



100% Gains & Handling Losses: A Beginner's Guide to Investing Psychology

All right, folks. Welcome to the Investing for Beginners podcast. Today we have episode 357. Today we're going to tackle 2 topics. So the first topic is how to handle 100% gain and then on the flip side, we're going to tackle how to move on from losses. So let's talk about 100%.

00:00:50 Dave

I mean, that's something I think we all dream of, but I think the psychology behind 100% gain in how you handle that is a whole lot different than like getting there.

00:01:00 Dave

So maybe we could start like talking about how do we get there.

00:01:03 Dave

First of all and then.

00:01:04 Dave

How do we?

00:01:05 Dave

Deal with a high gain like that.

00:01:07 Andrew

Yeah, sure, sure. So you just got to pick the right stocks.

00:01:14 Dave

Andrew with the two second synopsis correct. So once you pick the correct stocks like how do you pick the correct stocks, do you go hunting for 100 for companies that can do 100% gains or do you just try to find the best companies you can?

00:01:30 Andrew

Yeah, that's a good question. In my experience and I kind of stick to a certain lane in stock picking, so there's lots of ways to make a double 100% gain on your money.

00:01:42 Andrew

If you're trying to do it in a value, Mr.

00:01:44 Andrew

Type of way.

00:01:46 Andrew

And if you're trying to do in the short amount of time, the premise the only way you'll get that is through multiple expansion. So you basically have to buy something that's pretty cheap and then just wait for the market to realize all this thing was cheap and then you can see those gains happen really, really fast if you're doing more of the value investor. But I'm still a long term investor and I'm kind of.

00:02:08 Andrew

Straddling value and growth, I want to find a good company that's going to grow over a long period of time and pay a decent price.

00:02:14 Andrew

For it, that's.

00:02:15 Andrew

Probably going to take you a lot longer to see the 100% gains.

00:02:20 Andrew

But it can happen as well. So what is it like 7 years at 10% a year? We'll get you to 100% gain something like that so.

00:02:32 Andrew

You know, kind of slow and steady, takes longer, but probably more.

00:02:37 Andrew

But if you have a gift for being able to identify where the market is, undervaluing something, that's where you get those quick shoot ups and value in price, and that's how you can get to a doubling.

00:02:50 Andrew

Go about it.

00:02:52 Dave

Well, I think the if I kind of think about it in two different ways. If I think about what kinds of companies could I invest in that, I think can.

00:03:00 Dave

1.

00:03:02 Dave

You know double in value over A7 year period like you know like a 10% return annually for seven years. That to me is like one kind of company and then there's other companies like you know like what you've seen of NVIDIA in the last year plus where you see these huge increases in a very, very short amount of time.

00:03:23 Dave

And I think it's easier. I think it's easier to find the first set of companies than it is the second set of companies because the first set of companies to me.

00:03:35 Dave

Indicate a.

00:03:37 Dave

A strong Moat, a strong company. Great financials. You're most likely a good leader at the helm. All things that you can probably fairly not fairly easily, but more easily quantify and recognize where as something like. I'm not saying the investors that invested in video got lucky.

00:03:57 Dave

But.

00:03:58 Dave

There is some luck involved in something like that hitting like that. There could be signs up to that, certainly that people could read the tea leaves and determine that hey, Jensen Wong is building something and this is going to be for the long term. But if you're an outsider like I am, where I'm not intimately involved A in the company and B in that semiconductor.

00:04:18 Dave

Space or the GPU space in particular. Then I would be more caught off on wares and if I did invest in it, it probably wouldn't be based on, hey, I think Jensen is building something that's got this.

00:04:28 Dave

Long runway. It's more like oh, hey, I know when NVIDIA it's shiny and people are talking about it and AI is going to be the thing and I buy it. And then the next thing I know it's up 100.

00:04:38 Dave

And.

00:04:38 Dave

57%.

00:04:39 Dave

Or whatever it is, and to me that feels.

00:04:43 Dave

Like if I'm coming in from that angle, that feels luckier. If you will air quote, luckier than if you buy something like.

00:04:50 Dave

Visa that does well consistently year in, year out gives you an 8 to 10% return every year and just kind of gradually builds the snowball as opposed to, you know building a huge 1 / a very short amount of time. And that's how I try to look at it and I probably try to pick more of the the former companies than I do the latter.

