



Exploring Investment Strategies with Cedar Grove's Paul Cerro

Alright , folks, welcome to the Investing for Beginners podcast. Today, we have a fun show with a special guest: Paul Cerro, the chief investment officer of Cedar Grove Capital Management. Paul has an interesting background and career. He started out as an investment banker at Merrill Lynch on Wall Street

00:00:51 [Dave](#)

And he has done a lot of great stuff with startups and he's very active on Twitter and that's actually where I met him. So I'm super excited to talk to Paul today. So thank you very much for taking time out of your busy.

00:01:03 [Dave](#)

Day to come talk to us today, Paul.

00:01:05 [Paul](#)

Yeah, no, absolutely. Thank you so much for having me.

00:01:07 [Dave](#)

You're welcome. All right. So let's start with a layup. Why stocks? Why do you pick stocks as an investment choice? What about them get you excited or maybe not excited?

00:01:18 [Paul](#)

Yeah, hopefully that's actually you want to ask me that. It's actually an easy, easy question for me because I am not good at sports, so I have never, you know, wanted to play football. I've never want to play basketball and I've never done any of that. But inherently I'm a very

competitive person.

00:01:36 [Paul](#)

And you know, being the competitive person that I am, I apply what I'm good at, which is, you know, numbers interpretation. I analyzed analyzation etcetera and it just so happened that stocks kind of fit that mold. So where it's very easy to just, you know, index, invest and you know just match the market.

00:01:56 [Paul](#)

Etcetera. The inner competition in me just wants to be able to to, to best that. And considering how I can't do anything physical and on the other side of things I I put all my effort and energy into the the stock market and investing strategy that way to to fulfill that need of mine.

00:02:14 [Dave](#)

No, that's awesome. So are you competitive with other individuals or are you just competitive with what the overall market per se?

00:02:22 [Paul](#)

I think uh no.

00:02:23 [Paul](#)

Simon, like the competitive nature with like other people that I know, I mean like, yeah, we might like brag about it and passing right, like, right between, like, my my friends, other other portfolio managers etcetera. By the end of the day, I think it's it's just an inner battle amongst yourself, right? Like if everybody's benchmark is that's MP, right.

00:02:39

MHM.

00:02:42 [Paul](#)

So it's not like, you know, I'm trying to beat your return against the FSP and trying to beat the S&P, right, and that's kind of what everybody's trying to do. So it's more so just me trying to make sure that you know I can do the best it possibly can which is better than what the

baseline is AKA the the index.

00:03:00 [Dave](#)

Right. Yeah. I mean, to me, beating the S&P is hard enough. I don't need to add, you know, other layers of complexity trying to beat other people.

00:03:10 [Paul](#)

No, not at.

00:03:10 [Paul](#)

All I mean there might be like, you know, like suddenly, you know, bets on the side where, like, oh, I think I can make more than you and 24, etcetera. Let's put \$100 or something, something like that, right? I mean it's it's all fun and games. So it's not. It's not to be taken seriously, but just to just to add a little extra flavor and in your in your friends lives I guess.

00:03:27 [Dave](#)

Right. So if you had to.

00:03:29 [Dave](#)

So you know, I I hate to categorize or or lump people into categories, but if you had to categorize yourself, what would you say? What kind of investor would you, I guess categorize yourself as?

00:03:43 [Paul](#)

Yeah, that actually changed. So I mean, throughout my investing career, I've I've gone through iterations of.

00:03:50 [Paul](#)

What that looks like that's, I mean it's and it's evolved over time, especially pre COVID during COVID and post COVID, right so.

00:03:58 [Paul](#)

You know I like pre code. It is like I'm.

00:04:00 [Paul](#)

Gonna just.

00:04:01 [Paul](#)

Strictly invest in the the newest and greatest technology there was, right? These were back in the day and I I was pitching, you know, the AMD's of the world, the videos of the world we had Shopify test Tesla was the first like I.

00:04:13 [Paul](#)

Ever bought when?

00:04:14 [Paul](#)

I was younger.

00:04:17 [Paul](#)

Etcetera. Then COVID, you know, like you threw, you threw spaghetti at a wall, like everything was gonna stick. So it didn't even matter what you did, right? Everything just went up and you felt like a genius. But in a post COVID world, you know, I've learned so much about myself.

00:04:29 [Paul](#)

That maybe you could attest to this yourself, like having having a good night's sleep is so important when you have, you know, money on the line. And if it's preventing you from getting a good night's sleep, then you've then you've either a.

00:04:46 [Paul](#)

Size too much in a certain position, or you've taken a stake in something that you don't feel confident about at all. But you know you have a gut feeling that's going to happen. So my strategy shifted from.

00:04:57 [Paul](#)

Investing in the the coolest and the greatest stuff to them. You know what? I am very much comfortable getting just above average returns with a lower volatility than most and it's almost like kind of like what's expression like getting rich slowly or something. I think that's what it is. So it's more so now pivoted to.

00:05:18 [Paul](#)

Longer term holds multi year holds you know not not in the sense of.

00:05:22 [Paul](#)

You know, can I be wrong in the short term, right. The long term, it's just like ohh the thesis that I'm working with will just take years.

00:05:27 [Paul](#)

To.

00:05:28 [Paul](#)

Materialize and another set of thing, it's just you know, I still want to be able to compete. So I take, I take positions and you know arbitrage trades, event driven trades, special situation trades.

00:05:41 [Paul](#)

Which you know.

00:05:42 [Paul](#)

Well, they're all part of the same thing, but that's why it keeps things interesting for this. So I have more longer term core holdings and a little bit more fun on the side with the percentage of the portfolio.

00:05:52 [Dave](#)

Oh, that's interesting. So maybe we can talk about a few of those other.

00:05:56 [Dave](#)

Like we can talk about the long stuff, but I'm curious about, like, IPO's, arbitrage, Special Situations. Can we kind of go through those and maybe how you think about those?

00:06:07 [Paul](#)

Yeah, absolutely.

00:06:10 [Dave](#)

So what I guess what about IPO's? I've I'll be honest with you, I've always been very afraid of them and.

00:06:17 [Dave](#)

Kind of risk.

00:06:18 [Dave](#)

Averse when it comes to those because you know it stands for it's probably overpriced. And so I stayed away. But what are your thoughts on it? You know, school me on how I'm wrong about.

00:06:28 [Paul](#)

Yeah, well, historically, and I mean and also historically, I mean like over the last 20-30 years, IPOs were really meant to be you know, the exit liquidity for you know, private private companies and startups at a valuation that had not been recognized in the private markets. That was the whole point.

00:06:49 [Paul](#)

Right. So that's why back in the day, if you if there's a claim that I owed, you know, the odds of you potentially, you know, hitching a ride on the next rocket ship over time was pretty high, right? Because the, the, the, the.

00:07:00 [Paul](#)

The way the markets worked back then didn't recognize that on the private side. However, over time the market dynamics have shifted, right. So that's why you see a lot more private equity money going into the the markets, venture capital going into the markets. Again, the private markets. So that has inherently boosted.

00:07:20 [Paul](#)

Valuations and depending on who you ask, like arguably inflated.

00:07:24 [Paul](#)

Situations to the point where once a company reaches an IPO stage at this point, like you like you just mentioned, right, it it usually might mean that they're overvalued, right? And they're just trying to, like, raise the.

00:07:35 [Paul](#)

Extra bit of capital.

00:07:36 [Paul](#)

In the public markets, you know, reward their employees a little bit reward and early investors a little bit be able to potentially.

00:07:45 [Paul](#)

That relies on equity raises in the public markets further on, etcetera. So the the shift has really happened there. So the reason why IPO still interests me is because if you go down the I guess create fine a little bit with value.

00:07:59 [Paul](#)

I think you can, you can.

00:08:00 [Paul](#)

Still find bargains in there. I'm not saying that they're flush with bargains, but there are opportunities in there. And on the flip side of that, you know, you also have the, the, the names that are definitely overvalued, that iPod, where if you wanted to enter the short short game, they could be right.

00:08:18 [Paul](#)

For taking a short position in the company, this is what I've done in the past, especially during COVID.

00:08:23 [Paul](#)

So it kind of cuts both ways, but historically it's just been it was was emphasis on was the ability for you know everyday investors to kind of get on the train early on. But now it's more like, OK, let's kind of see where the dust settles and then maybe.

00:08:38 [Paul](#)

I'll take a position, maybe I won't.

00:08:41 [Dave](#)

Yeah, that, that's interesting. I like that point and so.

00:08:46 [Dave](#)

If you look at, if you look at maybe smaller cap companies, are you saying that that is an area that there could be opportunities where I think I think we probably all would agree that the

big the big names that get a lot of publicity and whatnot, those probably offer less at least on the on the upside they probably offer less opportunity.

00:09:06 Paul

Right, right. It's it's kind of like those like household name brands that when they go public.

00:09:12 Paul

They're just so hyped up already that it's like what? What juice is left honestly, and they're still might be some right cause. The market is an ever changing game, right? Right. But for the most part, it's usually the, usually the more well known it is, the more likely it is to be overvalued when it goes public.

00:09:31 Dave

Yeah, yeah, I mean.

00:09:33 Dave

Rivian kind of springs to mind, but.

00:09:35 Paul

Well, yeah, exactly. Yeah. Classic example.

00:09:37 Dave

That's.

00:09:39 Dave

That's a whole other conversation.

00:09:41 Speaker 5

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.

00:09:53 Dave

So arbitrage is not something that we have talked a lot about. Could you kind of explain maybe what that is and how an investor could either find opportunities and use that kind of opportunity to you know increase their?

00:10:09 Paul

Yeah, I mean well, arbitrage just happens when there is, you know, at this location between the price and the value that's being assigned to whatever, you know, asset security.

00:10:18 [Paul](#)

Or.

00:10:19 [Paul](#)

Pokémon cards that you're you're trading right? Are you analyzing? So for me, like I spent a lot of my time on on merger arbitrage where it's, you know, an acquiring company.

00:10:29 [Paul](#)

That has announced that they're gonna take some company, you know, like private or fold it into their company etcetera.

00:10:38 [Paul](#)

But because of whatever circumstances are going on, whether it's regulation, whether it's market circumstances or whatever, there could be what is called a spread, which is between what the company is going to be bought out for and what it's currently trading at and the spread can exist for again a number of reasons, right. Usually it's right now it's usually regulation.

00:11:00 [Paul](#)

Because the FTC.

00:11:01 [Paul](#)

Kind of hammering on everything but the the reason why this this type of strategy exists is because there's always going to be people who either think that a it's not going to happen and they will strategically position themselves to benefit.

00:11:22 [Paul](#)

If the deal does not happen and there's gonna be those who think it will happen but the market isn't recognizing that and then will strategically position themselves for a deal close and that spread can get super, super, super, super wide, which means that if you're right.

00:11:37 [Paul](#)

On the upside, you can make a lot of money in a very short amount of time, and if you're wrong then you could also be be be losing a lot of money and also a short amount of time, right? And that's where you kind of play the odds and then the odds exist based on.

00:11:53 [Paul](#)

All the information that you can kind of get and interpret and analyze and then assign probabilities to them which the market tenant does that on its own right because it's based on the price. But for instance you know the when the bigger ones in history that we've all known on Twitter is actually Twitter the one where you know Elon Musk bought.

00:12:11 [Paul](#)

That was a roller coaster. Another one was like Activision and Microsoft right now, it's Capri and tapestry, you know, so all of these, all of these opportunities exist because the market says or believes that an outcome is likelier than another outcome. And it's whether you as the, you know, the trader, believe that it, it is true, or they are wrong.

00:12:32 [Paul](#)

So that's kind of how that works in a nut.

00:12:35 [Dave](#)

Interesting so.

00:12:36 [Dave](#)

How would you? How would you? How would you execute something like that? In other words, I'll ask the dumb question if you're.

00:12:47 [Dave](#)

Do you buy Activision before Microsoft announces this? Or is this something you do after Microsoft announces that they want to buy?

00:12:56 [Paul](#)

Oh, no, no. Yeah. So March arbitrage happens after the fact, right? If you if you bought it beforehand, you just got lucky and bravo up on the back. But Barbatos exists only after a deal was announced, because then you have.

00:13:03 [Dave](#)

Right, right.

