Kyle Grieve Joins Us to Explore the World of Nanocaps

Dave [00:00:00]:

All right, folks, welcome to Investing for Beginners podcast. Today we have a really fun show today we have Kyle Grieve with us. Kyle is one of the podcast hosts at the Investors Network podcast. He is one of my favorite new hosts and somebody I've been following on Twitter for quite some time and super smart guy and a lot of great insights, and we're going to have a lot of fun today. So, Kyle, thank you for joining us today. We really appreciate it. And as you notice, Andrew is not with us today. He had his little baby girl about a week and a half ago, but he will be back shortly, so we will try to power on without him.

Dave [00:00:30]:

So, Kyle, thanks for coming on. Welcome to the show. And maybe you could give us a brief, like, 30,000 foot view of your background. Like, how did you get from, you know, little Kyle to today?

Kyle [00:00:42]:

Yeah, thank you very much for having me on the show today. Yeah. So brief background, I guess. I, you know, I didn't really actually have any experience in investing or, you know, I didn't even real, I was just talking to my mom, actually, yesterday about how I didn't really have, like, an entrepreneurial upbringing either. So I kind of just, I was into a whole bunch of other things that had nothing to do with investing. I was a strength coach for a while. I worked in smart home automation for a while. And then basically when Covid happened, I kind of caught the COVID bug, or, sorry, I caught the value investing.

Kyle [00:01:12]:

I caught the value investing bug. I also caught the COVID bug. Unfortunately, I caught the value investing bug. And, yeah, that was in, you know, 2020 is when everyone was stuck at home and I got to reading a lot. And, uh, yeah, so now I've just been down this value investing rabbit hole since, uh, 2020 and just learning as much as I can. And, you know, I, part of my learning process has been trying to share what I learned with other people, and I think that hopefully that's added some value to other people. And so, yeah, so. But before that, in 2017, I actually was basically doing everything wrong.

Kyle [00:01:42]:

I was a speculator in crypto, and I lost, you know, almost all my money doing silly things that I would never do today. But we all learn these expensive lessons, and unfortunately, the tuition is very, very high.

Dave [00:01:54]:

It can be very, very high. Can it? So when you were growing up, what did you want to be?

Kyle [00:01:59]:

Yeah, so I wanted to be a lot of things. I volunteered at a, uh, at a veterinarian hospital for a little bit. I wanted to be a vet. That was fun, actually. But uh, I love animals. I still love animals. I got an awesome dog. But, uh, you know, when you're young, your, your preferences are fleeting, and they don't last very long.

Kyle [00:02:15]:

I was gonna be, uh, a paramedic for a while. I did a ride along in the downtown east side. It's a rough, very rough place in Vancouver. The only rough place in Vancouver, really. And then I was thinking of becoming a civil engineer. I went to school for just a term and then dropped out. I didn't, did not enjoy that at all. And then did my first couple years of human kinetics, and I was super obsessed with weightlifting and training and nutrition, so kind of went down that rabbit hole for a long time and then just, yeah, gradually moved on to doing other things, like the home automation thing.

Kyle [00:02:46]:

And now I'm here.

Dave [00:02:49]:

That's awesome. So how do you think maybe some of those background, you know, some of the things that you did before you are doing what you do now have impacted what you do now?

Kyle [00:02:58]:

Yeah, that's a good question. I think a lot of what I learned was from strength training. I learned so much from that, and I think it's a great microcosm for investing and especially for discipline. I mean, so not only did I enjoy the weight training, and I, you know, I had clients, but I also, I competed in powerlifting at a pretty high level, and I love powerlifting. So for those of you who don't know powerlifting, you just squat, bench, deadlift one rep, as much weight as you possibly can, and you just add it all up and then that's your total, and you try to raise your total. So, yeah, so doing that, I was incredibly disciplined. You know, I, for years and years, never missed a workout. You know, had all my nutrition dialed in.

Kyle [00:03:33]:

You know, I had to be at a specific weight at a specific time and peaking at the right times. I basically learned the importance of discipline and understanding how utilize my body in a physical way to, you know, reach my goals. So, obviously, with investing, using your body doesn't matter, but using your mind to 100% is absolutely everything. So I think with investing, a lot of the things I've learned is how to be disciplined and how to not make or how to try to not make silly, obvious mistakes that, you know, maybe other people make. But, you know, hopefully, with all the education I've done and learning I've done, I can try to avoid doing those same mistakes. You know, things like getting caught up in meme stocks and, you know, all the things that you see on the news, you know, for me, I'm lucky. Like, another thing that I learned from when I was powerlifting is kind of being contrarian. You know, I lifted in my garage, I literally had a barbell, you know, 700 pounds of plates, and Iraq, that was it.

Kyle [00:04:28]:

I didn't have any special equipment and I was able to do very, very well and get a lot stronger, whereas, you know, a lot of other people were training in, you know, big gyms with, you know, hundreds of different pieces of equipment. And so I always had a bit of a contrarian streak to me. So that's kind of helped me as well on in investing because I've never really cared too much about what other people are doing. It's, I just focus on myself and think that's a really, really good discipline to have in investing because, you know, if you're worried about what other people are doing and trying to, uh, fit in with the herd, well, then your results arent going to be particularly good and you might open yourself up to a lot of risk.

