Alright, well, welcome everyone and Happy New Year.

I hope, uh, all of you managed to score a bit of a break,

uh, over the holiday period.

Um, I'm really excited about the year ahead.

Uh, the world continues to get crazier and crazier.

Uh, but if there's one thing I've learned over my time

as an investor is that opportunities are always present,

bull market, bear market.

There's, there's always, uh, opportunities there for those

that are able to sort of act and think independently and,

and, and put in the work

and not be swayed, uh, by all the no,

the noise that's out there.

Um, and, and I think one of the interesting things too is

that, um, it's usually periods of heightened uncertainty

that give you the best opportunities In my mind when,

when everything's so very crystal clear, it tends

to be a danger, crystal clear.

'cause nothing's crystal clear, but whenever it feels

that way, it often tends

to be a very dangerous time to invest.

So anyway, I'm, I'm, I'm, I'm,

there's a bit of cognitive dissidence.

I I recognize that there's a lot of challenges

and scary things happening out there,

but I'm still very optimistic about what that might mean

for us as investors.

Um, in terms of the upcoming meetings

that we've got planned, uh, for 2026,

we've already loaded a few companies into the scorecard, uh,
into the, into the schedule rather.
Um, but I would like
to put the call out for any suggestions.
So if there's a CEO that you'd like us
to have a chat with, let us know.
Or there's a fund manager, an investor,
anyone, uh, let us know.
I'll do the best I can to line something up.
Um, or perhaps, perhaps you are keen, uh,
John, I'm looking at you.
Perhaps you're keen to, uh, give us your own, uh,
thoughts and, and share your wisdom.
We really do have an impressive group
of people here at Strawman.
There's a lot of wisdom, there's a lot of experience.
Uh, and, um, we really like to, to tap into that more.
Um, and which is a nice segue, in fact,
'cause that's exactly what we're doing here today
with the first meeting of 2026.
We've got Sean with us, AKA solve the Riddle.
Um, great to have him back on the screens.
Uh, I'll give you a very quick overview of, of, uh,
solve the riddle, uh, here.
But it's, it's probably not needed.
Um, Sean's been with us since, I believe about 2020.
So one, uh, onboard pretty early.
And if you have a look at his scorecard, uh, well,

it kind of speaks for itself.

You're looking at 18% per annum, uh,

over a nearly six year timeframe.

Now, that might be one thing if he just sort

of AED into a few things that went really well.

But as you see from the scorecard here,

it's a very diversified portfolio.

And compared to what the market's done, I think,

I think we all recognize that's, that's not an easy feat.

So, so that, that, uh, is, is quite impressive.

And little wonder, I think you're actually number four at

the moment, um, uh, Sean, which is great to see.

Um, so look, the, the, the, the background of all

of this is about two, two and a half months ago.

Um, Sean put this great post on the forums in, um,

I guess marking 40 years as an, as an investor,

and what lessons were learn, um, along the way.

It was a really long post. If you

haven't read it, you really should.

We actually popped it on the blog.

So if you just go to the blog,

you'll find it on the first page there.

Um, but during that, that, um, that blog,

Sean's really highlighted some of the lessons

that were learned along the way.

And I just thought like we've,

we've gotta dig into this a a little bit more.

So, so, so here we all are.

Um, if you do have any questions along the way, uh, we've got the usual slider link.

Make sure you avail yourself of that.

Or if you prefer, just, just pop your hand up

or just shout out a question.

I think we can probably afford

to keep it pretty informal at this point.

Um, and the final thing to say, which, which you have to do,

which is none of this is advice.

So just please keep that in mind.

So all of that is said

and done, Sean, good to, good to see you back.

Uh, thanks Andrew. No, thanks for the opportunity.

Hopefully it's worthwhile to the group, you know, so it's,

um, it will be getting into it. Yeah. The, um,

It will be, well, well give us, give us, give us a bit

of a background as we set off air.

Let's, let's establish some credibility here.

Who are you and why? Why do we wanna listen to

You? I'll go through, 40

years is a long time, so I'll try

and keep brief as I can, right.

So I basically did, you know, um,

economics accounting at Sydney left,

that went in a treasury in Canberra.

They, um, sent me out.

They said, right, you are the accountant. You go out.

I didn't realize treasury monitored the,

or regulated the, uh, life, um, life companies.

Um, and um,

so they were the biggest investors in Australia at the time.

So they would send in their portfolios,

and I'm looking at these portfolios thinking, oh, right.

Just like, um, this is really interesting.

Why the hell this stock and this stock?

And I did work that out after a few years, Andrew. Mm-hmm.

And you'll like the reason why, you know,

so why would a p own a lot of brambles

and National Mutual own hardly any, et cetera, et cetera.

So that I became sort of really obsessed about this.

It's really sparked my interest in it.

I, it would end up joining SFIT who managed one

of the biggest super funds in Australia.

They manage all the commonwealth public servant super money.

That was in 85.

And then, um, so I came in at the

assistant money market doula, which is the bottom rung.

Six years later, I'm managing billion

dollar equity portfolio.

And then I basically have been on the buy side

of Australian equities ever since at different firms.

Um, probably the highlight was like winning fund manager

of the year, a couple years going into and out of the GFC.

So that's unusual when you get it both ways. Yep.

Um, and then I, I worked for a, a micro,

the biggest micro cap manager in Australia for a few years.

I was managing the large,

they had a diversified bunch of products.

I was doing the large cap and,

and a couple of yield products.

But I was involved in the micro, micro,

um, business as well.

And then that in 2021, I basically, that was it.

You know, they, um, the business sort of really didn't go

through, um, you know, go through COVID that well.

And I thought, oh geez.

So I better start sort

of transitioning from a institutional professional investor

to a retail guy.

That was, um, that actually took a bit of doing.

But you know, now five years into that, you know,

maybe I should have done it a few,

you know, a few years beforehand.

Mm-hmm. I've enjoyed it a lot more.

I think, you know, if I were to sum more

Freedom, right, A lot more, a lot more,

and it's, um, you like, like doing it

and, you know, um, the flexibility on, you know, there,

there's no constraints.

There's that, you know, what, if I was to sum up my,

you know, that 36 years in professional funds management,

I'd say the investing side was pretty good.

You know, I, I think I've done enough to show that I'm

above average investor.

Like, I've had like pros put in every orifice to test me

and measure me over all that time.

I think that that's been shown.

But in terms of like running the business, that is, I found,

and managing teams, managing up, managing down,

managing clients, managing consultants, I found that a real,

I'll probably give myself five outta 10 for that.

You know, it's like, uh, running that's different

Skillset set. It's

a different skillset. Yeah. Yeah.

So, um, and so, you know,

but those guys who can manage both Yep.

You know, um, you know, they, they get the big bies,

I suppose, you know, because they, they,

they can manage money,

but they can also sell the story, you know, and generate the

Farmer. Were you able

to run, uh, your own, um, portfolio?

I mean, I guess you were,

but were there, there are certain rules, uh, as being Yeah.

Professional investor with sort

of trading restrictions, all appropriate stuff.

But did you find that that sort of handicapped

what you were doing in your personal account

over that, that period?

Yes. Yeah. And, and the, and the, yeah.

I, I suppose during the 1990s, um, that those rules sort

of came in around the turn of the century, right?

Right. During the 1990s, I was having a ball

because there was no, oh, you could, you know,

you did basically, I think you had to like tell them what you were doing, but I always,

I was like getting paid to run my pa.

Right? Yeah.

I would like finish my, my, uh, you know, uh, my, you know,

'cause I was super keen, right?

So I'd finish all the, the corporate stuff, you know,

covering this, stocks coming, blah,

blah, blah, blah, doing all that.

And then I had plenty of time to go and off

and run my own pa.

So I was doing, so I was like, yeah.

Being paid to, to do that, which was great

and very lucrative.

And then that ended, right?

Especially when you get up to be a pm, you know, you,

you can, I mean, some guys sort of, you know,

they have hidden accounts and all this type of stuff,

but I never did that.