00:13:10 [Paul](#)

You you in theory have a ceiling, right? It's not like it should, and most likely is not going to go above that price unless there's a go shop in there. And like there's another buyer who's interested and wants to bid. And then the floor, the floor can be anything, right? Because it can be a failing company. The floor could be 0, it could be close to what the price was offered. It could be a lot lower than what the price was.

00:13:32 [Paul](#)

Offered, etcetera, right. So it only happens after the deals announced and it's up to you to analyze the probability of that. But then I also don't wanna make it sound like merger arbitrage is always a fat, juicy strategy and most of the time a lot of merger arbitrage funds.

00:13:48 [Paul](#)

Do very, very well because they play in the realm of, oh, the spread is only 5% or 10%, right. And if you if you think about it, right, if the likelihood of a deal going through is very, very high for instance, and the spread is only 5% as opposed to 50%.

00:14:05 [Paul](#)

In theory, right? I'm and I'm. And I'm oversimplifying this, but in theory you could take a position on the upside, right? Like I have a 5%.

00:14:12 [Paul](#)

Gain if this close.

00:14:14 [Paul](#)

But if you apply leverage, you know you really can maximize your returns there, right? So there's a lot of merger arbitrage funds that do very, very well applying that strategy. And then you have the the more risk takers, which is kind of where I live, which is like and I'm really not interested in the 5%. I'm more interested in the 50% and I'm willing to risk risk.

00:14:30 [Paul](#)

A certain amount.

00:14:31 Paul

Of capital for that. So it goes.

00:14:32 Dave

MHM.

00:14:34 Paul

There's a very.

00:14:35 Paul

Wide spectrum and who plays in this arena and to what degree they play.

00:14:39 Dave

Yeah, that makes sense. So do you find those opportunities are maybe again maybe better in smaller caps than they are larger caps because of the regulatory oversight as you mentioned earlier, the FCC is cracking down on basically everything, anything big. So is it easier to find those opportunities?

00:14:59 Dave

In the smaller space.

00:15:03 Paul

Well, I mean at the FTC leader, Khan, she's been trying to go after like basically it's basically everything. So it's.

00:15:05 Dave

Yeah, I see. See, sorry.

00:15:10

This.

00:15:11 Paul

I will say that the bigger the companies are, the more likely regulation is to be involved, right? Because if you're already big and you're trying to get bigger, it's not a good look in the eyes of the government. Whereas if you're smaller like, yeah, like really nobody cares. Like I say

nobody, I should say I should say nobody, but most likely nobody cares.

00:15:32 Paul

So there are opportunities in there, but most likely it's going to be towards the upper band when you talk about these trades because on the lower end of the lower end of things, it's.

00:15:41 Paul

Like.

00:15:42 Paul

A big player buying another big player or like a big player buying like a little guy? It's it's not. It's never really like a little guy buying a little guy, right? A little for a reason and most likely if they're very little, it's kind of because they're private and there's really no interesting way to trade that. So the the more, the more merger are.

00:16:02 Paul

Those that go through, it's because these companies have size already and UM.

00:16:08 Paul

A A larger benefactor would like to for them to be.

00:16:11 Paul

A part of the fold that's kind of how that works.

00:16:14 Dave

OK. That makes sense. Is there, is there a like, is there a time limit on when you can get into something like that? Like if it's announced, do you have to pull the trigger within a week or is it hours or do you have until the deal closes?

00:16:30 Paul

Oh yeah, you have. You have until the deal closes. I mean, you can, you can even buy it the day after it's announced and just wait until it closes. If it closes, you can even buy it the day you think it's the day before you think it's gonna close and make money that way. There, there could. There could be a case to be made where, like arguably, you should kind of wait to see a little bit just to see, like, what new facts.

00:16:50 Paul

Come out what your research has come out. What your opinions have come out, you know, etc. Right. So, I mean, even if you look at the tapestry and Capri deal that's going on right now.

00:16:58 Paul

If.

00:16:58 Paul

You got in when they announced the deal, I think the.

00:17:01 Paul

Stock was trading at.

00:17:03 Paul

Was it like 52? I forget off the top of my head. Right. The takeover price is \$57 a share. I think they jumped up to like \$52 and \$54 the day it was announced, right? So there's still that spread, but have you had you bought it literally right then because you think it's going to close?

00:17:21 Paul

You would be down.

00:17:23 Paul

A lot, right? And and he and he'd be over a year since they announced. Right. So it's so it's a combination of a lot of things where maybe waiting is the right move.

00:17:33 Paul

But no, there's no there's no like, you need to get in now or not. You know, it's it's it's very much up to you. There's no. There's no rules or, you know, guidelines resolved or revolved around that. It's more just what you feel comfortable with and what you're and what you're willing to I guess side with as far as deal clothes or deal break.

00:17:51 Dave

OK. Yeah. That makes a lot of sense. Alright. So let's, let's switch and talk about special. Yeah, I can hard for me to say special situation, so I'm familiar. I'm I'm somewhat familiar with this

from Joel Greenblatt, but I know it's way more involved than that. So could you kind of break that down for us?

00:18:00 [Paul](#)

Same.

00:18:08 [Paul](#)

Yeah, I mean with Special Situations is like the broader term for it. And then there's a lot of different strategies like that go under that merger arbitrage technically is a special situation, right, because the situation is is a deal gonna close is not gonna close. You have other examples where where a lot of people go hunting.

00:18:29 [Paul](#)

Especially like in the in the in the bond market is when it comes to.

00:18:33 [Paul](#)

Like.

00:18:34 [Paul](#)

Bankruptcies or potential bankruptcies, liquidation events turn around strategies, right, like we've we've seen in probably in our history a good deal number of turnarounds, most of them successful and some of them not successful and they've gone under, they've been sold and stripped, they're parted out.

00:18:54 [Paul](#)

And so there's a lot of different ways you can label a special a special situation. Another one is a an event driven trade, right? Like we think that something is going to happen on this particular.

00:19:07 [Paul](#)

Day.

00:19:08 [Paul](#)

For whatever reason, right? Maybe it's an A pending lawsuit where the verdict is going to be coming in at the end of October, right? That's an event driven trade that is that would.

00:19:16 [Paul](#)

Be considered a special?

00:19:17 [Paul](#)

Situation right or you know, like we think that when this company releases earnings next month, they're not going to be as good because of XYZ, right? You know, you think about there's an event.

00:19:28 [Paul](#)

Happening where your thesis will play out, so social situations is just taking a situation in the market, labeling whatever classification that it is. You know, based on the examples that I gave and then formulating a thesis and a trade around that.

00:19:48 [Dave](#)

OK. That makes a lot of sense, so.

00:19:51 [Dave](#)

When you think about these different situations, do you are there other? Are there some that you like more than others or like how do you kind of I guess?

00:20:02 [Dave](#)

How do you not categorize it? Like do you rank them by like? OK, I like these, these, these and this is my third or how does?

00:20:08 [Paul](#)

That work for you because in Special Situations, the ones that I've looked at personally, so I'll only speak to my own experience here.

00:20:21 [Paul](#)

I tend to reach. I tend to lean more on the ones that have. Well, I'm well. I'm confident a certain time frame exists, right? So if you think about a turn around strategy, a turn around strategy can make you a lot of money because you're taking a company that's basically left for dead and they turn around.

00:20:41 [Paul](#)

The problem with that is the time frame on that that time frame of a turn around.

00:20:46 Speaker 2

Could be as.

00:20:46 [Paul](#)

Little as you know, six months to a year, depending on what the situation.

00:20:50 [Paul](#)

Is or it could take you.

00:20:51 [Paul](#)

Know three years, five years and and you need to be comfortable with the possibility of tying up your own capital. And in a in a time frame that's not quick, right? Because and that hurts your overall IRR. There's other ones where you mentioned before the adventure you can trade.

00:21:07 [Paul](#)

Something that's earnings I can let's just say I can make 20. I think I have an 80% chance of making 10% in a month, right? That's a time frame because there's an event, quarterly earnings. I think they'll be off by 10% or the stock will be off by 10%. And I have a confidence of 80 because.

00:21:22 [Paul](#)

Again, I'm oversimplifying this, but just to give you an.

00:21:24 [Paul](#)

Example here, so I lean more towards timed events because then I know like how long I'm estimated to tie up capital floor, whether I'm right or whether I'm wrong. Position it that way and then where I can move on to next, right. And then there's sometimes where.

00:21:42 [Paul](#)

Surprises happen. So again leading on the Capri tapestry deal. You know, I didn't think it would get to this far. I didn't think the FCC would sue. Yet here we are a little over a.

00:21:52 [Paul](#)

Year later and.

00:21:55 [Paul](#)

We're still waiting on a verdict, so it's there are surprises that exist, but.

00:22:02 [Paul](#)

It's not. It's not necessarily like what's better, I would say because there's so many different strategies that exist. It's just a matter of what you feel comfortable with. And I feel more comfortable with.

00:22:10 [Paul](#)

Having at least.

00:22:11 [Paul](#)

Somewhat of a confidence in time frame.

00:22:15 [Speaker 6](#)

That's the biggest problem most investors face valuing a company.

00:22:20 [Speaker 6](#)

With DCF demystify, you can start valuing a company in seven days for free. Discover the six step process for valuing companies, unravel the mystery of valuing Google, Microsoft, Meta, NVIDIA and more.

00:22:35 [Speaker 6](#)

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

00:22:46 [Dave](#)

OK. Yeah, that makes a lot of sense to me, I guess.

00:22:49 [Dave](#)

The next question I have is.

00:22:51 [Dave](#)

We talked a little bit earlier about.

00:22:54 [Dave](#)

Kind of your strategy and whatnot. So when you think about building your portfolio?

00:22:59 [Dave](#)

Leo, do you have, like, maybe not hard, fast rules, but like guidelines that you like to keep, maybe a certain percentage long and then have other money either set aside or invested in these other situations that that present themselves when they when they pop up.

00:23:17 [Paul](#)

Yeah. So I want to say it's strict guidelines because it's, it's.

00:23:23 [Paul](#)

Kind of just how I how I see fit personally, but what's interesting is like I mentioned before in our in in earlier in this on this call is that.

00:23:34 [Paul](#)

The core that I do now is taking a multi year investment horizon in companies that are undervalued today, but could be a significant upside.

00:23:44 [Paul](#)

Next year or two years from now, three years from now, etcetera, right. But things need to materialize in order for that recognition to exist. So in order for that to happen right, there's going to be a large portion of capital that's tied up on the long side and in, in my head, right, it takes years to materialize.

00:24:04 [Paul](#)

But I also want to make sure that I'm getting some sort of.

00:24:06 [Paul](#)

Gain in the short term off of something that I can participate in right now then that's where I put you know, a portion of the portfolio into these Special Situations because you know I can work with a time frame, right? So like.

00:24:18 [Paul](#)

I can where?

00:24:19 [Paul](#)

Where if something on the long side would take like, it wouldn't even happen until it's the end

of 25. I can still dedicate.

00:24:26 [Paul](#)

You know effort research capital for something that will materialize within the next three months, right. So it's not just me. You know sitting there tooling my thumbs, you know, like reading, reading, reading. It's like, OK, I'm actually taking action and.

00:24:40 [Paul](#)

You know, reading up on whatever material or talking to whoever I need to talk to, etcetera. And there's actually an example.

00:24:47 [Paul](#)

That I'm actually going to give you, because it's actually a good question.

00:24:50 [Paul](#)

I'm glad that you.

00:24:50 [Paul](#)

Brought.

00:24:50 [Paul](#)

That up. So I reached my my quarterly letter over the weekend and I gave an example of this right so I won't name the positions just because I try to give them I my paid subscribers prioritization. But there are two trades.

00:25:07 [Paul](#)

That are Special Situations that I have going on right now. Collectively, like in aggregate, they take up just under 12% of the entire portfolio. Just so 2 positions on a cost basis takes up 12A, little under 12% of the portfolio.

00:25:26 [Paul](#)

However, if I'm right on both of these and it hits where I believe it's going to hit.

00:25:33 [Paul](#)

That 12% stake in the portfolio or sorry, the 12% position size in the portfolio will actually contribute?

00:25:42 [Paul](#)

To over 8% to the to the overall portfolio P&L.

00:25:47 [Dave](#)

Well.

00:25:47 [Paul](#)

So 12% for 8%, right? So you think you think about the returns on that you can you keep, you keep you know have a hit ratio, it'll add up, right? So as I wait for my long positions to materialize, you know I can I can play the competition here and use Special Situations and and make money in the short term by playing around.