Dave [00:05:02]:

Right, exactly. You know, I worked in the restaurant business for a very long time and one of the things that one of my early managers told me was it stuck with me forever was you can only control what happens within your, these four walls. We cant worry about what the other restaurants are doing down the street, what other people are doing across town. We can only control what happens here inside our restaurant. So if we make sure that we make take care of every guest that comes through the door and they have a great experience, they're going to come back and they're going to tell their friends and that's how we're successful. And it's just that same kind of discipline, maybe not to the same extent of weight with thing, but it's, you're still controlling what you can control and I guess in essence, being contrarian because you're not worrying about what, you know, the other popular restaurants around town are doing. So I think, I love that. I think that's a great mindset.

Dave [00:05:50]:

So here's my question. So what about investing calls to you? Why investing? Because weightlifting is obviously is physical and investing is mental. So what about it calls to you?

Kyle [00:06:02]:

Yeah, that's a really good point. After I stopped powerlifting, I, I did a lot of Mma and now jujitsu, and I, so I've been doing jujitsu now for a long period of time. And it's FUNNY. So my coach, I remember, originally wanted me to do Mma, but then I was in my late twenties. I'm like, I'm not gonna ever be anything in this. Why would I risk getting my head punched in for literally no reason from people who train at this? There's no point. So that's kind of why I moved towards JuJItsu, where I don't actually have to really worry that Much about my Head GettinG. Yes, I have to worry about my limbs, my limbs getting broken and stuff, but my brain will hopefully continue running at full capacity.

Kyle [00:06:38]:

So I think that Part of it was that I really enjoy playing mental games. Like, I've always liked video games. I've always liked, I really specifically like strategy games. So, you know, real time simulation games where, you know, you have a little army, you have to build your economy up and blah, blah, blah. So that kind of mental game really, really appealed to me. And, and the thing that's so cool about investing, you know, as I learned, as I did it, is that, you know, it's a game where it, I don't really know if you can beat it, but it's like an ongoing game that never ends. And I, and I really like that because it means that you can continue trying to get a little bit smarter, trying to master, you know, certain skills, and it's a lifetime game. And then the beautiful part about it is, obviously, that if you're really good at it, and even if you're not that good at it but not horrible at it, you'll make a lot of money.

Kyle [00:07:28]:

And so for me, financial freedom is really important. So that's part of it. But, I mean, obviously, if I didn't enjoy investing as much as I did and learning about different companies, then I would just take Warren Buffett's advice and just put my money in index fund and take up some other hobby. But, yeah. So that's kind of, I guess, why investing, I find it so interesting, is just the mental game of it is so interesting to me. And I also love the fact that, like, Charlie Munger is always talking about with his multidisciplinary approach, that you can just learn all sorts of things from different realms that have nothing to do with investing and use that to become a better investor. And not only to become an investor, but just to make better decisions in life and more high quality decisions and hopefully minimize your errors.

Dave [00:08:09]:

Yeah, exactly. I mean, the goal is to try to get better at making decisions, right?

Kyle [00:08:14]:

Absolutely.

Dave [00:08:15]:

Which is not easy to do. So you mentioned Charlie Munger, and we've talked a little bit about reading. Were you a reader when you were young, or is this something that you kind of have developed a skill as you've gotten older.

Kyle [00:08:29]:

Yeah, my mom definitely instilled reading to me. My mom still reads a ton. Her parents read a ton. My dad reads a ton. So I was kind of exposed to reading basically since I was a kid. Every summer, I remember my mom would take me to one of our local bookstores for kids, and I'd always have an absolute blast buying whatever books I wanted to read for that summer. So, yeah, reading, I've definitely done it my entire life. So that's.

Kyle [00:08:52]:

I'm pretty lucky in that way because I think lot of people, you know, they just kind of, it's when you get older, you either read or you don't, and if you don't have it instilled as a kid. So I was, I was lucky to have that instilled as a kid from my mom. And I've always actually really enjoyed reading about a wide variety of subjects. But it wasn't really until I started researching Munger and learning about how in depth he really understood things that I kind of changed my reading strategy, I guess, to really understand something and not just to, you know, read for the sake of saying, oh, yeah, I read that book, and then someone asks me what that book's about, and I'm like, I'd rather read, still read a lot, but I try to be a little bit more in depth with my reading now. Really think about what I'm reading, you know, understanding the concepts, trying to tie them into other concepts, and using them on a regular basis to really ingrain them into your brain. Otherwise, you know, it's just, if it's not occupying real estate that's important, it's just going to move on to something else. So, yeah, you got to use what you learn. And I think that's been a really good learning piece for me.

Dave [00:09:43]:

Yeah, that's awesome. So do you have a book or two, like, early on that really kind of helped set the foundation for you to become the investor that you are today.

Kyle [00:09:55]:

That's a tough one.

Dave [00:09:56]:

No wrong answers here.

Kyle [00:09:58]:

Honestly, I think I talk a lot about the most important thing, which I definitely read that while I've been in the investing sphere, but I think that book, I got to read that one pretty early, and that one's had a really big impact on me just because I think it teaches you a lot about how to think, especially. I really loved his points about second order thinking and not thinking just in first order, which is what most people do, and really trying to understand that, you know, if an event happens, you know, there's an obvious conclusion, but there's also non obvious conclusions. And those non obvious conclusions are the ones that have a lot of risk, so you need to really understand them. And then speaking of risk, of course, I think that was probably one of the biggest takeaways from that book, and it's probably one of the best books on risk ever written. I think if you read that book and really go in depth, you're going to learn pretty much everything you need to know about risk. So, yeah, that's a book I read once a year. I've probably read it three or four times now. And I'll continue reading it regularly because it's so impactful.

Kyle [00:10:51]:

And Howard Marks is such an intelligent person and a great person to learn from.

Dave [00:10:54]:

Yeah, he totally is. I feel like he flies under the radar a little bit and that he doesn't get as much recognition as I think he rightfully deserves.