00:05:11 Dave

Companies.

00:05:12 Dave

That's, I guess that's the way I look at it. Call me old.

00:05:14 Dave

Fuddy Duddy if you want Boomer.

00:05:15 Speaker 2

Yeah.

00:05:18 Andrew

Right there with you, man. Maybe the Brady kid at the party. Why don't you just buy things that are going up?

00:05:24 Andrew

Those are. Those are the well, why don't just buy those that are going up? What's your response?

00:05:30 Dave

Right. Why don't we, you know, remember?

00:05:31 Dave

That TikTok.

00:05:32 Dave

Video that went viral during the pandemic where the the two the the couple was talking about, we just buy companies that go up and then when it stops, we sell them kind.

00:05:40 Dave

The thing right if investing was that easy, we'd all be billionaires, right? But it's yeah, unfortunately, it's not quite that simple. And there is. There's a hit rate. The people that were fortunate enough to invest in Invidia may have, you know, 10 other dogs in their portfolio. You don't know. And you know, there's something to be said for maybe having.

00:06:02 Dave

Maybe not as faster growers, but a lot more slower growers than one really big one. I mean, somebody said to me recently, there's a million ways to heaven and there's I think when you think about investing, there's a lot of different ways you can slice the pie. And so it just kind of depends on which one you want.

00:06:18

The.

00:06:19 Dave

Follow and what your mental capacity is for either one, because I think that's just as important as what companies.

00:06:26 Andrew

Should pick. So what's the next step?

00:06:28 Dave

Then, well, I think the next step is probably trying to figure out how do you mentally handle those kinds of gains. And I think depending on the time frame that you're looking at, I think it makes it easier.

00:06:41 Dave

Depending on the time frame, like if I buy let's say I buy Berkshire Hathaway, which I own and it it double s in seven years.

00:06:50 Dave

I'm happy is you know anything and holding on to that to me is a no brainer. I I would not lose 1 iota of sleep holding on to that because of the method that a how I bought it the trust I have in Warren and how they've earned the returns if you will where they've just been.

00:07:11 Dave

You know, slow and steady, grinding it out. That, to me feels way more so.

00:07:15 Dave

Enable and far less likely to it feels more anti fragile. I guess is the best way of putting it and when I think about something like let's I'll pick on Shopify for a second. So you bought it during the pandemic and it went up to what 200 billion in market cap or whatever crazy number it was and now it's 6070 billion missing shop.

00:07:35 Dave

Is a bad company by any stretch or a bad investment, but depending on where you bought it has a big bearing on what you think about it right now. If you bought it at the Lowe's a year or two ago, you think it's the greatest company ever. If you bought it during 20.

00:07:47 Dave

20 You think it's trash?

00:07:49 Dave

So you know it has a bearing on it, but also how do you hold that, you know, how do you hold the company that goes from, you know maybe earning 5 or 6% a year to 120%?

00:08:00 Dave

A year it.

00:08:01 Dave

It feels unsustainable, especially if it happens over overnight, and to me that would be far harder to hold longer.

00:08:10 Dave

Because I'm worried that something's going to.

00:08:11 Andrew

Turn it is and something I'm picking up from.

00:08:14 Andrew

That.

00:08:15 Andrew

Is.

00:08:17 Andrew

On the one hand, like the Berkshire example you're talking about, the business, that's kind of doing what it always does, which is executing well and doing it in a sustainable way versus with the Shopify, we're we're not even really talking about the business we're talking about the stock price and how people feel about the company. Those are two vastly different things. And so to your point.

00:08:37 Andrew

Depending on what kinds of stocks you buy.

00:08:40 Andrew

Some stocks.

00:08:42 Andrew

People buy Berkshire because they're like you and me. They're looking for slow and steady things that we can understand and we can see the results and we're OK not.

00:08:53 Andrew

Quadrupling 10X and our money tomorrow we're we're in it for the long haul. So you get those type of investors who aren't jumping ship. But then if you think about by definition, if you're buying the stocks that everybody else is buying because they're trying to make a quick buck and they're trying to do it quickly and then they're trying to be the first ones to leave.

00:09:13 Andrew

If 1000 people are all doing it at the same time, what's going to happen? What's going to happen at the at the first sign of trouble? So don't be surprised people like you.