00:25:49 [Dave](#)

Yeah, right.

00:26:07 [Paul](#)

In that field.

00:26:09 [Dave](#)

Yeah, that makes. Oh, well, that's that's that's awesome. Good for you.

00:26:12 [Paul](#)

Well, if it works out, yeah, don't give.

00:26:13 [Paul](#)

Me credit it used to work out.

00:26:13 [Dave](#)

Yeah, right.

00:26:16 [Dave](#)

We're going, we're going to assume that it will. So I'm just going to give you, you know, congratulations to give you.

00:26:21 [Dave](#)

A victory lap now.

00:26:23 [Paul](#)

Yeah, I'll, I'll, I'll. I'll be sure to message you after the fact and we'll see. We'll see just how, uh, how well it worked out.

00:26:29 [Dave](#)

OK. All right. I would love that. So what the when you think about this kind of strategy, this does not this is this does not sound like something a beginner should try. What are your thoughts on that?

00:26:47 [Paul](#)

That was so.

00:26:48 [Dave](#)

It's OK to say no.

00:26:49 [Paul](#)

I I always.

00:26:52 [Paul](#)

Stress that you should. You should operate in whatever level of comfortability you you let you put yourself in, right? If you feel like you're just an index investor, go for it. There's absolutely nothing wrong with that at all. Honestly, it's probably better, and I think the people who who I've met, I've I've spoken to on my Twitter basis, who who have.

00:27:12 [Paul](#)

You have who has gotten into an arbitrage.

00:27:15 [Paul](#)

And you know, I asked a simple question, like, how much of your money is tied up in this? And I will never forget this. But the guy told me I have 5 months worth of paychecks tied up into this one trade. And I'm like, that is senile. Who does that? And he's like, yeah, I feel confident about it. I'm like.

00:27:27

Yes.

00:27:34 [Paul](#)

I don't care how confident you are. That's a terrible risk strategy. So. So you have you have a lot of different people operating on.

00:27:38 [Dave](#)

All right.

00:27:41 [Paul](#)

The spectrum here.

00:27:42 [Paul](#)

But so I.

00:27:44 [Paul](#)

Wouldn't so honestly, if I were to recommend this to anybody, I would first tell them to like.

00:27:49 [Paul](#)

Analyze trades without risking anything, just so you can get a feel for it right how things move documentary record it what you were thinking at this date and then how you how you thought prior to this bit of news coming out and how you felt afterwards. Like you're not listening anything, right. You can kind of get your feet.

00:28:10 [Paul](#)

And you can get your feet wet without actually getting in the pool. And then if you feel comfortable. Yeah, sure. Get in the pool. Right. No one stopping you. But I would say that the the days I almost kind of relate that to, like, the days of COVID where like, you could just buy options and anything and they went up like 300% in like a week. Yeah.

00:28:16 [Speaker 2](#)

M.

00:28:26 [Speaker 5](#)

Right.

00:28:28

No.

00:28:29 [Paul](#)

The markets might seem silly even right now, but you know, those days are. Those days are long gone, right? Operate in what you know. Be careful. I always stress the people too, that the preservation.

00:28:41 [Paul](#)

Of capital is.

00:28:42 [Paul](#)

Arguably, better than making money, right? Because if you lose it, it's a hell of a lot harder to make it back than it is.

00:28:49 [Paul](#)

Just making money on what you have. So yeah, that's that's what I would say to to people listening right now. Don't don't, don't do something you're not comfortable with. And don't just assume that it's easy.

00:28:59 [Dave](#)

Right. No, because it's not. It's Paul makes it sound simple because he's good at it and he's got a lot of experience, but.

00:29:05 [Dave](#)

Yeah, it's not always.

00:29:06 [Paul](#)

Yeah, well, yeah, it sounds good.

00:29:07 [Dave](#)

No, I don't know what he's.

00:29:08 [Paul](#)

When you it sounds, given you oversimplify it. Yeah. But no, believe me, there is an unbelievable amount of nuance to this kind of stuff.

00:29:14 [Dave](#)

Right. So Speaking of nuance, what I'd like to kind of pick your brain on how you how you do your research, like, what does that look like to you maybe from a 30,000 foot view? And then

maybe we could pick apart some of the other?

00:29:28 [Dave](#)

Components.

00:29:30 [Paul](#)

Yeah. Do you mean in the sense of like sourcing ideas or just just researching?

00:29:35 [Dave](#)

Yeah. Like source. Yeah. From basically from sourcing ideas to, you know, sitting down and going. OK, I'm going.

00:29:41 [Dave](#)

To learn about this company.

00:29:43 [Dave](#)

How does that go?

00:29:43 [Paul](#)

For you. Yeah. You know, it's interesting. It's not. It's not always that. I I.

00:29:47 [Paul](#)

Sit down and.

00:29:49 [Paul](#)

You know, if I find a company or a ticker and I'm like, oh, cool, this sounds interesting. Let's learn about it.

00:29:54 [Paul](#)

I actually start.

00:29:56 [Paul](#)

Actually start differently for the most part, and it all starts with. You just got to be able to read like the amount of reading you have to do is insane, right? So it's like the people who like were in school who hated reading. If you hate reading, you're not gonna, you're not gonna do well in this.

00:30:13 [Paul](#)

Job like that's that's plain and simple, right?

00:30:16 [Paul](#)

Then you need to know as much information as you possibly can in order to make a like a logical decision here about whether or not this company could be worth something or not, or just like whatever, right?

00:30:29 [Paul](#)

So mine usually just starts from reading everything right, like a routine in the morning where you know, like I'll be at the gym and in between sets, I'll just like, read.

00:30:38 [Paul](#)

You know my, my, my, my morning.

00:30:41 [Paul](#)

You know, updates from, you know, people right? Like, oh, this has happened and this has happened like, you know, the news updates right and see if there's anything interesting there that I can pick at right. And there's other people like on Twitter, right. Who will share something that materialized over the weekend or overnight or this morning or they shared something. And I'm like, OK, cool, I'll read that.

00:31:02 [Paul](#)

And then afterwards you need to sit down, right? You read, you read through barons. You read through Wall Street Journal. You read through Bloomberg, you know, you read through. If you guys going out taking out or you just keep going to publication. The publication publication. So like, just read things, right. It could be things that you might not even looked at before. But you read something because of the topic is interesting.

00:31:22 [Paul](#)

And then you might pick up something from that article for that report. And you're like, oh, this little piece was interesting. Let me, like, learn a little bit more about that. And then you kind of dig in, you know, more and more and more and and then eventually you find companies that operate within that space, and you're just like, OK, cool.

00:31:38 [Paul](#)

Let's take a look at, you know, sizing or where they're located or what they're offering, etcetera. So it really just stems from just being able to read a crap ton of information and then figuring out what's interesting to you, right. And then go from there right now. I'm sure there's money to be made in oil and gas.

00:31:58 [Paul](#)

But I personally have 0 interest in oil and gas, so I'm not going to really.

00:32:02 [Paul](#)

Dive into that and kind of stems to to to get back off what I just said that.

00:32:09 [Paul](#)

I actually like operating in areas that I not only just find interest in, but I also understand, right? So that just happens to be consumer and retail. So that's where I spend most of my time. So it's kind of like isolating by the industry of the sector and then.

00:32:22 [Paul](#)

Kind of digging in, digging in deeper that way.

00:32:25 [Dave](#)

Yeah, that makes sense. So how do you?

00:32:27 [Dave](#)

How do you keep track of all?

00:32:28 [Dave](#)

The data.

00:32:29 [Dave](#)

You assemble, do you? I know you're your prolific writer. Easy. For another word. Easy for me to say. You put out a lot of content.

00:32:39 [Dave](#)

On your blog and you also put out a lot of content on Twitter and so is that how you kind of I guess?

00:32:47 [Dave](#)

Notate things or do you have like a journal that you keep so you can keep track of all the research that you've, you know, accumulated?

00:32:54 [Paul](#)

Ohh yeah, I have. I'm.

00:32:57 [Paul](#)

Weird. I have different kinds of notepads for different things. Like I'll have like my actual like journal Journal. Where that's where I take like I sit. That's where I'm sitting down. I'm taking notes on a company, whether it's the research on the company, whether it's from their earnings call, whether it's from their earnings.

00:33:17 [Paul](#)

Lease whether it's just, you know, whatever. Like, that's where like like I guess that's kind of like my Bible, right? That's where like, the real information lives.

00:33:25 [Paul](#)

And I have like a little smaller notepad where just so I don't get them confused. It's kind of like more like on-the-go note taking like oh, I found this interesting. I'll quickly write it on this notepad so I can maybe like look it up later. Right. And then I have like, my little stack of like post it notes where I'll quickly write something down that might show up amongst other reading. And then I'll like slap it on.

00:33:46 [Paul](#)

So one of my bigger notebooks, depending on like if it applies to anything, right, you know, so I'm a I'm a very big component of physically writing things down. It just helps me retain information. And then if there's something that's worth sharing, at least in my opinion, worth sharing, then I'll like, I'll tweet it out or I'll write it on sub stack etc.

00:34:05 [Paul](#)

So everything that I I.

00:34:07 [Paul](#)

At least on sub stack where it lives, everything that I put out on there is just an extension of what I've essentially written down, or the findings that I myself have found, interpreted, analyzed, etcetera. So it's that's kind of how that works for me.

00:34:24 [Dave](#)

Oh, that's cool. So it I find it. I find it amusing that a lot of US spend a lot of time like using analog things to keep track of stuff. You know, writing in a in a paper. And, you know, in this world of technology that we find that's a better use of remembering stuff.

00:34:42 [Paul](#)

No. Yeah, I mean, I'm not gonna let you. I'm looking at my bookshelf right now.

00:34:44 [Paul](#)

I have 123456.

00:34:47 [Paul](#)

7-8 now.

00:34:48 [Paul](#)

I have 9 like professional journals just for research note taking and I have like a stack full of like those those like pads that you get on like an office supply store and then I have like.

00:35:03

Right.

00:35:03 [Paul](#)

Stack of post it notes so like, believe me, it's there's no shortage of paper around me.

00:35:10 [Dave](#)

So how do you organize it? Or is it All in all in your head?

00:35:15 [Paul](#)

Yeah. No, I like to say it's organized chaos, so it kind of lives around my desk, but they're they're. And if you if you walked in, you, you, you would probably tell me I should clean it. But in my mind, I know where everything is because, you know, like, not only do I kind of compartmentalize things based on what journal or Notepad that I'm using, but also like if it's

in this pile.

00:35:27

Right.

00:35:35 [Paul](#)

That means it's very important because it's it's closer to my keyboard versus this pile. It's further from my keyboard, which means I can get back to it later this week or even next.

00:35:42 [Paul](#)

Week.

00:35:44 [Paul](#)

So that's kind of how that works, but it's one of those things where you know.

00:35:49 [Paul](#)

If you had to say something, you know, like I know what the password is and this is.

00:35:52 [Paul](#)

Kind of how?

00:35:52 [Paul](#)

It works for me, so that's that's how it works for me.

00:35:55 [Dave](#)

OK, well, it ain't broke. Why? Why are we going to?

00:35:58 [Dave](#)

Fix.

00:35:58 [Paul](#)

It right? Sure. Maybe one day, maybe one day, but right now I'm. I'm. I'm totally comfortable with how the situation is.

00:36:05 [Dave](#)

Well, it's like me with if my wife comes in and cleans up my desk, I know where everything is. And then she cleans it up and I can't find anything.

00:36:11 [Paul](#)

100 percent, 100% so.

00:36:16 [Dave](#)

Do you have any?

00:36:18 [Dave](#)

I don't know. Do you have any sell rules on companies like, is there something that could happen that you're like, alright, I'm out like, you know, my business partner is like if they have negative earnings, he's he's done. So do you have anything like that that exists in your framework?

00:36:36 [Paul](#)

I think I would say it's a hard, hard subject, maybe I maybe haven't been put in situations where that.

00:36:42 [Paul](#)

Has occurred.

00:36:43

Hmm.

00:36:47 [Paul](#)

I mean, an easy one is if I'm shorting something and you know, like what I thought was going to be bad wasn't bad, then. Yeah, I gotta get out. I gotta get out. Like, basically yesterday. But it's something we're on the long side. Right. I'll give you an example. It happened earlier this year in Q2.