Kyle [00:11:04]:

Yeah, I agree. And I think that's mainly just because, you know, he specializes in bonds, right? He's not a stock guy. So I think that even though he's been wildly successful and he's a billionaire, I just think he, like you said, he's just the importance isn't quite placed the same on him versus other people, even though he's done incredibly well for himself.

Dave [00:11:20]:

Yeah, he really has. I remember reading years ago when I first started getting into investing, I was reading some Warren Buffett and he said something about Howard's work, his memos in particular, that when he received them, they were the first thing he would read immediately. And I remember thinking to myself, who is this guy? I got to find out more about him. So then I downloaded one of them and I'm like, oh, I get it now.

Kyle [00:11:41]:

Absolutely.

Dave [00:11:42]:

Yeah.

Kyle [00:11:43]:

Yeah. His memos and his memos continue to be awesome. And they're in podcast form as well, so I really enjoy them.

Dave [00:11:47]:

Yeah, me too. Me too. So if you had to, I guess, define yourself as an investor, what would you say you are?

Kyle [00:11:57]:

That is a very tough one because Warren and Charlie have always said that all intelligent investing is value investing. Right. But a lot of people, I guess, try to pigeonhole themselves into this value investing fear where they say youre either buying businesses at low price to book or low pe or youre buying expensive businesses hoping that they continue to grow. But I mean, I agree with Warren and Charlie that, yes, all intelligent investing is value investing, where youre just trying to buy an asset thats underpriced and whether its growing fast or not growing at all. So thats kind of my strategy. So I mean, I guess kind of going in a little more detail. I kind of think of myself as having kind of two types of buckets of businesses that I look for. One is like super high quality businesses.

Kyle [00:12:41]:

It doesnt have to necessarily be the absolute highest quality. Obviously, visa, Mastercard, amazing business is probably the highest quality businesses out there. But for me, I dont necessarily focus on those. I focus on just ones that are smaller and hopefully less well known because you get, I think, a little more price inefficiencies there. And then I look at inflection point businesses, which are businesses that are very, very small, like nano caps. Pretty much nobody has heard of them and theyre ones that arent definitely not even close to the same quality as the other business I have just because they're so new. But a lot of these businesses are the pricing inefficiencies. You wouldn't believe them if you saw them.

Kyle [00:13:15]:

I mean, if a lot of these were large caps, the earnings multiple would be multiples of what they are in nano cap land. So I've done really well on those since I've kind of integrated that strategy into my portfolio. So that's kind of my two major buckets that I look for.

Dave [00:13:28]:

Yeah, I love that. So I don't get into the whole labeling thing. I think everybody has to find a style or a system that works best for them. And I, you know, to your point, I think when people start to categorize themselves or pigeonhole themselves as something, then they probably in some unconscious way feel like they have to stick with this thing, even though they may find something that air quote fits outside of their style. That could be the best investment of their life and they, they pass on it because they've pigeonholed themselves.

Kyle [00:13:59]:

Yeah, exactly. That's kind of, kind of talks to the cognitive dissonance. You know, how you're supposed to think, but then something else happens and you're like, oh, well, that kind of makes sense. But I don't, I'm not supposed to think that way. So yeah, I completely, I completely agree with you. I mean, and, you know, investing such a dynamic activity and you're always learning more and more. So, you know, who's to say I won't switch again at some point? I don't know. I mean, I really enjoy quality.

Kyle [00:14:22]:

I've always enjoyed that. So I don't know if I'll switch away from that. I mean, it's probably always going to be some part of me and some part of my portfolio. But yeah, I think you're right on that.

Dave [00:14:30]:

Awesome. I don't really invest in smaller companies, which I'm not really sure why, because logically, I know that that's probably a better fit for who I am. But for whatever reason, I've chosen not to go down that path, if you will. And I'm curious, did you start with larger companies and find the smaller companies were more attractive and that's what hold you toward, you know, that gravity pulled you toward them, or did you start off in that camp and that's kind of where you stayed?

Kyle [00:15:01]:

Yeah. So I definitely did not start in looking at nano caps, but I also didn't start looking at just the largest businesses out there. So it's in the middle, mid cap, I guess you would consider it, things like, one of my first investments was Alibaba, which obviously was a large cap, and then another one was in mode, which was quite small. And same with Aritzia, which was also quite small. Like, sub billion dollar market caps are between a billion and 10 billion. I was in both camps, and then basically, yeah, I didn't really necessarily look specifically for micro caps until I think I found Chris Mayer and read his books and really got to understanding that. Okay, well, there's something to be said about the fact that all these businesses were essentially, they started out as being small businesses, and then they grew. And then I started researching more and more, like when I.

Kyle [00:15:49]:

So I got a chance, obviously, to talk with Chris Mayer, which is awesome. We didn't talk about multibaggers at all, but we talked about serial choirs. And then I got to talk, to date, who did a really good research report about ten years of outperformance globally. So he looked at all these businesses that, you know, ten x over ten years, and a large, large, large majority of these were from small cap businesses. And then Connor Haley at Altafox Capital did a write up and came to pretty much the same conclusion. There was a really good book called what works on Wall street by Jim O'Shaughnessy. It's a great book, but you look at it, and, you know, the top performing decile is always the smallest one. So, you know, there's just all sorts of these different factors that were kind of telling me, like, okay, well, to probably look at these small businesses because it makes sense.