You know, I played by the rules, but it had a big impact

because you're so open to, um, conflicts, right?

Yeah. Yeah. You know, I mean, yeah, you can imagine how

Well you can front run your recommendations.

You can do all kinds of things, right? Well,

You, you, you don't real say you both hold something

and then you find out something bad about it, right?

You've gotta get the fund out first. Yeah.

And then also, if you buy something that goes up

and, you know, 'cause you've disclosed it all, they can see what your, what your PA is,

and they, you haven't bought it for the fun.

Why did that happen? Yeah, there's a lot of high.

So I, I sort of said, geez, I just have to make this, uh,

my pa very dormant.

And, you know, I was probably, I learned a few lessons from

that that I think, you know, if you're gonna be active,

you've gotta be active, right?

Mm-hmm. It's, it's, um, just letting it just run is, is a,

is a mistake, you know?

So, um, yeah. So it did have an impact, you know?

And, um, you know, I think that probably, um, if I,

you know, we all, if we all had our druthers again,

we probably, you know, I probably do a bit

differently, I think, you know, so. Yeah.

Yeah. Let, let, let me ask you this one then.

Um, I note that, would you say you're 1985, right?

So you've come in, I mean, things were roaring back then,

and this is just before the 87 crash,

and then when I started, it was, it was, it was, it was kind

of similar timing with the tech bubble.

Yes. Yeah. And for me it was, it was terrible

because it, it, it gave me a lot of,

and as a younger male, a a huge amount of hubris

and confidence, because everything I touch turned a gold.

Just like did it have.com

after the name I'm buying it, and it would go to the moon.

And you were a genius. And,

and of course, of course the, the market sort of, you know, reality reasserts itself.

Yeah. Did you have any sort of, you know, was this,

was it a similar thing for you?

Did, did, did what did 87 teach you that you perhaps didn't,

didn't get the first time around?

Yeah, yeah. I mean, so yeah.

Deregulation of the financial markets in the mid eighties,

basically what that meant is a lot of people borrowed a lot

of money and went and put it in the stock market.

Yeah. And, you know, you had a, a lot of m

and a activity, the entrepreneurs became an index, right.

Of their own index. Right. So this is

The case and the bonds and all of that. Yeah.

Yeah. And then, you know, homes of court was the big ones.

Alvins, you know, there's a whole heap of them,

the big ones, and then a whole heap of secondary.

Yeah. And the, the market was obsessed with them, you know,

and they were gonna clean up all these moron top, you know,

old management that had stumbled through the seventies

and all that, you know?

And then, um, I think for Australia, I mean, you know,

in the, the market and then also the gold price went up

and Oh, that sounds familiar.

There's so many bells are ringing right now.

And then I off went the gold sector and, and,

and, you know, it was all, it was all, um,

but I, I'll tell you one thing that the, I mean,

it wasn't like people weren't, um, aware, you know, it was just like, you know, one, one famous investor,

I forget his name, he shorted the market at the start of 87.

Yep. By April he was done. Right. He was, he was out. Right.

And so he got his timing wrong.

But a lot of, I think, you know, the,

because I was only in my, you know,

mid twenties at this stage, you look at the old guys

and they, and I can, you know, they're saying, right?

Yeah. The market's overheated. Yeah.

We've had a couple of, few big years, you know, but mm-hmm.

It's probably, uh, but it's,

they're looking back at the 1970s

and thinking, you know, that market went down like over

three years, right?

Yes. Yes. And, you know, down a bit every day,

and we'll see, we'll all get out, you know,

the retail partners will get, you know,

stuck and blah, blah, blah.

Mm-hmm. The market always confounds you, right? Yeah. Yep.

And, you know, down 20, I mean, and, and yeah.

Know when that was coming, I think people were,

I was waking up

to look at the Dao at six o'clock every morning Yeah.

To, 'cause I was saying Jesus thing starting

to look wobbly, you know, at site.

But no one expected that.

Like, you know, as I said, the market confound you,

you've got 25% in a day.

Yeah. That's huge. Um, that, that's, that's huge. Right. And

But the, the other thing, the other thing with 87, Sean,
was that it, I believe it ended the year
more or less where it started.
So it was a big runup in a big, in a very quick crash. Yeah.
Yeah. But on a yearly chart, you almost don't see it. Yeah.
The, the, the difference there, Andrew, is that it,
it was, um, it, it morphed into,
so it was a liquidity event that morphed into reality.
And especially for Australia, the US market, you know,
would, would recover reasonably well from that.
But Australia, it didn't. Right.
Because, um, and, and it was
because all of the, there's so much debt, like, um,
and that started a lot of volatility, which led ultimately
to the 90, 90, 91 recession,
which was a market clear recess,
and all the entrepreneurs were bust, right?
Yep. So you had a lot of investors who weren't in
BHP and CSR, and they were in the, the go-go stuff.
Mm-hmm. So they got wiped out, right? Yep.
So that was the, the thing.
So looking back at it, you can say, you know, um, yeah.
Looking at the numbers, if you were in BHP and,
and all these old s stodgy companies, yeah.
You did it right? But a lot of people weren't.
They were in like, you know, in the, the,
the more racy stuff.
And that got carted out, you know,

that I think they basically all end up took some years

for 'em to go, you know?

Yeah. Ultimately to catch up.

But it caught up with all of them and Yeah. Yeah.

So, you know, so

Familiar. The more things change,

the more they stay the same. Right.

Well, you know, well, one year there Westpac's balance

sheet went up 30%.

Yeah. That's, that's, that's insane, right?

Yeah. Yep. It's, it's insane.

Didn't they almost go bust? Was it Westpac or nab?

It was Westpac. Westpac, yeah.

It was on a, yeah, there was like sensible people.

So what they basically did, they, uh,

Keating led in 19 banks.

Mm-hmm. And our, the miss, you had to go

and, you know, back to those days, you had to go

and buy appointment, and it was rationed credit.

Yep. Right. So my old man had to go in there

and beg for a loan.

Yeah. And they say, oh, no, sorry. You know? Yeah.

That all changed, right?

And, and so these, these banks basically crap themselves.

Mm-hmm. And basically went out to try

and keep their foreign banks in

and lent like, um, wild Banes mm-hmm.

Got overextended in commercial property com,

commercial property then collapsed.

And Westpac became like a, uh, over geared property play,
and property was falling
More, bell are ringing, more bells are ringing right now.
And they were swap and there was like very sensible people
saying, all we need is another 10% move down in,
and Westpac's gone, you know?
Yeah. They had to do that.
And then they had a huge failed rights issue. Yeah.
All the subies all going, it was a disaster. Right.
So, but it was very interesting to, I suppose that,
you know, living through that, I think it, you know,
that's my 25 to 30-year-old, it,
it really made me sort of think, geez, you know, that's
where a liquidity event morphed in the, a real,
real world event.
Yeah. And you know, that that liquidity disappeared,
you know, the banks just weren't lending, you know,
as you know, we saw it again with the GFC, you know?
Yep. That's probably the closest it's come.
That was, but Australia, you, the banks were worth,
they were shrinking their balance sheets.
Right? Yeah. And that's bad news for the, for everything,
you know, for asset prices.
Yeah. Probably made me more conservative than
what I should be to see, see that happen. Right.
Uh, well, yeah. I maybe,
but I, I, I genuinely believe
that the best experience you can have

as a new investor is a bad one.

Um, be because the, the good experience, like

with me, it puts you over your skis

and, you know, you get a bit cocky when, when you have a,

when you have a, an experience like that early on it,

and if you can stay, uh, stay the course, which, uh,

maybe that's worth touching.

'cause I know you mentioned that in your blog post,

but just like staying the course, it, it, it teaches you

to be much more risk aware, not risk averse necessarily,

but risk event, which, which gives you that longevity

and longevity's like 80% of it, right?

Yeah. You've gotta keep the compounding going, right.