00:37:00 [Paul](#)

So a couple of years ago I was a I was invested in a company called Exponential Fitness tickers X POF, and it was essentially just a franchise gym concept. It was exploding in the United States and and and over.

00:37:13 [Paul](#)

I wasn't getting much love from the market, you know, I shared my thoughts. This company went up like 100% like 8 months or something like that. I forget. And and I sold out of it

because like I I told everybody like my best case scenario was supposed to be for two to three years and it happened in eight months. Like I don't.

00:37:31 [Paul](#)

I'm like, I'm good.

00:37:32 [Paul](#)

You know.

00:37:35 [Paul](#)

And then the following summer, I forget who it was. I think it was.

00:37:40 [Paul](#)

He was fuzzy panda or something, I forget, or or grizzly research. Some of those guys and they put out a short report basically saying like, hey, the company is like not doing well by its franchisees and blah blah blah. And then the company like sank like 50%. Luckily I wasn't involved. But you know, if you're down, if your company is down 50% in the short report, that probably be a good reason.

00:38:00 [Paul](#)

The bailout, but what ended up happening was the example that I'm getting back to is that Q2 of this year.

00:38:06 [Paul](#)

You know I'm.

00:38:06 [Paul](#)

Like, alright, probably every negative thing has occurred to this company, but the company is now getting right size, right? Like it's it's investors have beat it down to the ground. It's like what? What?

00:38:17 [Paul](#)

Else could happen.

00:38:18 [Paul](#)

So I started building up a small position and you know, I should you not? I think like after I

invested like a week later.

00:38:26 [Paul](#)

They put out a press release saying basically saying they fired the CEO and.

00:38:29 [Paul](#)

The stock tank like.

00:38:30

Oh.

00:38:31 [Paul](#)

40% and I'm like, alright, this is this terrible luck on my end and I and I sold the position and I said yeah, I told him every I'm like listen.

00:38:39 [Paul](#)

You know, I I don't know what's going to happen after this. It could go lower. It could go higher. I don't know. Is it probably a good thing that he got out? Maybe. Perhaps, but I'd rather stick around to something where I don't have to deal with this. Right. Goes right back to what I mentioned before. A good night's sleep. I don't have to want to worry about. What the hell is.

00:38:57 [Paul](#)

Happening with this company that I can't control.

00:39:00

MHM.

00:39:00 [Paul](#)

And then, sure enough, you know the company, the company rocketed it back up to like.

00:39:04 [Paul](#)

18 and now it's settled at like 12 or something.

00:39:07 [Paul](#)

So like could.

00:39:08 [Paul](#)

Could I have always broken even? Like, yeah, probably. But at the same time, I would have to

deal with, you know, how much volatility in the meantime and how much it would have, like skewed my bias.

00:39:16 [Paul](#)

1.

00:39:17 [Paul](#)

Way or another. So sometimes it's like, you know what, you kind of have to cut your losses and move on. You know, I've I've been wrong on plenty of things. I'm not going to.

00:39:25 [Paul](#)

I can have a sugar coat that or pretend like I'm perfect over here. I'm far from it. But when my winners win, they win pretty big. When my losers lose. Yeah, they lose. But that's that's one example of like, you know.

00:39:36 [Paul](#)

But.

00:39:38 [Paul](#)

I I guess I might have missed something. I'm not gonna deal with it, but it's never really like some like this has to grip. I miss on. I've got a company that I've just missed on earnings and I I bought more, you know, not because not because I'm like Oh yeah, it'll be fine in a couple years. I'm like, oh, this is a perfect this.

00:39:55 [Paul](#)

Is great. It gave me the opportunity to buy more.

00:39:58 [Paul](#)

And buy more. You know, because in the in in the long term, it's gonna be completely fine because this was like a a short term headwind and that's not an.

00:40:04 [Paul](#)

Excuse, it's more like.

00:40:06 [Paul](#)

What the reason was that caused it to drop was very much a short term thing and so now. So

now that's to answer your question in a long winded way.

00:40:11 Paul

Yeah.

00:40:15 Dave

Well, it's a good answer. And and there's there's, you know, I think the the well a the honesty and the transparency about you know, making mistakes, willing to take your losses understanding what it is you know the game that you're trying to play I think is in a very important lesson for all of us to understand because to your point none of us are.

00:40:36 Dave

I mean, even the greatest investor of our time makes mistakes.

00:40:40 Dave

And none of us, you know, I've played. I made plenty myself. So I think the more we can, I guess normalize that that it's you know it's it's normal to make mistakes. You're not going to be 100% and kind of get over it and just move on and try to learn as much as you can and I think it's super important.

00:40:57 Paul

Ohh yeah, I mean OK in my in my journal too. I'll even take notes of.

00:41:03 Paul

Again, what I what I thought was going to happen or will happen, etcetera. And then what did happen? So I can be like, OK, I was wrong on this. And then why was I wrong? Right. It's it's it's hard to learn from something if you actually don't sit down and learn and learn from it.

00:41:19 Paul

So so I always I always make sure people.

00:41:21 Paul

Try to at least learn from your mistakes. Also, you can't trust anybody that says they have their their right like 90 or 80% of the time. Like what's that saying? If you're, if you're right, at least over half the time, then you.

00:41:27 [Dave](#)

That's fine, no.

00:41:32 [Paul](#)

Actually doing well in this.

00:41:33 [Paul](#)

Business because that's that's the truth, right? And, you know, Twitter is plague of people who.

00:41:38 [Paul](#)

Yes. Yeah. I only make money and I'm like, no, nobody believes you, dude. Like, if if somebody comes off like ohh yeah, my one that gets me is those people who say, like, yeah, I'm up.

00:41:42 [Dave](#)

No, no, no.

00:41:49 [Paul](#)

Like.

00:41:50 [Paul](#)

50 or 60% but I have.

00:41:52 [Paul](#)

Like 30 positions.

00:41:54 [Paul](#)

Like, do you know? How do you know how much each of those 30 positions would have to be?

00:41:58 [Paul](#)

Up in order for you to make what you just allegedly made like, give me a.

00:42:01

Right.

00:42:02 [Paul](#)

Break, dude, right. Yeah, no.

00:42:05 [Dave](#)

That's you got to be careful what you're listening to and what you're taking for as advice for sure. There's no question, no question about that.

00:42:11 [Paul](#)

Yeah.

00:42:13 [Paul](#)

Trust, trust but verify, he says. She says she on social media. It's all fake.

00:42:17 [Dave](#)

Yes. Yep, Yep for.

00:42:19 [Dave](#)

Sure. You know, the other thing I think is interesting you you kind of alluded to. That is when you have things written down, you can go.

00:42:27 [Dave](#)

Back and look and.

00:42:28 [Dave](#)

The what you were thinking at that time because we all think we have perfect memories of what we were thinking five years ago. I mean, most of us can't remember where we put our shoes, you know, 2 days ago. So I, you know, as somebody who writes per living, I can't. I have to go back and edit my old posts, you know, every six months to a year and sometimes when I go back and look at some.

00:42:49 [Dave](#)

Something that's two or three years old.

00:42:51 [Dave](#)

It's it's cringe worthy because it's just what was I thinking. And so I think having something like that can be super super.

00:42:59 [Paul](#)

Yeah, absolutely. I mean, like, I can even look at in my notebook, it's it's, UM, I'll. It's not even

just me writing down what I'm reading. There's there's, like, questions associated with that, like Ohh CEO said this like, what the hell does that mean? You know, like question Mark, you know, like, I've never heard of this term before. I've never heard of.

00:43:14 [Dave](#)

Right.

00:43:17 [Paul](#)

This product before I've never even heard of it.

00:43:19 [Paul](#)

And **** maybe heard of this country before, you know, like it's it's stuff like that where there'll be like little notes on the side of the notebook where, you know, I I don't know what the answer is. I don't know what they're talking about, but.

00:43:31 [Paul](#)

I'll.

00:43:32 [Paul](#)

I'll I'll look into it. Here's what I initially thought. Right and.

00:43:38 [Paul](#)

You know, they follow up on it.

00:43:41 [Dave](#)

Yeah, yeah, yeah. So bottom line is, folks, if you're listening out here, please go buy pen, paper, notepads, sticky notes.

00:43:50 [Dave](#)

Whatever works for you.

00:43:50 [Paul](#)

Keep state of the live.

00:43:52 [Dave](#)

Right. And and just use them to your advantage and there's tools that you can use so.

00:44:00 [Dave](#)

Next question I have for you is what if you had to if you could?

00:44:05 [Dave](#)

I guess assign a quintessential stock to you or your style of investing.

00:44:10 [Dave](#)

What would that be?

00:44:15 [Paul](#)

Can you can you elaborate more like well, if I like pick a stock that I'm currently invested in that kind of emulate what I.

00:44:15 [Dave](#)

Yeah, I'm catching.

00:44:17 [Dave](#)

Off guard, I know that.

00:44:21 [Dave](#)

No, no, no. Like somebody asked me once. Like what? What is like, you know, a a company or an investment that kind of represents how you invest. And for me it it was kind of a mixture of Berkshire Hathaway and Arjun.

00:44:37 [Paul](#)

Ohh I see. OK.

00:44:42 [Paul](#)

I don't know actually, because I think like they think like everybody and their mothers wants to be like the next Warren Buffett, even though most of them never actually even do what he does. But that's a good question, actually.

00:44:58 [Paul](#)

Well, I don't even I don't have an ancestry on a company basis because I did on the podcast the other week. And, you know, he asked me, like, what, like, what type of investors do you?

00:45:10 [Paul](#)

I don't say like idolize. I forget exactly how you worded it, but like respect or try to like,

emulate, etcetera. And I told them like well left of that like, I mean, I'm trying to be myself, right? But, you know, I still take learnings from, you know, the bill Atkins of the world, the Warren Buffett of the world, you know, the the David Ian Warrens of the world.

00:45:29 [Paul](#)

You know, I didn't like Simmons over at, you know. You know, rest in peace. But, you know, Renaissance.

00:45:33 [Paul](#)

Technologies so it's.

00:45:34 [Paul](#)

Like you take bits and pieces from everybody to kind of apply, like what you've learned from each of them and and then go.

00:45:39 [Paul](#)

That way I'm not.

00:45:40 [Paul](#)

I would never say that I'm trying to like.

00:45:44 [Paul](#)

You know, trying to.

00:45:46 [Paul](#)

Be like a companies investment strategy or something like that. But because I think when you're trying to like copy.

00:45:52 [Paul](#)

Somebody else it's.

00:45:54 [Paul](#)

It's maybe not the best strategy, but you take pieces from them that could be very, very useful, right? I mean, like, it's almost like there's about 8000 startups right now doing AI. You know, if they're most likely, they're all doing.

00:46:07 [Paul](#)

Almost the same thing, but there's going to be something a little bit different about them than the other one that makes them different, right? So it's kind of like where where I would answer that question, if that makes sense.

00:46:18 [Dave](#)

Yeah. No, no, it totally does. It totally does. So something I've been curious to ask you. We interacted a little bit about a company called Sweet Greens not too long ago. And and I worked in the restaurant business for like 25 years. I literally did everything from wash dishes to manage restaurants and.

00:46:27 [Paul](#)

Yep.

00:46:39 [Dave](#)

I just curious what your thoughts on restaurants just as in general and how you look at trying to invest in them?

00:46:48 [Paul](#)

Yeah, I like. I'm investing in restaurants because again, it's something where I I can understand that, right, if you even use a consumer, forget forget investing first for a second. You can walk into a restaurant, right, whether it's your local Chipotle or your Shake Shack to whatever fine dining restaurant that you know lives in your in your area, right, everything between.

00:47:09 [Paul](#)

You can walk in there and within the 1st 30 seconds.

00:47:13

And.

00:47:14 [Paul](#)

Understand.

00:47:16 [Paul](#)

How you feel about it? Haven't even tasted the food yet, right? So ignoring the food for a

second. But you can tell like how the layout is, how the customer service is. You know how the tables are set up, how how busy the kitchen is, how busy the restaurant is, right. And then you sit down, you can taste it and then make your own opinion. Right. You go there a few times. Has the quality changed, has it not?

00:47:36 [Paul](#)

Change, etcetera. So restaurants is always a big, big.

00:47:42 [Paul](#)

Hot spot for me because it's something I can.