00:09:24 Andrew

Are behaving the way you do and you get the same results that everybody else gets, which?

00:09:28 Andrew

Is.

00:09:29 Andrew

You chase something and you didn't get out in time and you get.

00:09:33 Andrew

You go to the graveyard of growth. Ultra growths, you know, high valuation stocks. And that's not a fun place, so.

00:09:39 Dave

I've heard it's not. I've I've made a mistake in buying a few of those, and it's hard. It's really hard to withstand the volatility because.

00:09:48 Dave

Because to your point, you're more worried about the stock price than you were than you are about the fundamentals of the company and it's not necessarily because I think.

00:09:59 Dave

Palantir is a bad business. It's more because everybody else is so in the market are very.

00:10:08 Dave

One side or the other on the company and the conversations usually aren't about the actual business and what it's doing. There are some, of course, but the majority of them are more about the perception of the stock and.

00:10:20 Dave

You know their opinions on the stock as opposed to, you know, is the company executing on what it's trying to do. And I think when you focus on that, a lot of the other stuff starts to go away and it's a lot easier to hold a company through the thick and thin and and that's why I won't talk about the other one because we talked about that too much. But the thing about.

00:10:39 Dave

Talent here is that it's so divisive and you get so many conversations about the stock as opposed to the business where if you talk about American Express.

00:10:48 Dave

There's not a whole lot of division, and usually the conversations revolve around the business and I think when you get into that, that's where you can find. To me that's easier to find, you know, a company that's that's going to double in seven years. If you talk about the business of NVIDIA, it's obviously very, very strong. But there's also there's lots, there's kind of an undercurrent or overcurrent of conversation about.

00:11:09 Dave

You know, hero worship of Jensen Wong and then also just the momentum everybody wants to, you know, the phone wall is is kicked in hard because they missed the 150%.

00:11:19 Dave

And so there's, you know, there's all those emotions floating around it. It makes it hard. You know, if you are holding on to that to, you know, to feel like there are three legs under you and that's the way I would feel if I was up with the company, not saying particularly in NVIDIA, if it was something like a zoom or something during the pandemic or peloton, I would definitely would have felt like I don't have.

00:11:39 Dave

All my legs under me like this is precarious.

00:11:43 Andrew

Do you have a long term mindset searching for safe compounders? So am I and I'm investing my entire life savings with the picks from valuespotlight.com.

00:11:54 Andrew

100% yeah, how you know if maybe you're a newer investor. How are you to know whether a stock that you hold is in that situation of being very narrative driven versus business fundamental driven because I mean.

00:12:08 Andrew

We all have biases and we can all lie to ourselves and especially easy. Trust me when I look at My Portfolio, the ones I tend to be happiest with are the ones.

00:12:17 Andrew

That have gone up the most.

00:12:20 Andrew

What they've done inside of the business, that's just how we're wired. So it's it's hard and obviously there's no silver bullet here, but how can an investor to try to make sense of? Is this a narrative drive?

00:12:32 Andrew

And game that I'm holding. Or is it? Is it something more fundamental?

00:12:38 Dave

That's a great question. I think the way I would recommend, if I was talking to somebody about this, I would probably look at it in two different I.

00:12:48 Dave

Guess.

00:12:49 Dave

Factors number one is I would look and see what are people talking about. So in other words, if you're on social media, if you're talking to your friends, if you watch.

00:12:59 Dave

CNBC what are the the voices around you saying about a particular company? Are they all talking about how awesome Elon Musk is?

00:13:08 Dave

And how the you know, the electric car revolution is going to change the world. If those are all the conversations, then those things feel more narrative driven. But if people are talking about how awesome the company is and you know how great NVIDIA is by creating these chips that are programmable.

00:13:28 Dave

So that the companies that buy them the towers just have to do a software update as opposed to doing a hardware update and it saves them money down.

00:13:36 Dave

The road and that is to me, you know, if they're talking about those kinds of things, that to me would tell me, OK, this is more, this is more fundamental. This is more the business executing conversation than you know how cute the the leader of the company is or something. I'm just making this stuff up. So that would be how I would try to.

00:13:56 Dave

I guess distance myself from it, it would be hard. It would be very hard to to not be able to get wrapped up in, in, in the enthusiasm in the.