Kyle [00:16:30]:

And. And then I spoke to Paul Andreola, who was actually my first guest when I was on millennial investing. And, uh, he really opened my eyes to a lot of these nano caps. I mean, that's his. His area of specialty. He's been doing it now for 30 years with a lot of success. I got to talk with him and I got him on the podcast and then we, we developed a friendship. He's in Vancouver as well so I get to meet with him in person a couple times a year and I've been finding lots of good ideas from him and lots of other people in the micro and nano cap community.

Kyle [00:16:55]:

So that's been a portion of my portfolio as well. So same kind of thing you were just saying about pigeonholing. I don't really pigeon my hole myself but, but generally speaking I usually look for small businesses. Like the biggest business in my entire portfolio is $30 billion market cap and the smallest business is like 15 million. So its still a wide range. But yeah, im not sure if ill ever go up to super high high market caps.

Dave [00:17:16]:

Oh thats interesting. So I guess if I was new to investing and I wanted this sounded interesting to me, how would somebody start a looking for ideas and be researching the companies? And Im going to ask the dumb question. So is it exactly the same as investigating a company like visa as it is for something like that's a $15 million microcap? Nanocap? I guess.

Kyle [00:17:42]:

Yeah. So no, unfortunately it's not. I mean that's kind of part of the beauty of a lot of these larger companies is that, well, it's kind of double edged sword right? It's great because there's tons of analysts out there who are really smart sharing information about it. But the fact that all these are analysts know about the business also means a lot of other people know about it too. And thats why you just dont see major price inefficiency. Obviously they happen, but not super often. But then you definitely have this ability to find a lot of great information when the business is bigger. So for a $15 million market cap, you can probably search on Google or seeking Alpha and never find anyone writing literally a word about it.

Kyle [00:18:22]:

So its definitely different. You have to basically be willing to dig in the weeds. You have to be willing to. I look mainly in Canada. So in Canada we have what's called cedar, which is the canadian version of Edgar. Yeah. Horrible, horrible, horrible, horrible, horrible. Yeah.

Kyle [00:18:36]:

And so we have mdnas which are management discussion and analysis and then the financial statements. It's all similar stuff to the US but they just have a little bit different naming. And so yeah, you have to basically dig into those. It's all regulated. They have to tell you certain things. But it's definitely harder to get kind of into the weeds. Definitely have to do a lot more due diligence, I think, on your own. The beautiful part about things like Twitter and stuff, or there are other people out there looking, but it's still not nearly as competitive as the larger ones.

Kyle [00:19:02]:

But, so, yeah, if you just, you know, mention these types of names out, you can probably find one or two other people out there who maybe can share some insights with you or if maybe they've written analysis or they've, you know, written a couple of points that you might find helpful. I think that's one really intelligent way. And then, you know, if you really want to dive into the weeds, you know, the thing that's beautiful about a lot of these nanocap companies is that the manage, the, generally speaking, the CEO is also the head of the IR department and, and you can just call them and they'll talk to you. You know, if I want to talk to Sacha and Adela at Microsoft, there no chance. Even fund managers running a lot of money, same thing. No chance. Right. But, you know, you can be a retail investor and you can talk to the CEO of a nanocap business and get some really, really interesting insights.

Kyle [00:19:47]:

And then now that ive been doing this for a little bit longer, I have a bigger network of people. I run tip as an investment mastermind community. So were at about 120 members. And the thing thats really cool about that is that we have so many members from very, very differing backgrounds. So ill be looking at a business. For instance, I was looking at Terravest, which is a business that I a small position in. And it turns out one of the members in the community is, owns a business on a much smaller scale that literally does exactly what Terravest does. So, like, oh, that's awesome.

Kyle [00:20:19]:

So hopped on a phone call with him, grilled him, learned more about the industry and how it works. And, you know, these are just insights that are super valuable because if you don't have access to those types of people, it's really hard to learn that kind of stuff on your own. So, so that's kind of lucky for me. But, you know, I think if you, you know, if you just have a LinkedIn account, you can find out where people work or have worked and just reach out to people on LinkedIn. And a lot of times, you know, maybe you don't get them on a phone call, but maybe you can ask them a question about why they don't work there anymore or what they think of the business, and hopefully they'll be honest and give you an honest opinion. But that can be very, very valuable information.

Dave [00:20:51]:

So have you used some of these resources to help you find out more about a company like Terravas for example.

Kyle [00:20:57]:

So Terravist, luckily, I mean there are some people writing about it on seeking Alpha. It's done really well. It's definitely getting a little bit more attention. More attention, yeah for sure. I don't really consider, I mean it's 1.5 billion I think, market cap. So it's not a nano cap at all anymore. It was a long time ago but yeah, no definitely. I mean tons of people on Twitter who've input advice or you know, whether that's me directly asking or me just reading some of their content on the name and then you know, there's other fund managers out there that write some really high level stuff.

Kyle [00:21:27]:

If you dig around or like I said, ask other people, they'll just link you to other people's work and that can be very, very helpful. So I use that very very often. Yeah.

Dave [00:21:34]:

Robert, do you have a geographical confinement or will you invest anywhere?

Kyle [00:21:40]:

Yeah, I invest anywhere. So oddly enough I dont own anything in the US that has nothing to do with the fact I dont like the US. I think the US is by far the best market in the world. But I think everyone knows that a lot of the pricing inefficiencies, while im sure you could find them in some place in us markets, I just havent spent much time looking at it because I like looking globally and in Canada where we have a lot of really good price inefficiencies.

Dave [00:22:03]:

Trey, as somebody who is I guess located in the US and trying to invest outside of the US, I think I've asked you this before but I'll ask it again. Like what brokerage do you use to help you invest in a company like Sweden for example?