00:47:43 [Paul](#)

Relate to I can test.

00:47:46 [Paul](#)

I can, you know, visit often. I mean at that often getting expensive these days. But I can visit and then from there I can I can understand like what's going on, right. What do I think works? What do I think not works for whatever reasons.

00:47:51

Right.

00:48:02 [Paul](#)

And then listen to the CEO, was the CEO said like is the CEO just making **** up is uh, are are his plans over zealous? Are they realistic, are they are they not being realistic?

00:48:13 [Paul](#)

You know, so that's kind of why I like restaurants and especially when you're in a restaurant company, you know, they break down the costs associated with running that restaurant, right, like, how much labor will cost, how much my food and beverage costs are, how much my capital expenditures are to open instead of restaurant, right. What could be my cash on cash returns?

00:48:17

So.

00:48:34 Paul

For that right. So it's something that I can very much mathematically understand and get behind, which makes it easier for me to invest in personally.

00:48:43

MHM.

00:48:46 Dave

Yeah, yeah. You know, truthfully, I have not invested in a restaurant company even though I own or even though I've worked in the interest so long. I just. Yeah, I think I get PTSD whenever I start thinking about a restaurant and and analyzing it.

00:49:02 Paul

I don't blame you. Good example.

00:49:05 Paul

I'm not sure if you saw it.

00:49:06 Paul

Like floating back a couple of months ago where like that one. I think it's from Wells Fargo. I think it's from Wells Fargo where he like bought like 72 Chipotle bowls from, like, different parts of New York City and way to see how accurate it was that they were skipping out on food like.

00:49:15 Dave

Yes. Yeah.

00:49:17

Yes.

00:49:20 Paul

Who does that?

00:49:22 Paul

You know, you you.

00:49:22 Speaker 2

Right.

00:49:23 [Paul](#)

Can do that, which is why it's interesting.

00:49:27 [Dave](#)

Yes, yes, for sure. And yes, I did see that and it did give me PTSD. I was just thinking about, you know, being the regional manager and having to deal with the the blowback from something like that just gave me the heebie jeebies.

00:49:39 [Paul](#)

Yeah. Yeah. So I mean perhaps maybe one day, you know, you'll you'll get your toes back in there, but I don't. I don't blame you if that's the case.

00:49:46 [Dave](#)

And well, at this point I'm going to I'm.

00:49:48 [Dave](#)

Going to hold off.

00:49:50 [Dave](#)

If you had to like when you're when you're looking at at potential opportunities.

00:49:58 [Dave](#)

Are there any sectors that maybe fall into the two hard pile? I know you mentioned oil and gas is. Are there any other ones that you think are like me? This is not for me.

00:50:07 [Paul](#)

Yeah, like oil and gas, like or anything energy related. I mean, it's cool. Don't get me wrong. I'll. I'll. I'll love, like, reading an article about, you know, solar energy or nuclear power. It's like that. But, you know, it's not something that I'm like. Alright, let me get into.

00:50:21 [Paul](#)

The weeds and know everything I can about it.

00:50:23 [Paul](#)

I still, I still. I feel strongly about, you know, like the chemicals industry, right? I'm never. I'm

never gonna understand that business or do I want to. What else? Oh, financials. God like spending my time and working in investment bank. I don't I could care less.

00:50:38 [Paul](#)

I that's that's.

00:50:39 [Paul](#)

You know, for me that gives me PTSD, so don't want to get involved with banks.

00:50:42 [Paul](#)

Right.

00:50:44 [Paul](#)

I don't care about net interest margin. I don't. I don't care what else. What else? There's, there's even some areas of like, technology. There's, like, too advanced for me, right. You're talking about generative AI.

00:50:56

Hmm.

00:50:56 [Paul](#)

Let me.

00:50:57 [Paul](#)

To to tell you about generative AI, all I can really tell you is to type something and then something will come out. How that does that. I have no clue. All I know is that it just analyzes all the public information out there and learns from it and creates something. That's all I can tell you and but there's there's a little different areas where I just.

00:51:17 [Paul](#)

Just don't bother.

00:51:19 [Paul](#)

And I don't think that's like a hindrance at all, because I think there's so many opportunities out there, especially if you start going globally, right, because you know, you think about consumer and retail in America now think about consumer and retail and Europe or Australia

or other parts of the world, right. It gets so much.

00:51:32 [Paul](#)

Bigger.

00:51:33 [Dave](#)

Right. Yeah, we we didn't even talk on that. Is that something you are you comfortable investing outside of the borders?

00:51:33 [Paul](#)

So.

00:51:41 [Paul](#)

I have one position that are outside of of the borders here.

00:51:46 [Paul](#)

Which I would like to actually expand on like I would like to actually invest more in more companies abroad. My my rationale though is like.

00:51:55 [Speaker 5](#)

There's just, there's just.

00:51:56 [Paul](#)

A lot of opportunity here, like I don't need to go abroad, right? But I would like to just to kind of have like some.

00:52:01 [Paul](#)

You know, geographic exposure.

00:52:03 [Paul](#)

More, but it has yet to materialize because I haven't put too.

00:52:04 [Speaker 6](#)

Right.

00:52:10 [Paul](#)

Much effort into it at this point.

00:52:11 [Speaker 2](#)

Hmm.

00:52:12 [Dave](#)

Yeah, yeah, that makes a lot of sense. All right, so I'm going to give you an opportunity to talk about Cedar Grove and what you're trying to do there.

00:52:21 [Paul](#)

Yeah. So Cedar Grove is actually it's.

00:52:24 [Paul](#)

I named it after the street that I grew up on. I'm actually not from this country. I immigrated here from South America many moons ago, and so it's kind of just paying homage to that.

00:52:37 [Paul](#)

But no, the the the ideal situation for Citigroup capital is.

00:52:42 [Paul](#)

What I'm envisioning, I said in this moment, it's just.

00:52:47 [Paul](#)

Providing an extension of my notebook like I mentioned before. So.

00:52:53 [Paul](#)

Sharing my thoughts, sharing my research, getting to know different people. I've met some pretty amazing people just by interacting with them through finding what you know, they have them finding through me, etc.

00:53:08 [Paul](#)

So.

00:53:09 [Paul](#)

Kind of expanding my network there and and and trying to like build out this platform so to more than what I have currently.

00:53:18 [Paul](#)

And in the future, we'll see what that materializes into, right, whether that actually ends up being.

00:53:22 [Paul](#)

Like.

00:53:23 [Paul](#)

A proper hedge fund right where the amount of money you need is a lot more than it was 20 years ago. Or you know something else, right? So.

00:53:33 [Paul](#)

The whole point of me doing this is just to share my thoughts, share my ideas, it helps people weighing in on that to see, like, oh, wait, am I wrong on something? Did I miss something? You know, like, this is a nice sense check as well.

00:53:45 [Paul](#)

And UM.

00:53:47 [Paul](#)

And yeah, that's kind of like how I how I envision it so far. And then we'll see what happens in the future. But it's, but it is a small portion of.

00:53:53 [Paul](#)

A much bigger plan that I have.

00:53:56 [Dave](#)

Nice. Awesome. So where else can people find you online?

00:54:01 [Paul](#)

Yeah. So if the sub.

00:54:02 [Paul](#)

Stack is part of the primary way. You can keep up with me. Otherwise I'm very active on Twitter. Feel free to give me a follow or just message me or comment whatever.

00:54:12 [Paul](#)

Always happy to interact with people and then also if you if you need to other people's podcasts are kind of where I.

00:54:21 [Paul](#)

Show up as.

00:54:21 [Paul](#)

Well, so if people want to hear anything, it's all linked on the homepage. So you can you can find it that way, which when this comes out, I'll link it there as well for anybody who wants to reference it, at least on my side, I know they have it on your side.

00:54:33 [Paul](#)

But it's usually Twitter or subset like the the.

00:54:36 [Paul](#)

Top two places interact with me.

00:54:37 [Dave](#)

Awesome. Awesome. And I will make sure that I put all of that stuff in the show notes so people can easily, easily find you. Paul, this was a lot of fun. I learned a lot today. You are very educational and entertaining at the same time, which is not an easy thing to pull off.

00:54:53 [Paul](#)

Good. So hopefully I'm glad that my uh, my conversation skills are paying off.

00:54:57 [Dave](#)

Yes, they are. Yes they are.

00:54:58 [Dave](#)

So I I appreciate you taking the time out of your day to come join us again and I really appreciate it. And with that, I will go ahead and sign us off.

00:55:06 [Dave](#)

You everyone go out there and invest with the margin of safety emphasis on the safety. Have a great week and we'll talk to you next week.

I will say that the bigger the companies are, the more likely regulation is to be involved, right? Because if you're already big and you're trying to get bigger, it's not a good look in the eyes of

the government. Whereas if you're smaller like, yeah, like really nobody cares. Like I say nobody, I should say I should say nobody, but most likely nobody cares.

00:15:32 Paul

So there are opportunities in there, but most likely it's going to be towards the upper band when you talk about these trades because on the lower end of the lower end of things, it's.

00:15:41 Paul

Like.

00:15:42 Paul

A big player buying another big player or like a big player buying like a little guy? It's it's not. It's never really like a little guy buying a little guy, right? A little for a reason and most likely if they're very little, it's kind of because they're private and there's really no interesting way to trade that. So the the more, the more merger are.

00:16:02 Paul

Those that go through, it's because these companies have size already and UM.

00:16:08 Paul

A larger benefactor would like to for them to be.

00:16:11 Paul

A part of the fold that's kind of how that works.

00:16:14 Dave

OK. That makes sense. Is there, is there a like, is there a time limit on when you can get into something like that? Like if it's announced, do you have to pull the trigger within a week or is it hours or do you have until the deal closes?

00:16:30 Paul

Oh yeah, you have. You have until the deal closes. I mean, you can, you can even buy it the day after it's announced and just wait until it closes. If it closes, you can even buy it the day you think it's the day before you think it's gonna close and make money that way. There, there could. There could be a case to be made where, like arguably, you should kind of wait to see a little bit just to see, like, what new facts.

00:16:50 Paul

Come out what your research has come out. What your opinions have come out, you know, etc. Right. So, I mean, even if you look at the tapestry and Capri deal that's going on right now.

00:16:58 Paul

If.

00:16:58 Paul

You got in when they announced the deal, I think the.

00:17:01 Paul

Stock was trading at.

00:17:03 Paul

Was it like 52? I forget off the top of my head. Right. The takeout price is \$57 a share. I think they jumped up to like \$52 and \$54 the day it was announced, right? So there's still that spread, but have you had you bought it literally right then because you think it's going to close?

00:17:21 Paul

You would be down.

00:17:23 Paul

A lot, right? And and he and he'd be over a year since they announced. Right. So it's so it's a combination of a lot of things where maybe waiting is the right move.

00:17:33 Paul

But no, there's no there's no like, you need to get in now or not. You know, it's it's it's very much up to you. There's no. There's no rules or, you know, guidelines resolved or revolved around that. It's more just what you feel comfortable with and what you're and what you're willing to I guess side with as far as deal clothes or deal break.

00:17:51 Dave

OK. Yeah. That makes a lot of sense. Alright. So let's, let's switch and talk about special. Yeah, I can hard for me to say special situation, so I'm familiar. I'm I'm somewhat familiar with this from Joel Greenblatt, but I know it's way more involved than that. So could you kind of break that down for us?

00:18:00 Paul

Same.

00:18:08 Paul

Yeah, I mean with Special Situations is like the broader term for it. And then there's a lot of different strategies like that go under that merger arbitrage technically is a special situation, right, because the situation is is a deal gonna close is not gonna close. You have other examples where where a lot of people go hunting.

00:18:29 Paul

Especially like in the in the in the bond market is when it comes to.

00:18:33 Paul

Like.

00:18:34 Paul

Bankruptcies or potential bankruptcies, liquidation events turn around strategies, right, like we've we've seen in probably in our history a good deal number of turnarounds, most of them successful and some of them not successful and they've gone under, they've been sold and stripped, they're parted out.

00:18:54 Paul

And so there's a lot of different ways you can label a special a special situation. Another one is a an event driven trade, right? Like we think that something is going to happen on this particular.

00:19:07 Paul

Day.

00:19:08 Paul

For whatever reason, right? Maybe it's an A pending lawsuit where the verdict is going to be coming in at the end of October, right? That's an event driven trade that is that would.