00:14:05 Dave

Phoria of a company doing well because there's it. It feels great when your company is doing well and things are going up. It's like, you know, to your point, you know, these are the best companies in My Portfolio, that stuff all crash because they're not doing as good as these are. And that's a natural way to feel. But if there's a way that you can.

00:14:16

Yeah.

00:14:24 Dave

Distance yourself from the narrative versus the fundamentals of the company. I think that can help you give, give you some clarity and some.

00:14:32 Dave

Operation and I think one probably real good trick is to not put your brokerage app on your phone. If you can delete that from your phone and make yourself only have to access your brokerage through your computer or some other means that's harder or court harder, I think you'll be less reactive to things and it could.

00:14:52 Dave

In a way, you could set yourself up to maybe think about things more before you go. I can't do this anymore and sell because a lot of times that could be the worst thing to do. So, and that's how I would try to.

00:15:02 Andrew

Do it. What are your thoughts on that? I love that by the way, I think that's a really practical and sensible way to do it.

00:15:08 Andrew

I think most anybody can do that and using some judgment and trying to like, I don't know, maybe take some time and.

00:15:16 Andrew

You know, you don't have to figure it all out in an hour or something, but you can try to meditate on it and over time, you're.

00:15:23 Andrew

You know, I I see things like your brain can't remember who the school was, but they're talking about some university was like your brain actually works. 20% of it works while you're doing nothing and so.

00:15:35 Andrew

And we don't actually talk about that as investors, but a lot of the decision making, good decision making, let's be clear. You know the the decision making that probably has a higher chance of being more accurate and truth based and have when your brain is actually wondering. So the more time you can give your brain to sort through these tough problems.

00:15:56 Andrew

The more likelihood you can solve them in a better way and maybe get closer to the the true answer, you know, I guess the other thing I would add is the way I do it.

00:16:04 Andrew

Kind of a freak. I try to think about what stock did I buy and what was my.

00:16:09 Andrew

Primary reason for buying it or like where on that slide or where on the spectrum is it? Is it more valuation driven or is it more this is like a company I want to hold for a really long time like these and so depending on where the company is on that spectrum.

00:16:26 Andrew

I'm more likely to ignore the noise, like if it's a visa that goes up to.

00:16:32 Andrew

100 PE.

00:16:34 Andrew

Do I really care if all those gains go away? Probably not, because I wanted to hold these 20 years from now anyway, so, you know, I wonder if part of that's just telling yourself whatever, like, extra gains you're getting on something that you're going to hold for a long time. Those aren't real anyways, so if if you lose them, you don't feel bad about it. That's a great way.

00:16:53 Andrew

Logically, think about it. I don't know how.

00:16:56 Andrew

How practical it is? Honestly, I don't have like 10-20 hundred baggers, so I don't have this problem at the moment because the stocks I buy are boring. But that's one way to do it. And then the other way is just to throw some numbers on it. You know, one evaluation model on it and it's.

00:17:13 Andrew

Like.

00:17:14 Andrew

If the valuation saying you know Wall Street thinks 10%.

00:17:17 Andrew

15%.

00:17:19 Andrew

Growth rate. OK, that's.

00:17:21 Andrew

That's reasonable. You know, maybe maybe the stock's not that type of a price, but if Wall Street's thinking this things are going to double every year.

00:17:31 Andrew

Then you're probably closer to that. OK, this is kind of crazy. So those would be two is I would throw out there again think about where on the spectrum is this is this was this kind of evaluation plan anyway. So maybe you would be right to.

00:17:46 Andrew

You know, wait for it to get the fair value.

00:17:48 Andrew

And then sell it.

00:17:49 Andrew

And maybe you do have a better opportunity for that or was it something that you're going to hold for 20 plus years anyways? Then maybe that makes a decision for you that I don't really care where the stock price goes because that doesn't matter to me at the end for that. And then just run some numbers behind it.

00:18:07 Dave

Yeah, those are. I mean, I think those are good practical ideas to really help you.

00:18:13 Dave

Either hold on to the company or decide if this is not going to be the one. If you will and you know another thing, I guess I would throw another log would be to journal the way that you do it because you are putting it down on paper and writing it and putting it out there for the world with your stock picks because that that portfolio is the same thing.

00:18:33 Dave

That you invest in. So it's not just the.