Kyle [00:22:17]:

Yeah, so for a company like Sweden, I use interactive brokers. So I had a lot of problems when I cause when I was starting to research for instance like Technion, I was like man, like how am I actually going to buy the stock? Like what's the point of me spending all the, all these hours researching a business if I can't actually own it? It's completely pointless in my opinion. You could make the arguments not pointless because you're learning about business, which is good. But anyways, yeah, so I basically had to reach out to some people to find out where they bought Technion and hopefully find someone in Canada. And I don't think I even actually found anyone. But luckily uh, I just had to kind of just use my interactive account. I don't know why I didn't realize that. And I found it and then tested it out, and it worked.

Kyle [00:22:54]:

And so, yeah, so interactive brokers, I'm not a shill for interactive brokers, but I honestly, as a user of the business, it's, it's incredible. I mean, the prices and the wide array of product offerings, if you will, are unmatched. But, you know, the, the one thing that they definitely don't do very well, I think, is the, you know, the UI is not intuitive. So another one at broker I use is Questrade. And Questrade has way less, way, way, way less options. But, you know, it's super simple to use. It's very obvious. They have a really easy app, but, you know, the fees are also way higher.

Kyle [00:23:26]:

And I can only. Their product offerings are a fraction of what interactive brokers has. So, you know, you got to take what you can get, right, exactly.

Dave [00:23:33]:

So, you know, as somebody, you know, the US here, I'm spoiled because we have no cost for trades. Well, at least with the two that I use, fidelity and schwab. So what are the costs for interactive brokers and Questrade?

Kyle [00:23:45]:

Yeah, so, I mean, it's just basically commission fees on, on trades.

Dave [00:23:49]:

Okay.

Kyle [00:23:49]:

And interactive brokers are a lot cheaper than questrades. And then. So in Canada, we have another one called wealth simple, which I've never used. And, you know, our banks in Canada also have their own platforms as well. I've never used them, so I don't really have any insights onto them, but I know other people, too.

Dave [00:24:02]:

Okay.

Kyle [00:24:03]:

All right.

Dave [00:24:03]:

That's good to know. We get questions all the time. We're us based podcasts. We talk mostly about us markets, but we do get questions from outside of the country and Canada once in a while and not always sure, just because we don't use those brokerages. So it's good to know that other information. So. All right, so how do you find ideas?

Kyle [00:24:23]:

This is something I talk about a lot because, you know, people love learning how to find ideas. And it's funny. I mean, I think when I first started investing and didn't really have a network of other people, I had to just kind of use screeners of different types. You know, I use things like magic formula. Rule one had this toolkit thing that you could use that was kind of helpful as well. And then just traditional screeners just looking for things that are cheap or things that are growing at a specific rate or returns on invested capital above some sort of benchmark or whatever. I mean, there's so many different ways you can screen, but I don't actually screen at all anymore, pretty much now I have just a lot of people in my network and people just throw ideas at me. Or I'll throw up a Twitter post saying, what's your favorite idea? Under $10 billion and I'll get 100 tickers.

Kyle [00:25:14]:

And maybe, you know, to be honest, you know, maybe one of those will actually be interesting to me because it may be, you know, a circle of competence or I'm looking for ones that are small or whatever. So I get ideas that way. My investment community will throw ideas. I get people emailing me ideas, yeming me ideas. I don't think that's normal for the average person because they don't have this giant audience of people they're talking to. So I'm definitely fortunate in that regard. And then, you know, also, cloning other people, I think, is a great idea. Mohnish pabrai loves the concept of cloning.

Kyle [00:25:43]:

I think it's very good, too. You know, look, using something like dataroma and finding other investors who are looking to similar businesses to you, that's a really good way. Also, another easy way is just, let's say you own a ticker in your portfolio. You just search for that ticker on x, find people who are talking about it, and then just see what else they hold, because they're probably looking for a similar business to you. So that's really helpful. And then by the same token, if you find someone with a ticker, you could always just shoot them a DM and be like, hey, I really like, you know, we both hold XYZ. What else do you hold? These people will share their ideas with you. They have no problem with that.

Kyle [00:26:16]:

Everyone likes talking about their own book, right? So, yeah, those are a couple of ideas, I think, that are pretty easy to find. New ideas.

Dave [00:26:22]:

Yeah, those are great ideas. One of the things I like to do is look around your life. Either, you know, you go and you go brush your teeth, look at the things that are in your cabinet in your bathroom, or look at the things that are in your cupboard in your kitchen. Notice the billboards you see when you're driving or even the sides of the trucks that you're driving by. There's just so many opportunities out there that you just don't know. I come across companies all the time. They're public. I didn't know that.

Dave [00:26:48]:

You know, a perfect example of that is I saw an email from Connor Mack the other day, was talking about a champagne. And I'm a huge wine geek, and I had no idea that that company was public. I was like, so, I mean, I. I just think in our lives, we can find lots of different opportunities if we just kind of keep our eyes open and. And dribble with our head up.

Kyle [00:27:06]:

Absolutely. When I was in Omaha, this for. For Berkshire, I went to watch monique by talk, and he was asked some somewhat similar question, and he had a really brilliant answer. He's just like, you know, look at the receipts that you have every single month and look at the products that you buy. I mean, it's super simple. And then, you know, a couple of them, you know, probably a lot of them are private, but a couple of them are republic. And if you've been buying their products for multiple years, you probably have some really good insights on them. And that's a really good way of starting as well.

Kyle [00:27:32]:

Yeah.

Dave [00:27:32]:

Right? Yeah. Yeah. So I guess that begs the question, why don't more of us own Netflix? Because we all have net with Netflix subscriptions, right?