00:19:16 Paul

Be considered a special?

00:19:17 Paul

Situation right or you know, like we think that when this company releases earnings next month, they're not going to be as good because of XYZ, right? You know, you think about there's an event.

00:19:28 Paul

Happening where your thesis will play out, so social situations is just taking a situation in the market, labeling whatever classification that it is. You know, based on the examples that I gave and then formulating a thesis and a trade around that.

00:19:48 Dave

OK. That makes a lot of sense, so.

00:19:51 Dave

When you think about these different situations, do you are there other? Are there some that you like more than others or like how do you kind of I guess?

00:20:02 Dave

How do you not categorize it? Like do you rank them by like? OK, I like these, these, these and this is my third or how does?

00:20:08 Paul

That work for you because in Special Situations, the ones that I've looked at personally, so I'll only speak to my own experience here.

00:20:21 Paul

I tend to reach. I tend to lean more on the ones that have. Well, I'm well. I'm confident a certain time frame exists, right? So if you think about a turn around strategy, a turn around strategy can make you a lot of money because you're taking a company that's basically left for dead and they turn around.

00:20:41 Paul

The problem with that is the time frame on that that time frame of a turn around.

00:20:46 Speaker 2

Could be as.

00:20:46 Paul

Little as you know, six months to a year, depending on what the situation.

00:20:50 Paul

Is or it could take you.

00:20:51 Paul

Know three years, five years and and you need to be comfortable with the possibility of tying up your own capital. And in a in a time frame that's not quick, right? Because and that hurts your overall IRR. There's other ones where you mentioned before the adventure you can trade.

00:21:07 Paul

Something that's earnings I can let's just say I can make 20. I think I have an 80% chance of making 10% in a month, right? That's a time frame because there's an event, quarterly earnings. I think they'll be off by 10% or the stock will be off by 10%. And I have a confidence of 80 because.

00:21:22 Paul

Again, I'm oversimplifying this, but just to give you an.

00:21:24 Paul

Example here, so I lean more towards timed events because then I know like how long I'm estimated to tie up capital floor, whether I'm right or whether I'm wrong. Position it that way and then where I can move on to next, right. And then there's sometimes where.

00:21:42 Paul

Surprises happen. So again leading on the Capri tapestry deal. You know, I didn't think it would get to this far. I didn't think the FCC would sue. Yet here we are a little over a.

00:21:52 Paul

Year later and.

00:21:55 Paul

We're still waiting on a verdict, so it's there are surprises that exist, but.

00:22:02 Paul

It's not. It's not necessarily like what's better, I would say because there's so many different strategies that exist. It's just a matter of what you feel comfortable with. And I feel more comfortable with.

00:22:10 Paul

Having at least.

00:22:11 Paul

Somewhat of a confidence in time frame.

00:22:15 Speaker 6

That's the biggest problem most investors face valuing a company.

00:22:20 Speaker 6

With DCF demystify, you can start valuing a company in seven days for free. Discover the six step process for valuing companies, unravel the mystery of valuing Google, Microsoft, Meta, NVIDIA and more.

00:22:35 Speaker 6

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

00:22:46 Dave

OK. Yeah, that makes a lot of sense to me, I guess.

00:22:49 Dave

The next question I have is.

00:22:51 Dave

We talked a little bit earlier about.

00:22:54 Dave

Kind of your strategy and whatnot. So when you think about building your portfolio?

00:22:59 Dave

Leo, do you have, like, maybe not hard, fast rules, but like guidelines that you like to keep, maybe a certain percentage long and then have other money either set aside or invested in these other situations that that present themselves when they when they pop up.

00:23:17 Paul

Yeah. So I want to say it's strict guidelines because it's, it's.

00:23:23 Paul

Kind of just how I how I see fit personally, but what's interesting is like I mentioned before in our in in earlier in this on this call is that.

00:23:34 Paul

The core that I do now is taking a multi year investment horizon in companies that are undervalued today, but could be a significant upside.

00:23:44 Paul

Next year or two years from now, three years from now, etcetera, right. But things need to materialize in order for that recognition to exist. So in order for that to happen right, there's going to be a large portion of capital that's tied up on the long side and in, in my head, right, it takes years to materialize.

00:24:04 Paul

But I also want to make sure that I'm getting some sort of.

00:24:06 Paul

Gain in the short term off of something that I can participate in right now then that's where I put you know, a portion of the portfolio into these Special Situations because you know I can work with a time frame, right? So like.

00:24:18 Paul

I can where?

00:24:19 Paul

Where if something on the long side would take like, it wouldn't even happen until it's the end of 25. I can still dedicate.

00:24:26 Paul

You know effort research capital for something that will materialize within the next three months, right. So it's not just me. You know sitting there tooling my thumbs, you know, like reading, reading, reading. It's like, OK, I'm actually taking action and.

00:24:40 Paul

You know, reading up on whatever material or talking to whoever I need to talk to, etcetera. And there's actually an example.

00:24:47 Paul

That I'm actually going to give you, because it's actually a good question.

00:24:50 Paul

I'm glad that you.

00:24:50 Paul

Brought.

00:24:50 Paul

That up. So I reached my my quarterly letter over the weekend and I gave an example of this right so I won't name the positions just because I try to give them I my paid subscribers prioritization. But there are two trades.

00:25:07 Paul

That are Special Situations that I have going on right now. Collectively, like in aggregate, they take up just under 12% of the entire portfolio. Just so 2 positions on a cost basis takes up 12A, little under 12% of the portfolio.

00:25:26 Paul

However, if I'm right on both of these and it hits where I believe it's going to hit.

00:25:33 Paul

That 12% stake in the portfolio or sorry, the 12% position size in the portfolio will actually contribute?

00:25:42 Paul

To over 8% to the to the overall portfolio P&L.

00:25:47 Dave

Well.

00:25:47 Paul

So 12% for 8%, right? So you think you think about the returns on that you can you keep, you keep you know have a hit ratio, it'll add up, right? So as I wait for my long positions to materialize, you know I can I can play the competition here and use Special Situations and and make money in the short term by playing around.

00:25:49 Dave

Yeah, right.

00:26:07 Paul

In that field.

00:26:09 Dave

Yeah, that makes. Oh, well, that's that's that's awesome. Good for you.

00:26:12 Paul

Well, if it works out, yeah, don't give.

00:26:13 Paul

Me credit it used to work out.

00:26:13 Dave

Yeah, right.

00:26:16 Dave

We're going, we're going to assume that it will. So I'm just going to give you, you know, congratulations to give you.

00:26:21 Dave

A victory lap now.

00:26:23 Paul

Yeah, I'll, I'll, I'll. I'll be sure to message you after the fact and we'll see. We'll see just how, uh, how well it worked out.

00:26:29 Dave

OK. All right. I would love that. So what the when you think about this kind of strategy, this does not this is this does not sound like something a beginner should try. What are your thoughts on that?

00:26:47 Paul

That was so.

00:26:48 Dave

It's OK to say no.

00:26:49 Paul

I I always.

00:26:52 Paul

Stress that you should. You should operate in whatever level of comfortability you you let you put yourself in, right? If you feel like you're just an index investor, go for it. There's absolutely nothing wrong with that at all. Honestly, it's probably better, and I think the people who who I've met, I've I've spoken to on my Twitter basis, who who have.

00:27:12 Paul

You have who has gotten into an arbitrage.

00:27:15 Paul

And you know, I asked a simple question, like, how much of your money is tied up in this? And I will never forget this. But the guy told me I have 5 months worth of paychecks tied up into this one trade. And I'm like, that is senile. Who does that? And he's like, yeah, I feel confident about it. I'm like.

00:27:27

Yes.

00:27:34 Paul

I don't care how confident you are. That's a terrible risk strategy. So. So you have you have a lot of different people operating on.

00:27:38 Dave

All right.

00:27:41 Paul

The spectrum here.

00:27:42 Paul

But so I.

00:27:44 Paul

Wouldn't so honestly, if I were to recommend this to anybody, I would first tell them to like.

00:27:49 Paul

Analyze trades without risking anything, just so you can get a feel for it right how things move documentary record it what you were thinking at this date and then how you how you thought prior to this bit of news coming out and how you felt afterwards. Like you're not listening anything, right. You can kind of get your feet.

00:28:10 Paul

And you can get your feet wet without actually getting in the pool. And then if you feel comfortable. Yeah, sure. Get in the pool. Right. No one stopping you. But I would say that the the days I almost kind of relate that to, like, the days of COVID where like, you could just buy options and anything and they went up like 300% in like a week. Yeah.

00:28:16 Speaker 2

M.

00:28:26 Speaker 5

Right.

00:28:28

No.

00:28:29 Paul

The markets might seem silly even right now, but you know, those days are. Those days are long gone, right? Operate in what you know. Be careful. I always stress the people too, that the preservation.

00:28:41 Paul

Of capital is.

00:28:42 Paul

Arguably, better than making money, right? Because if you lose it, it's a hell of a lot harder to make it back than it is.

00:28:49 Paul

Just making money on what you have. So yeah, that's that's what I would say to to people listening right now. Don't don't, don't do something you're not comfortable with. And don't just assume that it's easy.

00:28:59 Dave

Right. No, because it's not. It's Paul makes it sound simple because he's good at it and he's got a lot of experience, but.

00:29:05 Dave

Yeah, it's not always.

00:29:06 Paul

Yeah, well, yeah, it sounds good.

00:29:07 Dave

No, I don't know what he's.

00:29:08 Paul

When you it sounds, given you oversimplify it. Yeah. But no, believe me, there is an unbelievable amount of nuance to this kind of stuff.

00:29:14 Dave

Right. So Speaking of nuance, what I'd like to kind of pick your brain on how you how you do your research, like, what does that look like to you maybe from a 30,000 foot view? And then maybe we could pick apart some of the other?

00:29:28 Dave

Components.

00:29:30 Paul

Yeah. Do you mean in the sense of like sourcing ideas or just just researching?

00:29:35 Dave

Yeah. Like source. Yeah. From basically from sourcing ideas to, you know, sitting down and going. OK, I'm going.

00:29:41 Dave

To learn about this company.

00:29:43 Dave

How does that go?

00:29:43 Paul

For you. Yeah. You know, it's interesting. It's not. It's not always that. I I.

00:29:47 Paul

Sit down and.

00:29:49 Paul

You know, if I find a company or a ticker and I'm like, oh, cool, this sounds interesting. Let's learn about it.

00:29:54 Paul

I actually start.

00:29:56 Paul

Actually start differently for the most part, and it all starts with. You just got to be able to read like the amount of reading you have to do is insane, right? So it's like the people who like were in school who hated reading. If you hate reading, you're not gonna, you're not gonna do well in this.

00:30:13 Paul

Job like that's that's plain and simple, right?

00:30:16 Paul

Then you need to know as much information as you possibly can in order to make a like a logical decision here about whether or not this company could be worth something or not, or just like whatever, right?

00:30:29 Paul

So mine usually just starts from reading everything right, like a routine in the morning where you know, like I'll be at the gym and in between sets, I'll just like, read.

00:30:38 Paul

You know my, my, my, my morning.

00:30:41 Paul

You know, updates from, you know, people right? Like, oh, this has happened and this has happened like, you know, the news updates right and see if there's anything interesting there that I can pick at right. And there's other people like on Twitter, right. Who will share something that materialized over the weekend or overnight or this morning or they shared something. And I'm like, OK, cool, I'll read that.

00:31:02 Paul

And then afterwards you need to sit down, right? You read, you read through barons. You read through Wall Street Journal. You read through Bloomberg, you know, you read through. If you guys going out taking out or you just keep going to publication. The publication publication. So like, just read things, right. It could be things that you might not even looked at before. But you read something because of the topic is interesting.

00:31:22 Paul

And then you might pick up something from that article for that report. And you're like, oh, this little piece was interesting. Let me, like, learn a little bit more about that. And then you kind of dig in, you know, more and more and more and and then eventually you find companies that operate within that space, and you're just like, OK, cool.

00:31:38 Paul

Let's take a look at, you know, sizing or where they're located or what they're offering, etcetera. So it really just stems from just being able to read a crap ton of information and then figuring out what's interesting to you, right. And then go from there right now. I'm sure there's money to be made in oil and gas.

00:31:58 Paul

But I personally have 0 interest in oil and gas, so I'm not going to really.