00:18:36 Dave

Per conversation, it's it's real money going on and that I think gives you an advantage because you can look back and you know what have they say about this company two years ago. And so if you're having, if it does run up, even if it is a boring company, it runs up 100%, you can look back and see, OK, what was I thinking about this and that?

00:18:56 Dave

And give you that can give you a good check and balance to help with what you're feeling right now. And so I would go back to something I've suggested a few times through the course of our show is somewhere or writing down what you think about a company and why you're buying it. It doesn't have to be.

00:19:14 Dave

You know, 5000 words. It could literally be a couple paragraphs. You know, I really like the company because this, this and this and list out three or four or five things, maybe the price you like it at whatever and put a date on it and save it somewhere on your computer, on your phone, wherever it's convenient for you. And then if it does run up and you have.

00:19:31 Dave

Those thoughts of.

00:19:32 Dave

Oh gosh, what's going on? You can look back at your notes and go. OK. Are these things all still intact? And if they are, then it's a whole lot easier to hold it. And if they aren't, then then it's probably easier to make a decision the other way as well. And so that would be because we all think.

00:19:49 Dave

We all think we have perfect memories and we think that we remember exactly what was happening, why we did what we did and as somebody who writes for a living and has to go back and edit his thoughts four or five, six years ago and see some of the things that I wrote 5 or 6 years ago and say to yourself, whoa, what were you thinking? So it can be, it can be very illuminating.

00:20:10 Dave

And so I would strongly encourage people go out and write something down about why you bought a company. And like I said, it doesn't have to be expensive, but just enough that you can capture why you're buying it. And then if you ever have that feeling, if you are lucky enough to enjoy something running up 100%.

00:20:26 Dave

In a very short amount of time. Then you can look back on it and say.

00:20:29 Andrew

Oh, OK. That's why I love that. That's so good. If people aren't doing that. Really.

00:20:33 Andrew

Go out there.

00:20:33 Andrew

And do it. That could be so please.

00:20:35 Dave

It's very helpful. I know it's been helpful for you for, you know, with your stock picks and being able to go back and when you're thinking, you know, hey, this company's trash, why did I buy it? And you go back and read your thesis, go. OK, it's still intact. It's just.

00:20:47 Dave

The market hasn't recognized it yet and.

00:20:49 Andrew

I literally did that like two months ago.

00:20:51 Dave

Right.

00:20:51 Andrew

Maybe the last month we've probably talked about.

00:20:53 Dave

Yeah, I think it.

00:20:53 Dave

Was last month, yeah.

00:20:57 Dave

It's an ongoing process like you said.

00:20:59 Dave

You know it's.

00:21:00 Dave

It's part of the game, you know, the companies are doing well, are always your golden child.

00:21:04 Dave

And the ones that aren't doing well are the ones you know, like, oh, this trash. I got to get rid of. Why don't I buy this in the 1st place you.

00:21:09 Dave

Know. So yeah, that's when that stuff can be super helpful.

00:21:09 Dave

Kind of.

00:21:13 Speaker 5

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00:21:32 Speaker 5

More go to dcf123.com to get your first lesson. Now that's DCF 123.com.

00:21:43 Dave

So let's spend a few minutes talking about losses. So how do you deal with losses?

00:21:48 Andrew

Yeah, it's tough. I mean, when you finally sell something and you either underperform the market or you.

00:21:55 Andrew

Really painful when you lose money on it, you are forcing yourself to stare at that loss in the face.

00:22:02 Andrew

Or however long you hold something, you can delude yourself in the saying I didn't make a mistake here. I'm good. It's going to come around.

00:22:09 Dave

It's got a chance. It's got a chance.

00:22:09 Andrew

Going to turn around this point.

00:22:12 Dave

I'll just hold it long enough and.

00:22:12 Andrew

I'm just going to wait for it to break even. I'm going to wait for it to break even.

00:22:13 Dave

Had a chance.

00:22:16 Andrew

And then I'm out. That's it.

00:22:18 Andrew

It's it's. It's come down so it's.

00:22:19 Andrew

Got to come back up, right?

00:22:20 Dave

Right.

00:22:22 Andrew

That's it. Yeah, it's it's really hard. I think the journey, my idea is great again. That can help you. Like, I almost feel better if I look at something I wrote in the past.