Never interrupt it. Yep.

Yeah. Don't, don't. And, um, yeah,

and I, I, I've, I think that probably did mean that,

you know, from that experience seeing, you know, big,

big companies like go on the, on the,

on the operating table, you know,

and, um, probably made me like, um, think,

look at the portfolio and, you know,

and, you know, these days I don't have any,

I don't have any sleepless nights over my

portfolio at all. Right.

Yeah. That's a good sign.

And, and, you know, you know, I've had plenty

of sleepless nights over the business,

the funds management business,

but not the actual portfolio that I run now.

You know, I look through it and I say, you know,

if if liquidity disappeared

and, you know, will these, will these companies survive?

And, you know, maybe a couple of them won't, but Yeah.

Um, I think most, you know,

the share price will get decimated,

but the businesses will, will, you know,

will continue on. You know, so Yeah.

Can we, can we double click into that a bit, Sean?

When when you say liquidity, what, what do you,

what do you mean specifically then?

I think that, you know, I mean, that's what, um, the,

the biggest fear I have for markets.

You know, people talk all this macro stuff, you know,

and it's, to me, it's really, uh, it's,

it's markets run on liquidity.

So not everyone is like, like me, you know, or,

or maybe like you Andrew, when, you know, there's a lot

of borrowed money out there mm-hmm.

There's a lot of leverage.

And, you know, when when you get a shock to the system,

then you know, liquidity disappears, and it does

So that the borrower demands its money back.

So you sell to free up the cash and you pay a payment.

So we had, yeah. So we had, we had a example of

that when the, uh, there was one, like in the last year

or so with the Japanese carry trade, right?

Yes. People are, I mean, I'm just amazed at how much risk people take, right?

Yeah. But the, the Japanese funding went up

and all of a sudden they had to like, boom, bring in,

like, sell right?

To adjust. They had to like straight away.

Now, that was a liquidity event, didn't change,

didn't morph into a real world event, right?

Mm-hmm. So, but that's what I'm looking at, like in,

you know, when the G FFC was probably the scariest time when

we go to the end of 2008, you know,

I remember sitting there looking at, um, looking at the isms

and the, um, you know, the leading indicators,

and they were all double digit down everywhere in the world.

Mm-hmm. And I'm just thinking, oh my God, this is, is this

how the, um, great depression starts, right?

Mm-hmm. And so,

and it really came down to the Fed,

what are they gonna do, right?

Mm-hmm. And, um, but you know, as you know, banks,

banks have $1 of equity in on backing $10 of loan.

Yeah. If that, if that, if that dollar

of equity gets destroyed,

either you've gotta find more equity,

or you've gotta sell your loans,

or you've gotta shrink your, shrink your book.

Yeah. You're insolvent. Yeah.

And, and, you know,

all the western banks were basically all the western

hemisphere banks, you know, European, US banks were in big,

big trouble.

And they're all shrinking their books, you know? Yep.

Should we get through this?

And you're thinking, geez, that's,

that starts a circular event where

that liquidity disappears from the system Yep.

And asset prices start following it, right?

So, so that's, uh, you know, there's only one person

who could, you know,

or the really, you know, the, the, the Fed had to act then,

you know, so mm-hmm.

I was watching what Bernanke was doing,

and they had to go in and go big, which they ultimately did.

Yep. But it was pretty hairy period there for a while

because, um, you know, um, if they didn't, I think

that we would've been, you know,

we would be a different type of history.

And then the Europeans, you know, drag, you did whatever,

had the whatever it takes speech, which mean that they were,

they were backing the me out.

So, and I think the,

the world actually changed a bit then

the investment world changed. Um,

I agree From, from that point on, you know,

I think the bank cycle is not as important as it used to be.

You know, the banks have been wrapped up, you know,

the bad boys, right?

And I, I think, so the actual

economic volatility is reduced.

Mm-hmm. What I'm interested in is where has that, where has

that risk gone, right?

Mm-hmm. So when I think of macro, that's what I think.

Where's that? Is that risk hiding somewhere, right?

So, you know, is it in private equity, private credit?

Is it, is it, how bad can it get?

But you know, the banks are, you know, you know, let's see.

If the banks aren't involved, then it probably means a,

a calmer outcome, right?

Mm-hmm. People will lose equity,

but it won't, you won't get that ratcheting down of assets

that leverage the effect

that you get with the banking cycle. Yeah.

But contagion kind of, uh,

Yeah, that's right. Where

it, it, it, it, it, it morphs into something terrible.

Yeah. But markets have a way of sort

of finding their way into that, right? They keep going.

Can't, Yeah. So I

Think you can't def define economic

reality forever, right?

Like numbers on a screen.

I mean, they, they're only valuable when they tie

back to reality.

And if you divorce 'em from reality, you can actually do it

for a crazy long time, but Yeah.

Yeah, yeah. You know, I I I, I, I wonder if like, my,

I shouldn't go too far down this path,

but you've, you've peaked interest, uh, my interest, um, I,
I, I often look at some of those actions that were made
by central bankers at that time,
and for all of the reasons that was,
and you've touched on there,
but I, I wonder if it hasn't created a, um,
a giant moral hazard where it's, it's kind of implied
that it's like, we're just not gonna let you fail.
You can do what you like. We're not gonna let you fail.
And, and in doing that, if you know that you get to,
like you're talking before about, well, gosh,
who's taking all this debt and taking all this risk?
And so, well, I probably would if I knew
that I'd get all the upside
and worst case scenario, I'm gonna get bailed
out if it, if it goes wrong.
Am I, am I too cynical there, or is that
No, I think that's right. I
think, yeah, we haven't had, I mean, yeah,
we haven't had a recession since.
Oh, we had the COVID one, right.
Which lasted a few weeks, you know, but the blip Yeah.
And, and that's what that implies, right?
That the feds basically,
and it can do that as long
as inflation doesn't get outta control.
Mm-hmm. So it can keep like pumping
liquidity every time there's a problem.

Pump liquidity, pump liquidity,

and that, that end, that encourages risk taking, right?

Mm-hmm. And, and so, you know, I had

to change my investment approach because of that.

You know, I, I was like, I would move from

like more onto the, I'm carrying probably more risk

now than I have before because,

because of that, right? Well,

You'd be silly. Not yet. It's

kind of, this is what such, such a, it's a,

um, bastard degree of things, because Yeah.

This is, and I've seen a lot of, I wouldn't say a lot,

but I'm certainly aware of investors who I regard

as very capable, very smart, who have been very nervous

for a long time, and their performance sucks.

Yeah. And it's just like, on one hand they're doing

what is sensible,

but I, I think if, if, if, if they have missed anything,

it is like, it,

it's a bit like Steve Keen in the property market.

He's like, well, if, if, if intervention had

never happened, I would've been Right.

It's like, that's true, but intervention happened, right?

And so therefore you are very wrong.

You know, a bit like that.

And so I do wonder,

because I, I, I can,

I can very easily get myself quite bearish on some

of this stuff, but I, I remain fully invested knowing

that it's sort of like, do you wanna be right
or do you want to make money?
And it might not make any sense,
but, you know, the reality is the can
could be kicked for a long time. Yeah. You
Know? Yeah. I mean, I,
I'd, you know, I listen to a lot of those,
um, especially the old value based like fund managers and,
and those guys killed it, right?
Those guys killed it before the G ffc,
but things changed, right.
And they didn't. So they're saying, you know, they know,
they, you, you, I was just listening to Terry Smith
and, um, Nick train
and you know, they're both down to perform
for five years or something.
Right? They would, they would,
I just don't think they've adjusted to the new, new World.
Right. And, and that doesn't mean, you know,
throwing out valuations and, and Sure.
You know, and going like, you know, going right out.
But it does mean a movement. Right.
And it does mean an assessment of, um, you know, of
what the, what the risks are, you know?
So I think, as I said, I've taken a more, some more risk,
like, you know, I would say that, you know, beforehand,
I never bought a stock
and made money out of it with a PE over 20. Right.