00:32:02 Paul

Dive into that and kind of stems to to to get back off what I just said that.

00:32:09 Paul

I actually like operating in areas that I not only just find interest in, but I also understand, right? So that just happens to be consumer and retail. So that's where I spend most of my time. So it's kind of like isolating by the industry of the sector and then.

00:32:22 Paul

Kind of digging in, digging in deeper that way.

00:32:25 Dave

Yeah, that makes sense. So how do you?

00:32:27 Dave

How do you keep track of all?

00:32:28 Dave

The data.

00:32:29 Dave

You assemble, do you? I know you're your prolific writer. Easy. For another word. Easy for me to say. You put out a lot of content.

00:32:39 Dave

On your blog and you also put out a lot of content on Twitter and so is that how you kind of I guess?

00:32:47 Dave

Notate things or do you have like a journal that you keep so you can keep track of all the research that you've, you know, accumulated?

00:32:54 Paul

Ohh yeah, I have. I'm.

00:32:57 Paul

Weird. I have different kinds of notepads for different things. Like I'll have like my actual like journal Journal. Where that's where I take like I sit. That's where I'm sitting down. I'm taking notes on a company, whether it's the research on the company, whether it's from their earnings call, whether it's from their earnings.

00:33:17 Paul

Lease whether it's just, you know, whatever. Like, that's where like like I guess that's kind of like my Bible, right? That's where like, the real information lives.

00:33:25 Paul

And I have like a little smaller notepad where just so I don't get them confused. It's kind of like more like on-the-go note taking like oh, I found this interesting. I'll quickly write it on this notepad so I can maybe like look it up later. Right. And then I have like, my little stack of like

post it notes where I'll quickly write something down that might show up amongst other reading. And then I'll like slap it on.

00:33:46 Paul

So one of my bigger notebooks, depending on like if it applies to anything, right, you know, so I'm a I'm a very big component of physically writing things down. It just helps me retain information. And then if there's something that's worth sharing, at least in my opinion, worth sharing, then I'll like, I'll tweet it out or I'll write it on sub stack etc.

00:34:05 Paul

So everything that I I.

00:34:07 Paul

At least on sub stack where it lives, everything that I put out on there is just an extension of what I've essentially written down, or the findings that I myself have found, interpreted, analyzed, etcetera. So it's that's kind of how that works for me.

00:34:24 Dave

Oh, that's cool. So it I find it. I find it amusing that a lot of US spend a lot of time like using analog things to keep track of stuff. You know, writing in a in a paper. And, you know, in this world of technology that we find that's a better use of remembering stuff.

00:34:42 Paul

No. Yeah, I mean, I'm not gonna let you. I'm looking at my bookshelf right now.

00:34:44 Paul

I have 123456.

00:34:47 Paul

7-8 now.

00:34:48 Paul

I have 9 like professional journals just for research note taking and I have like a stack full of like those those like pads that you get on like an office supply store and then I have like.

00:35:03

Right.

00:35:03 Paul

Stack of post it notes so like, believe me, it's there's no shortage of paper around me.

00:35:10 Dave

So how do you organize it? Or is it All in all in your head?

00:35:15 Paul

Yeah. No, I like to say it's organized chaos, so it kind of lives around my desk, but they're they're. And if you if you walked in, you, you, you would probably tell me I should clean it. But in my mind, I know where everything is because, you know, like, not only do I kind of compartmentalize things based on what journal or Notepad that I'm using, but also like if it's in this pile.

00:35:27

Right.

00:35:35 Paul

That means it's very important because it's it's closer to my keyboard versus this pile. It's further from my keyboard, which means I can get back to it later this week or even next.

00:35:42 Paul

Week.

00:35:44 Paul

So that's kind of how that works, but it's one of those things where you know.

00:35:49 Paul

If you had to say something, you know, like I know what the password is and this is.

00:35:52 Paul

Kind of how?

00:35:52 Paul

It works for me, so that's that's how it works for me.

00:35:55 Dave

OK, well, it ain't broke. Why? Why are we going to?

00:35:58 Dave

Fix.

00:35:58 Paul

It right? Sure. Maybe one day, maybe one day, but right now I'm. I'm. I'm totally comfortable with how the situation is.

00:36:05 Dave

Well, it's like me with if my wife comes in and cleans up my desk, I know where everything is. And then she cleans it up and I can't find anything.

00:36:11 Paul

100 percent, 100% so.

00:36:16 Dave

Do you have any?

00:36:18 Dave

I don't know. Do you have any sell rules on companies like, is there something that could happen that you're like, alright, I'm out like, you know, my business partner is like if they have negative earnings, he's he's done. So do you have anything like that that exists in your framework?

00:36:36 Paul

I think I would say it's a hard, hard subject, maybe I maybe haven't been put in situations where that.

00:36:42 Paul

Has occurred.

00:36:43

Hmm.

00:36:47 Paul

I mean, an easy one is if I'm shorting something and you know, like what I thought was going to be bad wasn't bad, then. Yeah, I gotta get out. I gotta get out. Like, basically yesterday. But it's something we're on the long side. Right. I'll give you an example. It happened earlier this year in Q2.

00:37:00 Paul

So a couple of years ago I was a I was invested in a company called Exponential Fitness tickers X POF, and it was essentially just a franchise gym concept. It was exploding in the United States and and and over.

00:37:13 Paul

I wasn't getting much love from the market, you know, I shared my thoughts. This company went up like 100% like 8 months or something like that. I forget. And and I sold out of it because like I I told everybody like my best case scenario was supposed to be for two to three years and it happened in eight months. Like I don't.

00:37:31 Paul

I'm like, I'm good.

00:37:32 Paul

You know.

00:37:35 Paul

And then the following summer, I forget who it was. I think it was.

00:37:40 Paul

He was fuzzy panda or something, I forget, or or grizzly research. Some of those guys and they put out a short report basically saying like, hey, the company is like not doing well by its franchisees and blah blah blah. And then the company like sank like 50%. Luckily I wasn't involved. But you know, if you're down, if your company is down 50% in the short report, that probably be a good reason.

00:38:00 Paul

The bailout, but what ended up happening was the example that I'm getting back to is that Q2 of this year.

00:38:06 Paul

You know I'm.

00:38:06 Paul

Like, alright, probably every negative thing has occurred to this company, but the company is now getting right size, right? Like it's it's investors have beat it down to the ground. It's like what? What?

00:38:17 Paul

Else could happen.

00:38:18 Paul

So I started building up a small position and you know, I should you not? I think like after I invested like a week later.

00:38:26 Paul

They put out a press release saying basically saying they fired the CEO and.

00:38:29 Paul

The stock tank like.

00:38:30

Oh.

00:38:31 Paul

40% and I'm like, alright, this is this terrible luck on my end and I and I sold the position and I said yeah, I told him every I'm like listen.

00:38:39 Paul

You know, I I don't know what's going to happen after this. It could go lower. It could go higher. I don't know. Is it probably a good thing that he got out? Maybe. Perhaps, but I'd rather stick around to something where I don't have to deal with this. Right. Goes right back to what I mentioned before. A good night's sleep. I don't have to want to worry about. What the hell is.

00:38:57 Paul

Happening with this company that I can't control.

00:39:00

MHM.

00:39:00 Paul

And then, sure enough, you know the company, the company rocketed it back up to like.

00:39:04 Paul

18 and now it's settled at like 12 or something.

00:39:07 Paul

So like could.

00:39:08 Paul

Could I have always broken even? Like, yeah, probably. But at the same time, I would have to deal with, you know, how much volatility in the meantime and how much it would have, like skewed my bias.

00:39:16 Paul

1.

00:39:17 Paul

Way or another. So sometimes it's like, you know what, you kind of have to cut your losses and move on. You know, I've I've been wrong on plenty of things. I'm not going to.

00:39:25 Paul

I can have a sugar coat that or pretend like I'm perfect over here. I'm far from it. But when my winners win, they win pretty big. When my losers lose. Yeah, they lose. But that's that's one example of like, you know.

00:39:36 Paul

But.

00:39:38 Paul

I I guess I might have missed something. I'm not gonna deal with it, but it's never really like some like this has to grip. I miss on. I've got a company that I've just missed on earnings and I I bought more, you know, not because not because I'm like Oh yeah, it'll be fine in a couple years. I'm like, oh, this is a perfect this.

00:39:55 Paul

Is great. It gave me the opportunity to buy more.

00:39:58 Paul

And buy more. You know, because in the in in the long term, it's gonna be completely fine because this was like a a short term headwind and that's not an.

00:40:04 Paul

Excuse, it's more like.

00:40:06 Paul

What the reason was that caused it to drop was very much a short term thing and so now. So now that's to answer your question in a long winded way.

00:40:11 Paul

Yeah.

00:40:15 Dave

Well, it's a good answer. And and there's there's, you know, I think the the well a the honesty and the transparency about you know, making mistakes, willing to take your losses understanding what it is you know the game that you're trying to play I think is in a very important lesson for all of us to understand because to your point none of us are.

00:40:36 Dave

I mean, even the greatest investor of our time makes mistakes.

00:40:40 Dave

And none of us, you know, I've played. I made plenty myself. So I think the more we can, I guess normalize that that it's you know it's it's normal to make mistakes. You're not going to be 100% and kind of get over it and just move on and try to learn as much as you can and I think it's super important.

00:40:57 Paul

Ohh yeah, I mean OK in my in my journal too. I'll even take notes of.

00:41:03 Paul

Again, what I what I thought was going to happen or will happen, etcetera. And then what did happen? So I can be like, OK, I was wrong on this. And then why was I wrong? Right. It's it's it's hard to learn from something if you actually don't sit down and learn and learn from it.

00:41:19 Paul

So so I always I always make sure people.

00:41:21 Paul

Try to at least learn from your mistakes. Also, you can't trust anybody that says they have their their right like 90 or 80% of the time. Like what's that saying? If you're, if you're right, at least over half the time, then you.

00:41:27 Dave

That's fine, no.

00:41:32 Paul

Actually doing well in this.

00:41:33 Paul

Business because that's that's the truth, right? And, you know, Twitter is plague of people who.

00:41:38 Paul

Yes. Yeah. I only make money and I'm like, no, nobody believes you, dude. Like, if if somebody comes off like ohh yeah, my one that gets me is those people who say, like, yeah, I'm up.

00:41:42 Dave

No, no, no.

00:41:49 Paul

Like.

00:41:50 Paul

50 or 60% but I have.

00:41:52 Paul

Like 30 positions.

00:41:54 Paul

Like, do you know? How do you know how much each of those 30 positions would have to be?

00:41:58 Paul

Up in order for you to make what you just allegedly made like, give me a.

00:42:01

Right.

00:42:02 Paul

Break, dude, right. Yeah, no.

00:42:05 Dave

That's you got to be careful what you're listening to and what you're taking for as advice for sure. There's no question, no question about that.

00:42:11 Paul

Yeah.

00:42:13 Paul

Trust, trust but verify, he says. She says she on social media. It's all fake.

00:42:17 Dave

Yes. Yep, Yep for.

00:42:19 Dave

Sure. You know, the other thing I think is interesting you you kind of alluded to. That is when you have things written down, you can go.

00:42:27 Dave

Back and look and.

00:42:28 Dave

The what you were thinking at that time because we all think we have perfect memories of what we were thinking five years ago. I mean, most of us can't remember where we put our shoes, you know, 2 days ago. So I, you know, as somebody who writes per living, I can't. I have to go back and edit my old posts, you know, every six months to a year and sometimes when I go back and look at some.

00:42:49 Dave

Something that's two or three years old.

00:42:51 Dave

It's it's cringe worthy because it's just what was I thinking. And so I think having something like that can be super super.

00:42:59 Paul

Yeah, absolutely. I mean, like, I can even look at in my notebook, it's it's, UM, I'll. It's not even just me writing down what I'm reading. There's there's, like, questions associated with that, like Ohh CEO said this like, what the hell does that mean? You know, like question Mark, you know, like, I've never heard of this term before. I've never heard of.

00:43:14 Dave

Right.

00:43:17 Paul

This product before I've never even heard of it.

00:43:19 Paul

And **** maybe heard of this country before, you know, like it's it's stuff like that where there'll be like little notes on the side of the notebook where, you know, I I don't know what the answer is. I don't know what they're talking about, but.

00:43:31 Paul

I'll.

00:43:32 Paul

I'll I'll look into it. Here's what I initially thought. Right and.

