is right. Nvidia is interesting because it appears that they have like a monopoly on the technology.

Andrew [00:28:23]:

Question is, will that continue? And then also the question is what they have a monopoly on, is that have, how much demand does that have? Is it just, right now there's demand and then it kind of moderates, or is this demand that were going to see huge explosion of for a very, very long time? And I think if you can get to the answer of some of those questions, then you start to get to whether its a good deal at 800 a share or not, right?

Dave [00:28:52]:

Yeah, try not to get, when youre looking at companies, try not to get bogged down in the price versus the value of the company. And I know thats kind of a, it can be a kind of complicated thing to think about, but the way I always try to look at it is what is the value of your house and how much did you pay for it? What is the value of a car and how much do you pay for it? And those are really more tied to the value that you get from it as opposed to necessarily the price that you pay for it. And when you're investing in companies, you want to think of them as businesses, and what is this business worth? And to Andrew's point, Nvidia has kind of cornered the market at the moment on AI, but we don't know how long that demand is going to last. And how deep is that demand going to be. Is it going to be mostly among these huge enterprise companies or is it going to be, is the demand going to be such that, you know, the local high school in your area is going to be demanding AI technology for their students? You know, we just don't know at this point how deep and how long that kind of demand is going to go. And then if it does contain for a long time, then how high can Nvidia go? As high as the market will allow it to go. And it's not necessarily about the price. It's more about the value that Nvidia is creating.

Dave [00:30:11]:

And kind of along the lines of what Andrew was saying is there is some competition. It hasn't really, really jumped out yet. AmD apparently is building something a little bit different. And Ethernet, or the Ethernet cords supposedly have some sort of bearing on how fast the machines can go and whether you want water cooling or whether you want air cooling for the machine. I'm not a tech person, so moderate your criticism of those comments based on that idea. But I guess my point is, is that very early in the Runway of all this. And there's a long ways to go, and Nvidia is the winner. Now, they may not be in five or ten years, and that's really where you have to learn as much as you can about the industry and the company and what they're operating in before you can really decide of how high a stock can go.

Dave [00:31:01]:

Because if you just base it on a narrative, then it can go forever. But the reality is that nothing lasts forever. And you only have to look as far as some of the more recent bankruptcies to see that once great businesses are not as great as they used to be. And that's just the reality of the business world. So that's how I would try to look at it. Do you have any additional thoughts on Nvidia and how high it can go?

Andrew [00:31:28]:

Do you think it'll be an autozone?

Dave [00:31:29]:

To Ryan's question, maybe a better question is, in what way do we think it'll be an autozone? Will it be a buyback machine or will it be a company that goes to $3,000 a share?

Andrew [00:31:43]:

I don't know. Yeah, good point. I could totally see it going to 3000 a share. I don't think it will ever be like a buybacks machine. And the reason why is because I look at who's like the giants to stand on the shoulders of, and I would say it's probably intel. But in tech, if you go too much into the buybacks thing, you're going to lose the lead. And so tech is one of those weird things. You just have to always be reinvesting.

Andrew [00:32:11]:

Autozone doesn't have to do that because they've got their retail stores and there's not any disruption. Okay, I shouldn't say any, but there's not much significant disruption, certainly not to the scale that, like semiconductor companies face. And so certain business models have the luxury to be buybacks machines and they've built that barrier to scale. That's hard to, that's hard to be insurmountable. Tech, especially capital light tech, does not always have that. It's really only special. And you can argue Nvidia does have that now. But to your point, Dave, are they going to have it ten years from now, 20 years from now? It's not as, as far as what history has shown and where the industry is now, it's not as long lasting as like a retail concept or a pizza chain or something where there's a moat that's not dependent on being cutting edge in your tech.

Andrew [00:33:09]:

And then, so that's why I think the buybacks part, I don't see it happening. Unless the complete way that you generate a moat through their tech is not related to investing in tech.

Dave [00:33:22]:

Right? Yeah. And the narrative right now is that Nvidia is unbeatable and is a dominant company. But if you look at just recent history, Tesla was very similar to that. That narrative around Tesla was that they were the dominant carb dealer and that they were unbeatable. And I'm not saying they're being beaten right now, but it's certainly, the company is certainly going through some struggles at the moment because they have dropped prices on companies, their margins are shrinking and the demand seems to be, is drying up a little bit for their cars. And whether this is going to be a long term thing, I don't know. But I guess my point is that even once a dominant companies can go through tough times and doesn't mean that Tesla is not a great investment. It could very well be.

Dave [00:34:10]:

I don't know. I don't know enough about the company or cars to really be an expert on that. But I can't seen the kind of the narrative change on the company and that may or may not have any bearing on the value of what TesLa can generate. But to Andrews Point, everybody argues its a tech company. So if its a tech company, they got to keep innovating and keep on the leading edge. Otherwise they lose the Edge like Intel has and thats why theyre not the dominant player anymore. Like Andrew was saying, Nvidia has to keep reinvesting to stay on the edge because if they don't, other companies will come take that share from them.

Andrew [00:34:49]:

Those tough times you mention, I feel like I maybe misunderstood some of that or just didn't think about it much. But if you go back and you look at Microsoft in the late nineties and you look at Oracle in the late nineties, not only did their stocks absolutely crater, but even after like huge, massive stock crashes for five years, their stocks were flat. So you asked yourself, if you want to invest money, if you see that as a risk for a company you're going to invest in, do you have the stomach for that? And then is the company going to emerge? Microsoft emerged a lot better than Oracle did, but they still both emerged. There's still uncertainty there and there's no such thing as a sure thing. Sure thing. Yeah, no such thing as a sure thing. Right. Very timely for today's times.

Dave [00:35:39]:

Right.

Andrew [00:35:39]:

But, uh, that's a question you gotta ask yourself. And so, yeah, I mean, it sucks to watch Nvidia continue to go up, up, up and feel like we're missing it. And I'm right there with everybody else. But, you know, those are things that, those are risks. And you have to ask yourself, do you have the risk appetite for it or not?

Dave [00:35:57]:

Mm hmm.

Andrew [00:35:58]:

And some people do and some people don't, right?

Dave [00:36:00]:

Yep, that's true. All right, well, with that, we will go ahead and wrap up our show today. I wanted to thank everybody for taking the time to send us those fantastic questions. Hope you guys got some good takeaways and some good info from all that. If you do have any questions, you can send them to newsletter@ianvestingforbeginners.com you can also send them to us via Spotify, or you can go to Twitter or x and do them at IFB Underscore podcast. And we will go ahead and read those on the air for you. So with that, we will go ahead and sign us off. You guys go out there and invest with a variety of, and a safety, emphasis on the safety.

Dave [00:36:34]:

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