I was gonna ask, when you say more risk are, is, is that

where you're referring to sort of buying

and holding at valuations

that are higher than what historically?

Yes. Yeah. Yeah. Me too. Yes. Yeah.

Yeah, yeah. Yeah. And I, I, I think you

Can justify, I think waiting to get to a market PE of 16,

you're gonna be on the sidelines for a long time. Right?

That's, that's right. And I think you can justify that

because of what we've, now I I, I think that, you know,

when we went through the, the, the GFC,

my base case was right, we're gonna go back

to a boom bust cycle around about 2014.

I went, oh, right. We are not in,

we're not in Kansas anymore.

Right. Something is going on.

And it's, it's not, there's something, I dunno what it is,

but it's, something has changed.

Yeah. And I think that, I agree.

You had to, like, you had to start to, um, look

with a slightly different lens mm-hmm.

And, uh, become a, I think, you know, valuation drop down

the pegging order, whereas, you know, number one

and number two, maybe it's now the number

four or five or something.

Yeah. Right. Yeah. And I think that, um, you have

to cut yourself some more slack.

And, you know, if, if, you know, we've, one

of the strange thing, you know, I think part of that, you know, there's a few, few sort

of elements coming in the why the, the, uh, with the cost

of capitals fall, the, uh, secular growth is, is in,

in the markets in the world, has slowed

that favors certain companies.

Right. So, you know,

and that's, that's, I think that's

where you've gotta go, right?

So, yeah. Um, and that took me a while to work out.

But, um, but I think there's still people who sort of talk,

you know, these, the fund managers who like their fighting,

they're fighting the war from bloody last

century or something, you know?

Yeah. Yeah. And I think it's changed, you know? And which

Is hard. Which is hard, right,

Sean,

because it, I, I, I mean, I agree.

I I'll start off by saying a hundred percent agree,

and I think it explains things like, uh, Woolies

or West Farmers, you know, I think incredible companies,

but, you know, PEs of 25 to 35

or something in that range, I think particularly

for West Farmers is up there.

And it's like, that makes no sense whatsoever. Yeah.

Um, uh, but, but anytime, anytime.

And you, I know you, you didn't use this term,

but I'll use it anytime you sort of suggest

or hint at a new normal, nine times out of 10, that's a,

that's a hard, because, you know, there's very,
there is very, very rare to get a genuine new normal.
So how do you square that kind of, so how, how is it,
and I think we got a question on this as well.
It's like, when the world changes, how do you, how do you,
how do you think about that in terms of, is this just a,
a period of, uh, irrationality that I have to sort
of weather through and things go back to normal?
Yeah. Or is this a new normal?
How, how do you think about that?
Well, I think it's, it's first, it's rare, right? Yeah.
You need a big event. And the G FFC was a bloody big event.
That's right. You don't get,
you don't get the Western worlds banking system collapsing
true very often, right?
Yeah. So, so there's a big event.
And, and, and I could see
that probably a few years afterwards that, oh,
it wasn't going back to a boom bus cycle, right?
Mm-hmm. And, and you could, you know, people,
and I, a couple of guys, you know, I,
I keep a very close eye on the equity strategists, you know,
when I had a lot of access to them.
And not, not many of them, you know,
started talking about, oh, it's, it's due to accounting
of intangibles, you know?
And, and other guys said, you know, it's,
it's tech driving down, you know, cost,
it's China overproducing, it's all these sort of things.

And, but they're all had, they're sort of like,
they could see what was happening.
And they're trying to say, find a reason
to explain why it's happening.
And it is important to find that reason.
'cause it ever changes, you know, it's, it's,
it changes again, right?
Yeah. But we're 15 years into that now.
And, um, you know, and,
and that's why I thought it was interesting when scent,
like, um, Trump's guy said, you know, we, we wanna favor,
um, what's called Main Street over Wall Street.
Yeah. So what's that mean? You know, what's that mean?
It's, that means to me, it's like, oh, they're trying
to change more inflation, trying to get these
more like lower quality companies employing,
who employ people, you know, get them more profitable.
Mm-hmm. You know, so they're trying, they're, they're trying
to have a go at it and let's see if
they succeed or not, you know?
Mm-hmm. So, but you, you're finding some pretty big, um,
some pretty big secular, um, you know, um, you know,
progress that's going on with that, you know,
that I don't know if they'll be successful, but let's see.
You know, they'll have a go. Yeah. Yeah.
And so, so I'm sort of like in that camp where I'm,
you know, secular growers should be worth a lot more than
they have in the past because the other companies just

can't, can't keep up with EPS.

Right? Yeah. And that's what the determinant is, right?

Yeah. So, um, yeah.

So that's where I come from, you know, and, and, and,

and then it's sort of like basis, a a lot of my, um, you,

my portfolio is built around that, right?

So mm-hmm. So let's see how long that lasts, right?

That's why it's interesting. That's why I keep saying I'm

interested to see how, you know,

if there's risk then in liquidity and,

and where, you know, what that means, you know?

Um, and am I missing something, you know? Yeah.

I keep looking to see what, what I'm missing. I

I love that. By, by the way, that,

that I, I actually,

what you said suggest there is, is I think something

that we should all lean into more, which is, it's hard

to psychologically, particularly when you find something

that you quite excited about

and you like it, you just,

we all tend towards confirmation bias

and, you know, we want, we want to believe kind of thing.

But that constant, you don't wanna,

you don't wanna corny yourself with constant doubt.

But I, I think it's important to ask rather than look

for reasons as to why you are.

Right. Look for reasons as to why you are wrong,

because that's, that's, that's what's gonna strengthen the,

the, um, the conviction, you know?

And, and, yeah. Yeah.

It's better that you find it out right.

Through, through honest introspection

and the market tell you that you're wrong. Right.

And it's, and that's not easy, Andrew, right? No.

It's not easy. Uncomfortable news is not taken

well by anyone, right?

No, but you have to, you have to look at it,

and you have to like think, uh, is this guy, right?

Is this news, right? You have to be quite, um,

like objective, right? You can't, that's,

That's why it's called Straw man, right?

Like, do you want,

do you want want the idea to be challenged, right?

Yeah. I mean, I, and you know, I like, you know, you,

'cause I'm sitting by myself now.

I, I spent like 30 years or whatever going in

and, you know, talking markets

and stocks every day to a bunch of usually smart guys,

sometimes not smart guys, but, you know,

but having that sort of any type of like feedback Mm.

Is important. And I, I think also writing, what I found is,

um, writing stuff and putting it on strawman is a real test

because, you know, I've, I've had ideas

and I've written it out, and I've went to point, I said,

this is a load of crap.

I'm not putting this, They're gonna

think I'm a complete idiot.

But that, that extra discipline,

I think is very useful, right?

Yeah. And so, you know, uh, it's, it's to, um,

to look at yourself and make sure that you, you are like,

uh, um, having an a second opinion

and also forcing yourself to go through

and justify your, what happens in your head Yeah.

May be completely different to when you write it down

and have to explain it to someone else, right?

Yep. And, and also being okay with that,

but being a, um, not letting it get to you.

I think some of the, the quality I notice

amongst really good investors is, is

that first part that you just mentioned.

And being able to have that honest introspection

and recognize that went there wrong,

but two, when it happens, just like I was wrong.

I was wrong. Yeah. So move on, rather than,

and it's very natural to kind of dwell on it.

I'm an idiot. Especially if you've said remarks publicly.

I was like, oh, how embarrassing.

And then it makes you a bit gun shy

and it just, it, it screws with your thinking,

but it's kind of like, there is something very cathartic

and, and I just, and,

and valuable in, in saying, yeah, I got it wrong.

Move on, you know, rip off the bandaid and move on.

Yeah. And that sometimes you, in the professional space,

that's very hard if you've gone out publicly Oh yeah.

You're backing a stock. Yeah.