Kyle [00:27:40]:

Absolutely.

Dave [00:27:42]:

So you mentioned something about circle of competence, and that's something I'm always kind of curious about. How do you think about that, and how do you define it for yourself? And do you ever try to push the boundaries on it?

Kyle [00:27:55]:

Yeah, I think I definitely push the boundaries on it, just because I think, you know, you kind of have to continue learning and going really, really deep into subjects in order to expand your circle of competence. You know, if you're not willing to expand it, at least a little bit of, I mean, I think that's fine. If you already have a really wide circle of competence, then that's cool. You can probably filter all these ideas into it and get rid of a lot of them. But if you're just starting from scratch, you kind of have to build it out. And a good way of building it out is just being curious and trying to learn things that are maybe adjacent to things that you already know or learning just subjects that you find fascinating or intriguing or want to learn more about. So I think I've come across different ideas where maybe quantitatively, the business looked really interesting. But then I'm just like.

Kyle [00:28:37]:

Like, I don't care about this business, or maybe I'm just against it. Maybe they. I don't know, things like they sell cigarettes or they make weapons that kill people. I'm just like, I'm not interested in owning that kind of company. I have no problem if other people want to, great, do your thing. But for me, that's fine. But you know, I own, like, evolution, which is people consider a sin stock. So, you know, it kind of depends.

Kyle [00:28:56]:

And then. And then Warren Buffett, I think he would see, think the same way, but then he owns Coca Cola, which makes sugar drinks. Right? So, I mean, I think you can justify it to yourself. There you go. You can justify it to yourself, and you have to just, you know, investing in individual pursuit. So you got to just figure out what works for you. But, yeah, I think with circle of competence, I mean, it's really hard to kind of, you know, define it. But, I mean, I just think that it means that you can answer a lot of questions that maybe other people have or you would have about a business compared to the normal person.

Kyle [00:29:27]:

Right. I mean, if the businesses that I own, hopefully, I can answer a ton of questions and not have a lot of gray areas compared to the average person, because I've spent a lot of time learning about the specific business or the specific industry it's in. If you're not willing to push yourself and try to answer new questions, you're not going to expand your circle. Competence, I think you should always be trying to expand it. I mean, Warren and Charlie have said that they always stay within their circle of competence, but their circle competence is massive. And I don't think Warren's not an average human being. I don't think I'll ever get to his point, and that's perfectly fine. But even if you can get to a fraction of where he is, think you probably do very well.

Dave [00:30:01]:

Yeah. Yeah, for sure. Uh, you were there, so you saw it firsthand. The. The fact that a 93 year old man can go on stage and answer question after question after question for five plus hours is kind of staggering. I'm 57. I couldn't do that. So he's not normal.

Kyle [00:30:17]:

No. No. It's very impressive.

Dave [00:30:19]:

Yeah, very impressive. So, this is a question. This is something I'm struggling with, so I'm hoping you can help me. Give me some therapy. So, one of the things is, when I'm researching a company, there's been a few companies that I have not pulled the trigger on. Two in particular. Nova, Nordisk, and Crowdstrike. And in part because I felt like I didn't quite understand the business well enough.

Dave [00:30:42]:

And I guess my question is. And, of course, I passed on both of them, and both of them are like, you know, doubles since I passed on them. So, you know, I'm kicking myself. But I guess, when do you feel like enough is enough? Like, how much do you really need to know, like, so just to give you an example, for Nova Nordisk, I asked because I didn't feel like I understood the patents well enough and how the length of patents and how that would really affect a drug like ozembic, because that's obviously the big thing driving the company. And I'm diabetic. I'm type two diabetic. I knew that was going to be a monster drug, so I knew it was a no brainer, but I still passed on it. So I guess, you know, if you were in my shoes, when do you feel like enough is enough that you can pull the trigger on something like a technion or a terra vest or anything else that's in your portfolio?

Kyle [00:31:30]:

Yeah, I mean, I think that a lot of people attribute errors when they pass on something and then it goes up, but I dont actually see it that way. To me, if theres a business that you looked at that you didnt understand and you passed on it, thats the right decision. I mean, it doesnt matter if the stock goes up, sideways down, if you dont understand it, you just shouldnt own it. And obviously it sucks when it goes up. Then ive obviously had the exact same situation as you have. But, you know, I don't think you should really beat yourself up about it. I mean, it just means, well, maybe you need to just spend some more time on whatever it was that you missed out and try to understand that better so that in the future, if it happens again, then you won't maybe pass on that type of opportunity. I don't think that's a mistake at all.

Kyle [00:32:11]:

So I think that you can't really beat yourself up about it, and you just need to focus on things that you really, really understand. I mean, I wouldn't beat yourself about it. That answers your question.

Dave [00:32:20]:

It does. I mean, I've gotten similar, or I've asked quite a few people this question, so I'm getting lots of similar esque, similar esque answers, and I'm coming to the conclusion that, yeah, I just need to move on and get over it and try to learn from the mistake and or not mistake, but just the decision and why I made the decision.

Kyle [00:32:40]:

Sorry, I didn't really answer your question. You asked, how do you know when is enough is enough? That's. Sorry, I should have answered that. So I have definitely come to the conclusion that I'll never understand a business as well as possible until I actually own it. I think most other people probably come to the same conclusion. But I mean, you know, there's a big difference between spending, you know, I don't know, 40 hours on a business that you don't own, which probably never happens because that's a lot of time and effort to spend versus when you actually have, you know, some skin in the game. So one thing that I've come to the conclusion now is that, you know, it's totally fine to start a position small. I'm concentrated investor, I think.