00:22:32 Andrew

List and see holes in it. That almost makes me feel better about the loss or the other performance to say, OK, well, that's the mistake. I can learn from it, right? Or that's something I didn't know about the business. Now I do I guess harder would be. I mean I don't know, maybe you can argue that every underperforming stock was a mistake in one way or the other.

00:22:53 Andrew

And so maybe you can argue you can learn from from every every decision. Uh, I'll have to think about that a.

00:22:59 Andrew

Little more, whether you say.

00:23:00 Dave

Yeah, I guess I kind of come at it from three different ways. So #1.

00:23:07 Dave

Peter Lynch, I think it was said that if you're, if you get 50 out of 50, right?

00:23:12 Dave

You're doing pretty good as a stock picker. Maybe it's 6040 or 5050 somewhere in that range and.

00:23:19 Dave

So I guess when I.

00:23:21 Dave

I have that in the back of my head whenever I make an investment like, you know, we all think everything we buy. I heard Howard Mark say this today.

00:23:29 Dave

We all think everything we buy is going to be a winner. We never go into an investment thinking it's going to be a loser. We all think every single thing we buy is going to be a winner. But he said the the stark fact of the matter is they aren't and it's how we deal with the losses is what makes us a better investor.

00:23:45 Dave

And so I kind of approach it that way where I know I think everything I buy is going to be a winner. But I reality wise, I know they're not going to be. And so I guess I maybe hedging my bets on my euphoria for the potential gains against the potential losses.

00:24:05 Dave

So there's that part of it. Then there's the other part of it, to your point that.

00:24:11 Dave

Sometimes it's it's actually a good thing because.

00:24:14 Dave

You can learn.

00:24:16 Dave

You don't really know the company fully. I have found for me. Anyway, I don't really fully know the company until I own it. I can read about it till I'm blue in the face until I actually put money in it. It seems like for a reason that opens your blinders up a little bit more and you, you maybe see things that you may not have seen before or there may be aspects of the.

00:24:36 Dave

Business that were not as apparent to you.

00:24:40 Dave

Maybe because you were blinded by your your enthusiasm for the company, and once you own it, then maybe if it doesn't go up to the right right away, then maybe some, maybe some realities, you know, soaking in the face can help you open your eyes a little bit. So there's that part of it. And then there's the other part of it where I kind of liken it to playing defensive back in the NFL.

00:25:01 Dave

Never did so. This is just something I heard from somebody saying it. They were talking about how the the mentality of defensive backs have to be when you're playing against Jerry Rice, the greatest of all time. They're going to beat you and it's just.

00:25:14

No matter how.

00:25:15 Dave

Good. You are. They're going to beat you just like you're going to beat them. And you have to basically block out the last play so they may have beat you for a touchdown the last play. But this time they're not going to. And so you just have to block out.

00:25:26 Dave

That last play and.

00:25:29 Dave

Maintain your staying level of confidence so.

00:25:31 Dave

Even though you may.

00:25:32 Dave

Make a bad choice or two for an investment. You can't let that destroy your confidence in what you're.

00:25:37 Dave

Thing to do. And so that's kind of how I try to approach it as well from a psychological standpoint is like, yeah, I've made a mistake buying this company. It didn't do nearly as well. I lost money. I sold it at a loss. I feel terrible, but it's not going to stop me from continuing doing what I'm doing. And I'm trying to learn from that mistake. And that's, I guess, mentally, how I try to.

00:25:58

Approach.

00:25:58 Andrew

That's a great approach. And I mean, yeah, you do have to if you want to.

00:26:03 Andrew

You will pick stocks for a long time. You do have to separate performance from confidence and like performance from your methods. I mean you could do everything right and still be wrong. The world is ever changing, you know. And so every little hack or or different way of thinking that you can do.

00:26:22 Andrew

To.

00:26:23 Andrew

So.

00:26:24 Andrew

Give yourself perspective, because when you're in it right it's it's very emotional sometimes and you can beat yourself up to your point. You can you can start to think that one or two mistakes reflects on on your effort. But if the effort was actually correct, the system was correct. Yeah, it's hard. But if you can do that, it helps you stay in the game longer and something that.

00:26:44 Andrew

I guess a lot of investors.

00:26:46 Speaker 2

Yes.

00:26:47 Andrew

This is what I've read that a lot of investors will like change strategies every time that their strategy is not working, and then at that moment where they change the strategy if they just would have stuck with it, they would.

00:26:58 Andrew

Have.