And then all of a sudden you realize, holy s**t, I'm wrong.

Yeah. Now that's gonna do huge.

Now you've gotta explain it. Yeah.

I'm, that's gonna destroy my credibility

here, so what am I gonna do?

I'm gonna have to like, think of like the ask excuse

that sounds credible, you know?

Yeah. Before I can actually do anything about it. Yeah.

You know, so I, I'm glad I'm out of that,

that, that whole game.

But, um, but yeah,

but I, I, you know, I, I'd say that, you know, um, you know,

having a, having your core philosophy is, is very important.

You know, I, and you know,

that's probably one thing I have pushed that, you know,

you have to work out how you believe, you know,

and that, what, what do I mean by that?

You know, it's what's the anomaly in the market

that you're trying to arbitrage out consistently over time?

Right. And 'cause I'm more in the sort

of like the lower risk sort of a, uh, uh,

quality growth type companies where I have a lot of my,

my money, the opportunities, there's a lot

of eyeballs looking at them, but the opportunities come up.

Right. And, and they, they,

but you have to have done the work beforehand

and then move very, very aggressively when they do.

Right? Yeah. That's the, so that's sort of the way I've sort

of morphed my, you know, my, um,

my process at the moment, you know? So, um,

Well actually in the, in the blog post, you,

you described yourself as a reluctant seller. Um,

Yeah. I

Like, I really like I've heard, uh, my mate,

Scott Phillips often says, you know, be slow

to buy and slow to sell.

Which is, I've always liked that.

And it, it's not, people can take issue with it

because I think you do need to be decisive when,

when the decision has been made

and you're, you're, you're, um, uh, the conviction is,

is no longer there,

but at the same time, you don't want

to jump at every shadow, right?

Yeah. So how, how, I guess the question I have is how,

how do you distinguish between

what might be just a bit of a flesh wound?

Like the company's made a bit of a misstep, you know,

it's on them, or, or they just, they're they're victim

to some greater force than them versus something Oh, no.

Something structurally wrong with these, with this company.

It's, it's not getting back.

Yeah. Well that's, that,

that's probably the hardest thing, right?

In investing what you said just then, right? Yeah.

To differentiate that.

I think that when something comes out

that is a complete surprise to me, uh, you know, I,

I I'll the, you know, you know,

I've been following this company, listening to them,

I think their profit's gonna be up 20, it's down 20, right?

Mm-hmm. What the hell did that happen, right? Yeah.

That, that's when you should like be thinking, right?

Um, either, either they're being very unlucky

or you don't dunno what's going on.

Maybe you, you don't know it as well as you think, you know?

Yeah. And, and so I think that's, um, when the,

when there's, and I'm as I, I'm, I'm guilty, right?

I, I can like, try

and make excuses for companies that you, like, you, you try

and give them every excuse you can.

I'm a master of that. A master of that.

That's usually a mistake, right? Yeah.

And I'd I'd say that, you know, I've, I've sort

of broken it down to, you know, I do forecast out profits

that I think will, you know, the, the,

what the company should do.

Yeah. And I, and then I assess to what they've done, right?

And, and,

and you know, sometimes there's a lot of gray area, so,

you know, and sometimes it's not, you know, so you have

to be pretty decisive.

And as a retail guy, you've got the, you know, you can,

you can sell out

and have another, think about it, where

as a professional guy, you can't, right?

Yeah. You to, to flip flop, you know?

And you don't wanna do that a lot,

but you, you, you know, you really saying, oh, I'm not sure,

but I'll sit out and have a good think about that.

And once you're out, you can have a real objective look at

it, and you say, right.

You knows, oh God, that's true. Yeah.

You, you, you can, you can, um, that clears your mind and,

and you're not beholden.

Right. And that's, you can always

Buy back.

Yeah. That's a big advantage

of retail guys are good against the professional guys whose

every trade is being looked at by the consultant, right?

Yep. What, what did you do there? What happened? Yeah.

Oh, right. Oh, right. I hoping you wouldn't find that.

You know, so yeah.

So I think, you know, take advantage of that.

But I think that, um, you know, that flesh wound too, and,

and, and I can see my biggest, I can see where my biggest,

um, errors come from

and, you know, I'm like, I love like formatting

like, you know, framework and, and following that.

And my biggest errors come from like, like will be,

you know, following a company.

It's, it's, um, a quality growth company I'm interested in.

I'm, I'm watching. It's too expensive. Too expensive.

It has been expensive for years, year, years.

And then all of a sudden the share price falls.

And I say, this is beauty. This is my chance.

And I get in and I say, I know why it's fallen

and it's this reason and that reason is wrong. You're

Right. Yeah.

You thought it was a flesh wound

and it's something far, far

Deeper that's not, and,

and that's where my biggest errors come from.

And I, I think that it's, it's to an extent now that if

that happens, so, you know,

I'd say you've got two scenarios, right?

You've got the profits going up and the share price halves.

Mm-hmm. I like that scenario, right? Yep.

The profits collapse

and the share price halves, you better be Right.

That you better be like, you better be Right.

That you can pinpoint why that is the case.

And sometimes, um, it's harder than what's, so I think,

you know, I, it's probably worth stepping back

and you know, I I, I, that's where most

of my losses have come from, that, that's sort of scenario.

Yeah. So now I said, right, if that happens, I'll sit back

and have a really good look and,

and you usually got at least six months

or a year to think about it. Yeah. There's

No rush. That's, that's there's

no rush. I agree with that.

I mean, some very occasionally you come across little sort

of mini crashes and you think, oh, I missed it.

You know? Yeah. Yeah.

I, I think I, I'll double down on that point.

'cause I, I, I, I feel as I'm the same,

I'm a sucker for a falling share price.

I love it. 'cause I feel like I'm getting a bargain,

which is just pure anchoring.

Um, but yeah, there's usually, there's usually plenty

of opportunity to think about that,

you know, and you, and you don't need to.

Like, I must buy now

or I'll forever miss the opportunity. Um,

Yeah. I mean, and

that's one of the reasons I sort

of went in the US market

because I, I'd said, geez, I need to spread, need

to have a look at, um, more quality growth companies.

And there's a lot of them over there, right.

Australia has, has got a few, but the US has got a lot.

Yeah. And the thing that I say is, I was surprised by

that is just how volatile the US is, right?

Yeah. It's like that. It's crazy.

It's like, it's, it's, I I, I read a lot of stuff

'cause I'm on Seeking Alpha

and some of the stuff I read,

I'm just like, mm, my goodness.

These guys are really, you know, they're, they're tying themselves.

They're very short term. Mm-hmm.

And they extrapolate like some bad numbers. Mm.

Like, um, a, a slight miss and all a sudden that's it.

It's all over. Yeah.

Then they, they, they, they, they see some good numbers.

It's all on again. Yes.

So that, that volatility, um,

the share price volatility is much greater

than the business volatility.

Mm. And that's opportunity, right? That's

The opportunity's Opportunity. Yeah.

Hundred percent. So that's the right, I, you know,

that's what I, where I'm focused on.

Yeah. But you have to have done the work.

Right. You have to have done the work.

Let let me ask you this too, actually.

I'll, I'll get to some questions in a minute.

How's your timing fit today, by the way?

I, I wanna respect your time. Fine. Okay,

Fine. Yeah, yeah, yeah.

Um, This is Martin Luther Holiday over there.

Oh, is it? Okay. Okay.

Um, uh, one of the things you,

you also mentioned was the use of debt now.

Yeah. This is something I think I've in,

in the last five-ish years.

I think I've radically changed my view on it.