Kyle [00:33:16]:

Right. Right now I have ten positions, and that's kind of where I like to stick around. But that doesn't necessarily mean I have to ratchet up to 10% right away. You know, I can start with a smaller position. Generally speaking, it's subjective, right? I mean, you can say, you know, a number that you say, you know, 60% or 80% of a business, but what does that really mean? I don't know. It's kind of hard to quantify that. But I think you still really need to have a good grasp of what the business is, what they sell, who their competitors, what are their competitive advantages, whats their capital allocation strategy like? Do they have a long history of success doing it well? Are they doing it well now? If theyre into mergers and acquisitions, have they made good acquisitions in the past? If they pay a dividend and buybacks, do those make sense that theyre paying it and then learning, obviously, all the insights into the business? So its hard to answer that question because, like I said, you cant quantify how much you understand a business. But I do think that you should take away the majority of the gray area before buying it.

Kyle [00:34:14]:

And then for me at least, my strategy, and then ill buy a small position, and then as I own it, as I follow along with business, as I learn other people who own it and ask them questions, my circle competence and my knowledge of the business just gets higher and higher. And then I can either come to the conclusion that, okay, well, I think I like this business even more than I originally liked it, or maybe I like it less and I can get rid of it or whatever, and then you can from there, you can position size accordingly.

Dave [00:34:37]:

Thats great advice. And thats something similar that ive been trying to do more recently over the last six months to a year is taking smaller positions because, to your point, the skin in the game really seems to focus your energy and your attention far more than if you're just paper trading it, if you will.

Kyle [00:34:58]:

Absolutely. Yeah. Paper trading is interesting, but I don't think it's a viable alternate for actually owning a business because the emotions and everything you get, they can't be copied.

Dave [00:35:08]:

Right? Right. Exactly. Well, and you know, to your earlier point, the education you can get from by making mistakes early in the game are boundless and limitless. And they will help you improve immensely if you want to stay with it.

Kyle [00:35:23]:

Absolutely. Yeah. That's the key you just said there if you want to stay with it. And I think if you want to learn from your mistakes, because the key there is don't make the same mistake twice.

Dave [00:35:31]:

Right. Right. What is that definition of insanity? Keep doing the same thing over and over again but you expect a different result.

Kyle [00:35:37]:

Thats right.

Dave [00:35:38]:

Yeah. So if you had to, I guess define the perfect Kyle investment, what would that be? Robert?

Kyle [00:35:45]:

I would probably say it would be a small business. Doesnt necessarily have to be a nano cap because I think you start seeing businesses increase in quality, but not necessarily as their nano caps. Its usually when they scale up a little bit, but something in, in the couple hundred million dollar range is probably a good range where you can still find some businesses that have a high degree of quality with a history of displaying that quality. And then it would be a business that has excellent management, that are super talented, preferably a founder. High insider ownership, hopefully not through stock options. Preferably it would be that they either bought on the open market or maybe they just own their shares from when it was a private business. And then it would be a business that has very high returns on invested capital, preferably well above 15%. I would prefer that they didn't pay a dividend or buybacks and could just put 100% of their profits back into the business with that reinvestment opportunity where they can continue reinvesting at those higher returns on invested capital numbers.

Kyle [00:36:45]:

And then of course I would like to have it to have some competitive advantages where competitors can't just dump a bunch of money in the similar industry and make similar margins or profits or whatever. So yeah, I think that's kind of a short way of looking at my perfect business.

Dave [00:37:00]:

Awesome. So if you had to assign or I guess determine what you think is the best moat for you to find, like what if you find a company that has this motor, this moat, does that amplify your excitement about the company?

Kyle [00:37:14]:

Yeah, I know there's a lot of people that talk about have like a specific moat that's their favorite. I really just don't have one. That's my favorite. I'm just looking for any moat will do. As long as they have it. Yeah, as long as they have it. And as long as it's a durable. I mean, that's kind of the most important thing.

Kyle [00:37:30]:

Yeah, I mean, I have all sorts of different moats. I think as part of my portfolio of businesses, I guess one of the weaker ones would be brands, just because I have one, Aritzia. But it's definitely one. I think that's harder to understand. And if you don't have a really good view of that, especially in retail, I mean, retail is such a hard industry to succeed in, but yeah, I mean, find all them fascinating. I love network modes. I find really, really interesting low cost providers really interesting. So I guess that's a long way of saying I don't have a favorite one.

Kyle [00:38:01]:

I just want ones that are durable.

Dave [00:38:03]:

Just want one.

Kyle [00:38:05]:

Exactly. Any of them will do.

Dave [00:38:07]:

Yeah, I'm not picky. So you mentioned earlier that you have the podcast kind of network and the membership, the mastermind. How do you think that helps you as an investor? Because I feel like investing sometimes can be a solo sport, and I think it's, you know, I have the advantage of working with my friend Andrew and he and I get to bounce all these ideas off each other and not everybody has that. So can you maybe talk to what you've seen with the mastermind group and maybe how that's helped you and other people?

Kyle [00:38:38]:

Yeah, the mastermind groups, it's been actually like super underrated, like, so when I first came on to tip, I was going to be tasked with helping build it, manage it, and provide content. And, you know, I just kind of thought that was kind of a throw in. But honestly, that's like probably my favorite part of the job. I love the community because, because we basically screen everyone and we have really, really high quality members and people that it's other people that are passionate about investing. I mean, you know, Dave, as well as I do that your day to day life, your friends that maybe you've had for decades, they don't care about investing at all. And, you know, maybe they care a little bit, but, you know, their level of education or sophistication probably doesn't go past reading a, you know, an article in the news, right? So if you really want to, to start talking about stocks and learning more about them and, you know, whatever your specific subject is, it can really help to join these communities where you're basically just joining like minded individuals. And that's kind of what we've created with the tip mastermind community is it's just people that are, that just love value investing and want to learn more about it, but it's more than that. It's also people that just love learning.