00:27:00 Andrew

With their performance and and kept it so that's something to consider.

00:27:04 Andrew

One thing that I wish I understood earlier and this is something that Dave has helped me with, whether we realize it or not, is.

00:27:14 Andrew

Trying to shoot 100% like Palin said, you're going to do like 5149 or 5545 if you're good, but even good investors will maybe get 40% right. But though, but that 40% were such big winners that they paid for a bunch of smaller losers and so.

00:27:35 Andrew

That's something to keep in mind, too, is it's not always about.

00:27:40 Andrew

Getting like as many right as you can. It's also about kind of picking your spots and being aggressive where you should be aggressive and maybe not as aggressive when you shouldn't be, because I love that quote by Howard marks. If we I've said this.

00:27:53 Andrew

Like.

00:27:54 Andrew

I remember saying this very early on in, in the archives of like when I would pick something that's like this is the best stock ever.

00:28:00 Andrew

And then next month, this is the best stock ever. Next month is the best stock ever. So if we already know that that's how we're emotionally going to feel.

00:28:10 Andrew

Then having the mentality of like, I'm going to really be selective when I make a big position that will help you a lot in this whole conversation of you start thinking like not I'm bullish or I'm not. But like how bullish am I or how great of an opportunity is this then you start to think more like a portfolio manager instead of just a stock picker. And I'm not saying that's easy but.

00:28:31 Andrew

I'm saying like from a total results perspective.

00:28:35 Andrew

Understanding that for stock and one of them could be the one. If you have everything positioned correctly, that can really change the way you look at the stocks you are picking, and to me it's helpful. It has been helpful lately.

00:28:48 Dave

Yeah, I think that's a great way to look at it. And I think people need to realize when they're picking stocks. If you look at like it in a basketball game, you expect everybody to make their free throws. Nobody's guarding you. You're standing at the line. You know exactly how far to shoot.

00:29:06 Dave

You know, they should be really good free throw shooters and that should be easy money. But when you're playing a game and you have people guarding you and the four other guys, you got to maneuver around and five other guys, I'm sorry, you.

00:29:19 Dave

Got to move around.

00:29:20 Dave

You know the the chances of you making a shot obviously go down quite a bit. And so I think.

00:29:25 Dave

You have to.

00:29:26 Dave

Look at.

00:29:27 Dave

I look at picking stocks more like playing the game as opposed to the free throws because the free throws are that's putting money in your savings account. That's easy money, but the harder money is is playing the game and there's a lot more variables involved and so.

00:29:42 Dave

You think we?

00:29:43 Dave

Want everything to be 100%, but we also have to realize it's not going to be.

00:29:47 Dave

And so.

00:29:49 Dave

Try not to let that you know. Try not to let that knock you off your confidence peg and and stop you from doing something that you enjoy and that can can bring you some value and wealth because it is a a profitable game. You just have to learn how to.

00:30:04 Dave

Play it.

00:30:05 Dave

The way that you can play it and what works for you, but if you go into the expectations that every single company that you buy is going to be a winner.

00:30:14 Dave

More chances than not, you're going to be disappointed and #2 is you're setting yourself up for.

00:30:21 Dave

Failure because that those expectations won't come true. And then you're going to feel like a failure and you're going.

00:30:25 Dave

To get out.

00:30:26 Dave

Of the stock market and or it's going to do the other way and paralyze you and never make a choice.

00:30:31 Dave

Because you want.

00:30:32 Dave

To be perfect. And that's just as that's just.

00:30:34 Dave

As deadly too.

00:30:37 Dave

All right, folks. Well, with that, we will go ahead and wrap up our conversation today about 100% gains and how to deal with them.

00:30:43 Dave

And how to?

00:30:44 Dave

Deal with losses. These are two very hard subjects to deal with, and they're important things to think about when you're an investor, especially for a new investor to try to develop some strategies to help you deal with those eventual outcomes because.

00:30:57 Dave

Hopefully you do have 100% winners and you have to think about this and hopefully you don't have too many losers so you don't to think about it, but it's a unfortunate reality of the stock market and we just have to learn to accept it and deal with it. And so with that, I'll go ahead and sign us off. You guys go out there and invest with the margin of safety emphasis on safety.

00:31:14 Dave

Have a great week and we'll talk to.

00:31:16 Dave

You next week.

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