I was always super anti debt and I look back in hindsight
and think, oh, that was a wrong move.
Um, uh,
but there's a lot of nuance to that,
that kind of, something like that.
Yeah. Do you, do you wanna unpack it a bit for us at least?
Yeah. Yeah. Actually one of, one
of the people in Strawman rang me up and, and,
'cause I, I mentioned it somewhere along the line a while,
and he wanted a young guy, younger guy.
Mm-hmm. Anyone in the forties, younger me, sort of like,
you know, it's, um, it's, it's,
and talking it through him, it became again,
another one thing where you talk through something, the,
the, the, the importance elements sort of pop out.
Mm-hmm. And I think that the three things that, you know,
like I use debt and, um, you know, and,
and we, we know you can like work out the
after tax cost of debt if you, if your portfolio, you know,
we know that leverage effect you get from debt, right?
Mm-hmm. I think most people understand that.
Um, but the, the other big positive I got from it was
that it really, um, helped FOMO for me
because I didn't have cash building up.
I, I would like, I never had cash.
I would, it would be either going into
stocks or paying off debt.
Yep. So it would, and,
and what the debt did, it gave me the flexibility to like,

Hey, this stock is looking really good.

I'll borrow, you know, 50 grand or whatever in, into that.

Right. And then, you know, I might get a bonus

or build up cash or whatever

and then, oh, I can't see anything,

I'll just pay down the debt.

Right? Yep. And that, that, um, that actually helped a lot.

Yeah. Yeah. And I dunno if I'm explaining it clearly,

but it, it, it, it,

otherwise I'd be looking, trying to force the, force,

the p you know, force the call I

have to find something to buy.

Yes. Where that, that debt allowed me

to be much more opportunistic.

Mm-hmm. And that, that really helped.

But, but in terms of like the actual debt that I had,

you know, I was probably lucky

because, you know, property was a lot cheaper back then,

so I could secure it on my house.

Yep. And, and the banks were really

willing. So I basically had

No, no margin call either.

No mar that's important.

No margin call, no one was gonna ring up

and say, Hey listen, you know, sell, sell, sell.

So it wasn't margin, it was, I could move it up and down

and it was relatively low cost.

So those three factors were pretty important. Um, Did you, did you have a maximum LVR

that you would sort of try and

I would, I would, uh, not, not so much,

but I would look at what I,

I I wasn't, I was pretty careful.

Mm-hmm. I was pretty careful, you know, if I would get 30

or 40% debt, that would be it.

Yep. You know, I was, I was wasn't,

Oh, it's pretty safe, right? Like

it it would, it would require an incredible, um, turn

of events to put you in trouble.

It almost did it in the G FFC though.

Yeah, that's true. I I, I held a leverage for it's

Not risk free. Yeah.

And I, it almost disappeared into,

it's up its own backside there, you know,

that, that's pretty scary.

Yeah. But, but they didn't have but not margin. Right? Yeah.

So they couldn't call it in, which was, you know,

which a lot of people, what happened

to them right. At that time. So

I actually don't think even mechanically they could let,

let's say, you know, something like CommBank, I think 70%

of its loan book is residential property.

If there was ever a sub substantial serious sort of,

and sustained fall on theory, in theory,

they can always turn around and sort of sell,

but they, they can't liquidate

that many properties that quick.

Like it just, it almost becomes impossible for them to do.

No, no. And then on top of that, you've got the, I would,

I would bet my left arm that there'll be some kind

of bailout or any kind of any do anything to stop this,

you know, this from happening

and if longer term consequences be damned.

So there is a, there is a bit of a, a fed put

or a RBA put that's sort of a on

On on property. I, I

suppose I was just talking about them

selling out your shares. Right. Oh,

Right, okay. Yes. Yeah.

Selling you like, you, you, you near margin sell all your,

sell all your Mac bank at $15, you know?

Right. Yes. Thank you. You know, it's like, um, yeah.

So I wasn't exposed to that

and others were, I, you know, they,

they selling your property out from, that's, uh, that's, um,

that's a different Yeah.

I, I don't, I don't think it's anyone's interest

to go down that, that

I, I, I, I definitely,

but I, I guess I'm trying to sort of put in, I, I want to

speak out both sides of my mouth.

On one hand, adding debt will always increase risk just

as a, it just does, right?

Yeah. Like, it might be right low already

and just go to a, like, not, not very high, but it, it will always do it.

But when you have a non-recourse, low interest debt,

no margin call at a 30% LVR, you know,

firstly your property has to fall 70%

and then the bank needs to be willing,

like that is a big fall.

Right. And then the bank needs to be able to willing

to liquidate that underneath.

It's sort of, there is, there is, um,

risk is always in our game.

We can't get rid of it. But I, I think we as invest,

well, I speak to myself.

I, I was too, uh, binary in my thinking

and I just, I would always sort of have this view of

probably more appropriate to my grandparents.

'cause like debt is always bad. You don't need it. Yeah.

Why would you do it? But I've, I've come to realize

that actually using a bit of sensible debt to, not

to go on a holiday,

but to buy productive good quality assets when,

when the risk is that low, it's kind of like, I'm not,

I don't wanna say it's risk free, but the risk is super low

and it really can enhance your returns in a sensible way.

Yeah. Yeah. That well, yeah, I, uh, I, um, sort

of when I got to, you know, when I started in

through my fifties, I sort of said, oh, right, I'm gonna,

um, you know, and, and,

and you know, I, I sort of wound it all slowly,

wound it down and then stopped it.

So I haven't got any debt now, you know, as I'm, you know,

you know, it's, uh,

but during those, when I was earning, you know,

earning money, et cetera, so you had a wage as well, so,

you know, um, yeah, yeah, yeah.

Yeah. So that's, that's it.

It it did, did help those returns. Right. So, um,

So, so let, let me before, um,

before I go to some of the questions here, Sean, you,

you said you did have a few bullet points on,

on things you wanted to touch on.

What, what haven't we touched on yet that,

that you'd be keen to share some thoughts on?

Ah, let's have a look here.

Yeah, it's, um, I think like in, in one of the things I, I,

I, um, yeah, we like deep feel liquidity, you know, what,

what keeps you up at night, that type of thing.

Um, yeah. Uh,

because I, you know, my portfolio, you know, just

to give you its context is I,

I only own like three assets, right?

That's, that's basically all I have.

I bought my house with the, with the, over the tax free, um,

you know, the tax free treatment, the, the, um, I, the,

the fine benefit pension for my days at,

at in the Commonwealth government,

which is pretty handy now.

Mm-hmm. Um, and, and my share portfolio. Yep.

And the share portfolio is a multiple
of the other two combined.
Right. Right. So it's big. It's big. Mm-hmm.
So I, so when I look at that, you know, it's, it's, it's,
it know when I have a, like a 5% position, it's like, it's,
it's like a, it's like my, uh, almost 5%
of my net wealth is in that stock.
Right, right. So, yeah.
So it's pretty pun, you know, so, you know, when I look at
that and where I am now, you know, it's skews I have
to skew to lower risk.
Right? Yep. I have to skew you
because it's, it's irreplaceable capital.
But I, I, you, the things that sort
of interest me like is just when, when I, I look at, um,
other pe you know, one of the things, uh, when,
when I became a, a, a, uh, a retail investor
and left, left a, uh,
and one of the things that sort of assessed me was, um, just
how do I measure myself, right?
Mm-hmm. And, and, you know, what type
of benchmark do I have, you know, and yeah.
That's sort of like, um,
so I ended up like having an equal weight benchmark
of all the quality stocks in the wall.
So from Apple down to, you know, a small Aussie company.
Yeah. And then to skew that between us and, and,
and that's all I really measure myself against now.
Mm-hmm. Right? Mm-hmm. It's a, it's a hard benchmark, right.

And this came from Munger. Right.

That's, it's funny that I think Munger's stuff

resonates more with me when I'm a retail guy,

where Buffet was like pretty, you know, he's, he's,

you know, he's a great investor,

but I think, you know,

Munger probably had a wider view of the world, right?

Yes. But, um, you know, he just said like,

find the really tough media

and don't worry about anything else.

Mm-hmm. It's probably, you know, hard to do

because that we, you know, on social media now,

which is something that's obviously changed now, you,

you get so much noise out there Yeah.

That distracts you, right? Yeah.