Kyle [00:39:41]:

Right. And at tip, we're really big about learning. Really big about reading books. We talk about books all the time and learning and bringing on great investors that we interview on the show and do Q and A's and, and then on top of that, it's also about just building relationships with other people. I mean, like I was talking about with you just earlier with Terra Vest, how there was a member there who knew all about it. And. And those types of relationships are really cool because, you know, you can go back and tap into those to learn more about other businesses or, you know, you. Then you get other people coming to you and asking you questions.

Kyle [00:40:07]:

And I find that really helpful because sometimes people ask me questions like, oh, I've never thought of that before. I need to find the answer to that question. And without having that other perspective sometimes, like you said, you're in this just kind of. Of your solo, right? And when you're solo and you think you're right all the time, well, you kind of close yourself off to. With biases, all the biases we have, you close yourself off to the possibilities of being wrong. And I think having a community of other people who are intelligent and hopefully try to think similar to you, you know, it's not necessarily they're trying to attack you or anything like that, but they can ask you questions that maybe you find uncomfortable or you don't know the answer to, and that could be really, really helpful. And a couple things. Obviously, getting to understand the business more and increasing your circle of competence, but also in just increasing your ability to identify when you're wrong, because we're all going to be wrong.

Kyle [00:40:54]:

No one's right often. And investing, you know, you're going to be wrong probably 50% of the time. And I think it's up to you to find out where your errors are and then hopefully get them out of your portfolio as quickly as possible. And when you're in that echo chamber where it's just yourself, it can be really hard. But when you have other people who can challenge you, it becomes, I think, a lot easier.

Dave [00:41:11]:

Yeah, I totally agree. You're coming from a sporting background. When I played sports, I was always lucky that I was a big kid, but I was young, but I got to play with the better older kids because I was bigger. And that just helped up my game that much more because I was playing against better competition. And when I think about investing, I always look for places that I could be the dumbest person in the room, so to speak. And because I think surrounding yourself with other smart people just is going to make you better. And that's one of the things that I love about Twitter, is that. But I'm surrounded by people that are smarter than me every day, and it just helps me so much.

Dave [00:41:47]:

And it sounds like the mastermind group that you guys have. It's the same kind of opportunity.

Kyle [00:41:52]:

Yes, exactly. That's exactly what we're trying to create. And obviously, Twitter is great. But the one downside of Twitter is that you obviously get all these high quality people, but you also get a load of low quality people. A load. You could bake the argument that maybe that's the majority. So the cool thing about these private communities is that you can moderate that. If we're lucky that we, you know, my colleague Clay does such a good job of making sure that everyone coming in are high quality people.

Kyle [00:42:18]:

And so, you know, we don't have to worry about trolls or people saying silly things. I mean, everyone knows that, you know, it's a professional group, and everyone acts very, very well, and we're all about high quality. And so that's part of the reason why the community works. And then, you know, it just. It's cool because we have calls, so you can really, really establish these connections with other people, whereas, you know, on

Twitter, you can establish connections for sure, but it's just a little bit different when maybe you're just a. Just sending them a DM or whatever versus doing a voice call and getting to know someone a little bit more in depth.

Dave [00:42:46]:

Yeah, yeah. I totally agree. Totally agree, Kyle. This has been amazing. So I've really enjoyed the conversation, and I know our listeners will as well. So if people want to find out more about you, what you got going on, where you are, where they can learn more about you and what you're teaching people, where could they go?

Kyle [00:43:03]:

Yeah, so the investors podcast, I'm one of the hosts, along with a couple of other guys on. We study billionaires. So if you're not subscribed to that podcast, please do. I got, uh. I'm on there every, you know, multiple times a month. I'm probably biased here, but it's a very good podcast. And then on Twitter, I'm, uh, irrational markets. But that's spelled wrong.

Kyle [00:43:21]:

It's irrational, Mr. KTs, so you can add me on there. I'm. I'm very, very active on Twitter and on LinkedIn, I've started being a little more active as well. So it's just Kyle Greave, you can search me up and add me, and I'll, uh, I'll add you.

Dave [00:43:33]:

Yeah. Yeah. That's awesome. As a side note, following Kyle is definitely worth your time. I've been following him for several years now, and I've learned so much from him. And he's a very smart guy, and he thinks deeply about ideas, and he always expresses himself very well. And so you'll come away with lots of great insights following him on all three of those places, the podcast, as well as Twitter and LinkedIn. And a side note, also, the the podcast was instrumental in me getting here today.

Dave [00:43:59]:

Listening to President Stig all those years ago really helps up the foundation, so I'm kind of forever in debt to those guys. I'm enjoying what you guys are doing on the show as well, you and Clay and William. So it's awesome. Awesome.

Kyle [00:44:11]:

Thank you very much.

Dave [00:44:12]:

You're welcome. My pleasure. All right, well, with that, we'll go ahead and wrap up, you guys. So thank you for joining us today, and thank you, Kyle, for joining us as well. We appreciate you taking the time out of your busy day to come talk to us. And with that, I'll go ahead and sign us off. You guys go out there and invest with a margin of safety. Emphasis on the safety.

Dave [00:44:28]:

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