00:43:38 Paul

You know, they follow up on it.

00:43:41 Dave

Yeah, yeah, yeah. So bottom line is, folks, if you're listening out here, please go buy pen, paper, notepads, sticky notes.

00:43:50 Dave

Whatever works for you.

00:43:50 Paul

Keep state of the live.

00:43:52 Dave

Right. And and just use them to your advantage and there's tools that you can use so.

00:44:00 Dave

Next question I have for you is what if you had to if you could?

00:44:05 Dave

I guess assign a quintessential stock to you or your style of investing.

00:44:10 Dave

What would that be?

00:44:15 Paul

Can you can you elaborate more like well, if I like pick a stock that I'm currently invested in that kind of emulate what I.

00:44:15 Dave

Yeah, I'm catching.

00:44:17 Dave

Off guard, I know that.

00:44:21 Dave

No, no, no. Like somebody asked me once. Like what? What is like, you know, a a company or an investment that kind of represents how you invest. And for me it it was kind of a mixture of Berkshire Hathaway and Arjun.

00:44:37 Paul

Ohh I see. OK.

00:44:42 Paul

I don't know actually, because I think like they think like everybody and their mothers wants to be like the next Warren Buffett, even though most of them never actually even do what he does. But that's a good question, actually.

00:44:58 Paul

Well, I don't even I don't have an ancestry on a company basis because I did on the podcast the other week. And, you know, he asked me, like, what, like, what type of investors do you?

00:45:10 Paul

I don't say like idolize. I forget exactly how you worded it, but like respect or try to like, emulate, etcetera. And I told them like well left of that like, I mean, I'm trying to be myself, right? But, you know, I still take learnings from, you know, the Bill Atkins of the world, the Warren Buffett of the world, you know, the the David Ian Warrens of the world.

00:45:29 Paul

You know, I didn't like Simmons over at, you know. You know, rest in peace. But, you know, Renaissance.

00:45:33 Paul

Technologies so it's.

00:45:34 Paul

Like you take bits and pieces from everybody to kind of apply, like what you've learned from each of them and and then go.

00:45:39 Paul

That way I'm not.

00:45:40 Paul

I would never say that I'm trying to like.

00:45:44 Paul

You know, trying to.

00:45:46 Paul

Be like a companies investment strategy or something like that. But because I think when you're trying to like copy.

00:45:52 Paul

Somebody else it's.

00:45:54 Paul

It's maybe not the best strategy, but you take pieces from them that could be very, very useful, right? I mean, like, it's almost like there's about 8000 startups right now doing AI. You know, if they're most likely, they're all doing.

00:46:07 Paul

Almost the same thing, but there's going to be something a little bit different about them than the other one that makes them different, right? So it's kind of like where where I would answer that question, if that makes sense.

00:46:18 Dave

Yeah. No, no, it totally does. It totally does. So something I've been curious to ask you. We interacted a little bit about a company called Sweet Greens not too long ago. And and I worked in the restaurant business for like 25 years. I literally did everything from wash dishes to manage restaurants and.

00:46:27 Paul

Yep.

00:46:39 Dave

I just curious what your thoughts on restaurants just as in general and how you look at trying to invest in them?

00:46:48 Paul

Yeah, I like. I'm investing in restaurants because again, it's something where I I can understand that, right, if you even use a consumer, forget forget investing first for a second.

You can walk into a restaurant, right, whether it's your local Chipotle or your Shake Shack to whatever fine dining restaurant that you know lives in your in your area, right, everything between.

00:47:09 Paul

You can walk in there and within the 1st 30 seconds.

00:47:13

And.

00:47:14 Paul

Understand.

00:47:16 Paul

How you feel about it? Haven't even tasted the food yet, right? So ignoring the food for a second. But you can tell like how the layout is, how the customer service is. You know how the tables are set up, how how busy the kitchen is, how busy the restaurant is, right. And then you sit down, you can taste it and then make your own opinion. Right. You go there a few times.

Has the quality changed, has it not?

00:47:36 Paul

Change, etcetera. So restaurants is always a big, big.

00:47:42 Paul

Hot spot for me because it's something I can.

00:47:43 Paul

Relate to I can test.

00:47:46 Paul

I can, you know, visit often. I mean at that often getting expensive these days. But I can visit and then from there I can I can understand like what's going on, right. What do I think works? What do I think not works for whatever reasons.

00:47:51

Right.

00:48:02 Paul

And then listen to the CEO, was the CEO said like is the CEO just making **** up is uh, are are his plans over zealous? Are they realistic, are they are they not being realistic?

00:48:13 Paul

You know, so that's kind of why I like restaurants and especially when you're in a restaurant company, you know, they break down the costs associated with running that restaurant, right, like, how much labor will cost, how much my food and beverage costs are, how much my capital expenditures are to open instead of restaurant, right. What could be my cash on cash returns?

00:48:17

So.

00:48:34 Paul

For that right. So it's something that I can very much mathematically understand and get behind, which makes it easier for me to invest in personally.

00:48:43

MHM.

00:48:46 Dave

Yeah, yeah. You know, truthfully, I have not invested in a restaurant company even though I own or even though I've worked in the interest so long. I just. Yeah, I think I get PTSD whenever I start thinking about a restaurant and and analyzing it.

00:49:02 Paul

I don't blame you. Good example.

00:49:05 Paul

I'm not sure if you saw it.

00:49:06 Paul

Like floating back a couple of months ago where like that one. I think it's from Wells Fargo. I think it's from Wells Fargo where he like bought like 72 Chipotle bowls from, like, different parts of New York City and way to see how accurate it was that they were skipping out on food like.

00:49:15 Dave

Yes. Yeah.

00:49:17

Yes.

00:49:20 Paul

Who does that?

00:49:22 Paul

You know, you you.

00:49:22 Speaker 2

Right.

00:49:23 Paul

Can do that, which is why it's interesting.

00:49:27 Dave

Yes, yes, for sure. And yes, I did see that and it did give me PTSD. I was just thinking about, you know, being the regional manager and having to deal with the the blowback from something like that just gave me the heebie jeebies.

00:49:39 Paul

Yeah. Yeah. So I mean perhaps maybe one day, you know, you'll you'll get your toes back in there, but I don't. I don't blame you if that's the case.

00:49:46 Dave

And well, at this point I'm going to I'm.

00:49:48 Dave

Going to hold off.

00:49:50 Dave

If you had to like when you're when you're looking at at potential opportunities.

00:49:58 Dave

Are there any sectors that maybe fall into the two hard pile? I know you mentioned oil and gas is. Are there any other ones that you think are like me? This is not for me.

00:50:07 Paul

Yeah, like oil and gas, like or anything energy related. I mean, it's cool. Don't get me wrong. I'll. I'll. I'll love, like, reading an article about, you know, solar energy or nuclear power. It's like that. But, you know, it's not something that I'm like. Alright, let me get into.

00:50:21 Paul

The weeds and know everything I can about it.

00:50:23 Paul

I still, I still. I feel strongly about, you know, like the chemicals industry, right? I'm never. I'm never gonna understand that business or do I want to. What else? Oh, financials. God like spending my time and working in investment bank. I don't I could care less.

00:50:38 Paul

I that's that's.

00:50:39 Paul

You know, for me that gives me PTSD, so don't want to get involved with banks.

00:50:42 Paul

Right.

00:50:44 Paul

I don't care about net interest margin. I don't. I don't care what else. What else? There's, there's even some areas of like, technology. There's, like, too advanced for me, right. You're talking about generative AI.

00:50:56

Hmm.

00:50:56 Paul

Let me.

00:50:57 Paul

To to tell you about generative AI, all I can really tell you is to type something and then something will come out. How that does that. I have no clue. All I know is that it just analyzes all the public information out there and learns from it and creates something. That's all I can tell you and but there's there's a little different areas where I just.

00:51:17 Paul

Just don't bother.

00:51:19 Paul

And I don't think that's like a hindrance at all, because I think there's so many opportunities out there, especially if you start going globally, right, because you know, you think about consumer and retail in America now think about consumer and retail and Europe or Australia or other parts of the world, right. It gets so much.

00:51:32 Paul

Bigger.

00:51:33 Dave

Right. Yeah, we we didn't even talk on that. Is that something you are you comfortable investing outside of the borders?

00:51:33 Paul

So.

00:51:41 Paul

I have one position that are outside of of the borders here.

00:51:46 Paul

Which I would like to actually expand on like I would like to actually invest more in more companies abroad. My my rationale though is like.

00:51:55 Speaker 5

There's just, there's just.

00:51:56 Paul

A lot of opportunity here, like I don't need to go abroad, right? But I would like to just to kind of have like some.

00:52:01 Paul

You know, geographic exposure.

00:52:03 Paul

More, but it has yet to materialize because I haven't put too.

00:52:04 Speaker 6

Right.

00:52:10 Paul

Much effort into it at this point.

00:52:11 Speaker 2

Hmm.

00:52:12 Dave

Yeah, yeah, that makes a lot of sense. All right, so I'm going to give you an opportunity to talk about Cedar Grove and what you're trying to do there.

00:52:21 Paul

Yeah. So Cedar Grove is actually it's.

00:52:24 Paul

I named it after the street that I grew up on. I'm actually not from this country. I immigrated here from South America many moons ago, and so it's kind of just paying homage to that.

00:52:37 Paul

But no, the the the ideal situation for Citigroup capital is.

00:52:42 Paul

What I'm envisioning, I said in this moment, it's just.

00:52:47 Paul

Providing an extension of my notebook like I mentioned before. So.

00:52:53 Paul

Sharing my thoughts, sharing my research, getting to know different people. I've met some pretty amazing people just by interacting with them through finding what you know, they have them finding through me, etc.

00:53:08 Paul

So.

00:53:09 Paul

Kind of expanding my network there and and and trying to like build out this platform so to more than what I have currently.

00:53:18 Paul

And in the future, we'll see what that materializes into, right, whether that actually ends up being.

00:53:22 Paul

Like.

00:53:23 Paul

A proper hedge fund right where the amount of money you need is a lot more than it was 20 years ago. Or you know something else, right? So.

00:53:33 Paul

The whole point of me doing this is just to share my thoughts, share my ideas, it helps people weighing in on that to see, like, oh, wait, am I wrong on something? Did I miss something? You know, like, this is a nice sense check as well.

00:53:45 Paul

And UM.

00:53:47 Paul

And yeah, that's kind of like how I how I envision it so far. And then we'll see what happens in the future. But it's, but it is a small portion of.

00:53:53 Paul

A much bigger plan that I have.

00:53:56 Dave

Nice. Awesome. So where else can people find you online?

00:54:01 Paul

Yeah. So if the sub.

00:54:02 Paul

Stack is part of the primary way. You can keep up with me. Otherwise I'm very active on Twitter. Feel free to give me a follow or just message me or comment whatever.

00:54:12 Paul

Always happy to interact with people and then also if you if you need to other people's podcasts are kind of where I.

00:54:21 Paul

Show up as.

00:54:21 Paul

Well, so if people want to hear anything, it's all linked on the homepage. So you can you can find it that way, which when this comes out, I'll link it there as well for anybody who wants to reference it, at least on my side, I know they have it on your side.

00:54:33 Paul

But it's usually Twitter or subset like the the.

00:54:36 Paul

Top two places interact with me.

00:54:37 Dave

Awesome. Awesome. And I will make sure that I put all of that stuff in the show notes so people can easily, easily find you. Paul, this was a lot of fun. I learned a lot today. You are very educational and entertaining at the same time, which is not an easy thing to pull off.

00:54:53 Paul

Good. So hopefully I'm glad that my uh, my conversation skills are paying off.

00:54:57 Dave

Yes, they are. Yes they are.

00:54:58 Dave

So I I appreciate you taking the time out of your day to come join us again and I really appreciate it. And with that, I will go ahead and sign us off.

00:55:06 Dave

You everyone go out there and invest with the margin of safety emphasis on the safety. Have a great week and we'll talk to you next week.

We hope you enjoyed this content. Seven steps to understanding the stock market shows you precisely how to break down the numbers in an engaging and readable way with real-life

examples. Get access today@stockmarketpdf.com until next time have a prosperous day. The information contained just for general information and educational purposes. Only it is not intended as a substitute for legal, commercial, and or financial advice from a licensed professional review, our full disclaimer@einvestingforbeginners.com.