And so, you know, I'm sort of like, you know,

and we don't really, you know, being able to segment

returns into risk, skill and luck mm-hmm.

Without having, uh, a lot of insight into what they're,

what's going on is very difficult, right?

Mm-hmm. So, so I'd say that that, um, that, you know, and,

and also being true to yourself, you know, being able

to sort of split that up between what's, you know,

am I just taking a lot of risk?

And so I've done well

'cause of that, you know, in a bull

market, is there luck involved?

There always is How much, you know,

how much was actually skill out of that?

You know, that's, yeah. I seen a lot of time like thinking

through, um, and,

and, you know, sometimes that that comes only

with experience, right?

After looking at it, um, you know, a lot that's important

to be able to, you know, how hold yourself accountable

and being, uh, being quite aware of, um, you know,

maybe you're not as good as you think

you are, you know? And, and,

Well, I'm, I'm smiling

because it's just like, if it does,

if an investment doesn't work out, it's, it's luck.

And if it works out well, it's skill.

That's, that's how I do it.

Well, that's, that's, that's Exactly right.

And when you're a professional fund manager,

that's exactly what you

Right. Bad luck,

bad luck, unless went up

A lot of risk. Right. That's

why he is outperforming, you know,

you watch out, he's gonna collapse.

Yeah. And, and,

and, you know, so, you know, redefining all that stuff,

I think you have to be honest with yourself, you know,

and that's, sometimes that's hard.

It only comes with like, um, having viewed returns over and,

and thinking about, wow, you know, that I was lucky there.

I wasn't lucky there, you know?

So I'm being honest with that.

Yeah. I think my best performing, uh,

shares I've ever bought was mainly luck.

I think the thesis was right,

but I had no idea the multiple was gonna expand, just to,

to extent that it, you know, it was just that I'm like it,

well, it was EDUs, right?

I, I completely bossed that up in terms of

how long I should have held,

you know, would've, could've, should've.

But it's like when I first bought, I had, I had no idea.

Right? Like, and, and anyone, I think, I think

who reimagines the past with that kind

of stuff is, is wrong.

And I think it, it's an important, uh, just

to double click on that point that you make, is

because when you do mistake luck for skill,

you start to think that you can repeat it.

And and luck is hard to engineer

to, you know, to repeat, right?

Yes. Um, so if you think it's skill

and it was really luck, you can get yourself

into, into some trouble. That's

Right. Yes. Exactly.

I mean, that's why, that's why you have to,

I can, you know, and I've got some things that I look at

that I think, oh, that's luck.

You know, that's when I look at, um, you know, uh, myself
and other thing, other people's returns,
if you can see if you have that transparency, right?
Yeah. You may not have that transparency.
You need transparency to start with. Yeah.
And then, um, you know, you can see, oh, right.
You know, they've, they, one
of their big positions just got taken out at enormous,
and the, the buyer is now in a world of pain, you know?
Mm-hmm. So they were lucky there, you know, or,
or it's come from one holding, which has rocketed up,
and, you know, or, you know, there's a, there's a, a,
a few things you can sort of look at,
and it really comes down to how well they can, you know,
um, explain their investment process and philosophy, right?
Yeah. And is that consistent with what they're doing? Yeah.
Now that's where it comes, comes down to where you can sort
of say, is it repeatable?
Right? Yeah. Yeah. And that's
what we want. We want repeatable.
Oh, it's, yeah. If it's not re Yeah,
you're in all kinds of trouble.
Um, okay, let me, let me throw some questions at you.
I got a good one from Alex. We, we were talking about
before, how, you know,
how the world has perhaps changed a little bit after the GC,
but Alex question is, what principles have remained true
and continue to work throughout your career,
despite all the noise?

So what, as opposed to what's changed?

What, what, what is as true today in 2026

as it was in 1986?

Yeah, I think that, um, I think, I mean,

I'm still a valuation based investor, you know?

You, you have to, you know, nail your colors to something,

you know, and yeah, I, I,

I still believe there's an intrinsic value,

there is an intrinsic value that can be calculated

for many stocks, not all.

Mm-hmm. Right. Not all stocks.

I, I see guys trying to like,

and I just say, I just don't think that can be done,

but, you know, good luck to you.

But it's, um, but, you know, I, I think if you can, um,

calculate intrinsic value with a reasonable amount

of certainty mm-hmm.

That, that is, you know, and,

and what you want that is going, you know,

increasing over time mm-hmm.

And understand why that's increasing,

and having the share price zipping around,

that's probably what has stayed.

You know, so I, I call myself a valuation

based investor, right?

And that's stayed consistent.

Now, you know, I've had to like,

expand those bands out, right?

Yep. And, and, and, and,

and same look at what's, what's actually, you know, and,

and you have different type of stocks working

and others not, like the, the world was dynamic.

It changes. Mm-hmm.

Like, you know what I, I came across, um, I was thinking

of writing a, writing a book, and I sort,

after I wrote this though, I sort of dropped that idea,

but I was doing a bit of research.

I thought it might've strengthened the con the idea.

Oh. Oh, it's too hard. Yeah.

Maybe I'll either go, maybe I'll either go and it's, um,

but I thought maybe it's just like, you know,

talking about stocks and situations and mm-hmm.

Have like snippets type of thing,

rather than a, a huge thing.

But, but I came across in 1988

Australia's top a hundred stocks.

Oh, yeah. And,

and I, I was just like, blown away just

how much rubbish there was back then, you know?

It's like, it's, it's changes. So the point is

We wouldn't, we wouldn't know

90% of the names probably now,

Uh, I was gonna put it on straw, man,

I thought people won't know what they are. Right? Yeah.

But that, that's kind of the, that's kind of the point.

Yeah. That's the point. Yeah.

How much it's changed and,

and, you know, it's, it's just how,

and you have to adapt to that, right?

So Oh, for sure. There's no health, no tech,

obviously no tech, you know, no health.

Yeah. You, you, you look at sec secular growers outta

that hundred, I could like find five.

I'm, I'm convinced too, if you go 20 years forward, I,

I reckon the biggest company in the world in 2046 is

no one would know right now.

It might not even be incorporated yet. Right.

Like, the world changes and it's changing faster, so.

Yeah. Yeah. So I know, so that's the dynamic sort of.

So, um, so that's a change. Yep. That's a change.

But I, you know, I'm still a valuation based investor,

you know, and believe for many stocks you can find intrinsic

value that you can have, uh, belief in.

Mm-hmm. And you can trade around that. Right.

Then that's, uh, that's my, my, um,

I, I agree. Yeah.

Our call, right. And that's, uh,

I mean, you could be wrong on it,

but at least it, it gives you a, it gives you a ground,

it puts that line in the sand, right?

Because I mean, obviously,

why buy something if it's not good value?

Like, it doesn't make any sense.

And, and if you don't have a valuation, you,

you can't answer that question.

I think a lot of investors get intimidated by it,

because the process of doing a valuation, uh, can be tricky.

And you've got to, it's, it's unavoidable

that you must make a bunch of guesses.

You can call 'em forecasts if you like,

but you've gotta make a bunch of guesses, right?

Yeah. And, and it's only got garbage in garbage.

So I think all of that rattles people,

understandably, definitely rattles me.

But, but just two things.

Doing, going through the process will force you

to think about the things that you need to think about.

And if anything changes

or things will almost certainly change

as the future unfolds.

You can identify where it was

that your valuation potentially was wrong, was,

was I too ambitious in what the company was going to do?

Or perhaps it was more asinine, maybe a, a tweak

to the discount rate, or, or, or something like that.

Yeah. So how, how do you, I mean, without going, it's hard

to do in a, in this kind of format,

but just high level, what's,

what's your process of valuation?

Are you a, a DC, F kind of guy,

or how do you, how do you do it? Yeah.

My, my baseline is basically I look at five,

five year EPS growth.

Mm-hmm. And I estimate that, so why I pick five years?

'cause that was the old, like, business cycle.

And basically trying

to like iron out any unusual stuff like over earning

or underearning and, and like, say like, this is

what I think this company will learn in five years time,

and then attaching a PE to it now market. I do.

Yeah. That PE is like, you know, I think you,

mal Basin says you have to like, earn the right

to use PEs and he's Right, right.

Yeah. Because you can just pluck them outta the bloody air.

Oh, you make any valuation you want, if you choose.

It doesn't even matter what the earnings are.

You just apply the correct pe Yeah.

So what I, what I do in that, that pe I'll look at

that a few different ways.

'cause remember, we're looking five years out in the future.

Mm-hmm. And so we are looking at the

growth past that, right?

Yep. And that's, that's difficult, right?

So I can, you can look at, its, its historical PE

and just say like, how relevant is that?

Yep. You can do build it up from like Rick's McNiven,

you can build it up from the bottom, right?

Yep. If that's relevant. Yeah.

And, and, and you can,

and then you can sort of like say, well, what DCF does

that imply for a, you know, you can look at different,

different ways to see what makes sense.

Oh, you've got comps, you know? Yeah.

Look at comps to see what they're trading at. Yeah.

Does that make sense? You know? Yeah.

So I, I look at it, um, from that, that way,

and, you know, sometimes you say, geez, this, um,

this PE is just, it's, it's just too much, right?

Yeah. It's, the story's great, but I'll look somewhere else.

Right. I'll, I'll, yeah. Good luck to you. Yeah.

But I, I'll, I'll just sit out

and just keep watching it, you know, but, and,

but then sometimes like you get like a promus

or a hub mm-hmm.

And I think you have to try

and do a, you know, where the PEs are so high, you have

to have a go at a dcf.

Mm-hmm. And, and,

and that really only works with, with where you have a light

of, um, foresight into the TAM and the margins.

Yeah. You can't have confidence over that, right? Yeah.

It's, otherwise you can completely

fly off the bloody handle.

So, um, yeah. Yeah.

So there's, uh, some certain stocks

where I'll use a DCF F and see how that looks. Right? Yep.

I think that's, that, that's the process for me.

It's not, it's not, uh, um, for anyone who's struggling with

that, it's listening to this is, is that don't,

you don't need to wedge yourself to one valuation.

I think the process of going

through various ones is, is informative.

'cause I can at least figure out what needs to happen

for this to be good value.

So you, it's almost, it's almost like a reverse

DCF where it's like, right.

Just I'm gonna assume that the share price is, is sensible.

And if it is sensible, what does

that infer about our, about the future?

Yeah. And then ask, does that make sense? Right. Yeah.

I, I think was one of the, the things that, well,

Promatic is a great example.

I think it's probably easily one

of the top 10 companies on the A SX,

if not top five or top three.

In fact, it's an incredible business.

But, but, but the question isn't, will it grow

and will it grow a lot?

Will it grow enough to, to account for an inevitable

compression in the PE over time?

Because, you know, yeah, it's a race, $200 billion

or, you know, whatever, whatever value,

what big stocks don't trade at PEs of 100

for long periods of time.

It's gonna, it's gonna fall. It's gonna mean revert at

some stage, and that's fine.

Um, but will the earnings growth be enough

to compensate for that?

It's like, it's like the Melbourne Cup take the best thorough bread in the land and put so much weight on it.

Yes. They can still win.

Great. I'm stealing that. That's a great analogy. It's,

That's like, um, that's, and that's the pricing, right?

It, it's the handicap, you know, uh, working.

So I, yeah, I, I, but that's the, um, you know, and,

and that, that's always a work in progress, right?

So, yeah. Um, and,

but, you know, you're not forced to buy anything.

Right? You can, you can, as you can buy, you know,

when the opportunity comes up, you have to be opportunistic

as a, as an investor, you can't, can't move, you know,

you can't, uh, forego that, that, that. Well,

And sometimes they all come at once.

Right. Sometimes you'll have three great ideas,

and then you'll have these long periods of nothing.

And, and, and,

and that's hard when there's a bit of cash

to your earlier point when there's a bit

of cash burning a hole in your pocket, uh, you know,

you got a bonus or an inheritance

or something, a big, you know,

sold a property or something's happened.

It's like, I've gotta invest it

and I've gotta invest it now.

But if the idea's not there, then wait.

Yeah. That's that.

I find that, you know, I think

most people, I find that hard.

Yes. And that's probably another area that, um,

I've made mistakes in that.

Yeah. You know, with me, you, you, you, you, it's a, um, a,

a flaw that's very hard to overcome, right?

Yeah. That's, uh, you try

and like, um, you do the best you can, you know, you know.

Yep. You know, it's the flaw,

but it's still hard to get around.

And we we're all human. Yeah. Um,

To her is to human, uh, to, is to be human.

Let, let me, let me put this one to you.

I think, Alex, I think we've got that question,

and I think we've covered that along the way.

I'll go to the next one. Cleo.

Um, do you have any wisdom to share on

how global markets a SX in particular might react if Trump

succeeds in crashing the US domestic economy

that's distinct from US international players like Amazon,

apple, Microsoft, in the sense that what,

what might we expect to see and have to weather?

It's an interesting one here.

It's hard to sort of, um, yeah.

Tease apart politics from investing at times.

But I mean, you know, he is doing some pretty radical,

let's call it interesting stuff.

Uh, and let's, let's, let's not handicap it

as if he does or if he doesn't.

But let's say, let's say the US economy continues to sort of, um, uh, not do well.

What, what do you reckon that means for the A SX?

Well, well, I, I think that's, I mean, I,

I've gotta admit, it's, it's not something that I like, um,

incorporate, you know, I, I try

and keep focused on the,

on the companies company by company.

Um, and, and, you know, the macro I I look at is, as I said

before, it's sort of what's the

liquidity backdrop for the markets.

And, and, uh, after that, it starts to get quite confusing.

I think, you know, and I,

and I sort of like to step back a bit

and I, I, I look at my companies

and that I own like it all, all, hell, all, you know, like,

you know, let's put all the crazy stuff though,

like ther main nuclear war or ail invasion

or, or, you know, yeah.

We all turn into the cannibals or something. You

All, all of your investments are

looking pretty bad at that point. Yeah. You

Are not gonna be worried about the, there's a cannibal

chasing you down the street.

And so, like, um, but it, if we, you know,

so coming back close to the reality, I think there's only

so much you can actually, um,

you know, forecast for.

So the way I handle that, I look at my companies, I,

you know, and I just say, listen, you know, as I said before, if something bad happens

and liquidity tightens up, they can't get bank debt.

Um, the equity markets are closed.

They, um, you know, as, as sort of what's happened back in,

you know, in the ffc in,

in Australia in the early nineties mm-hmm.

How will my companies go? Yeah. Can they survive? Yeah.

That's sort of the question I have. It's

Like a stress test, uh, in advance.

Not, doesn't, doesn't matter why it

happens, but if it happens,

Yes, that's right. Can they

Stand up That, that why is, you know, you can go round

around in circles on that and,

and there's numerous sort of things that could happen,

but if it does happen mm-hmm.

You know, and, and, and, you know, that's where I,

I got this concept of

where do you wanna stand on the risk spectrum?

Mm-hmm. Right? And, and I'd say like, you know, maybe one

or 2% of my companies could fold, right?

Mm-hmm. The, if the pressure is put on them Yeah.

They, they, they, they need cash, you know, and, um,

and if debt and the equity markets are both closed Yep.

Um, they're in trouble,

but the rest, you know, a lot

of them have got their cash right.

And they've got cashflow Sure.

That cashflow will drop,

but that gives them, you know, they will react quickly.

Then, you know, you, and then the fed comes in. Right?

It's like, so, well,

It's, yeah. Sorry.

I look at it, I, I, I really look at the strength

of the businesses and, um,

and then the end of the day, that's what you have

to have confidence in, right?

Yeah. When, when, and you know, when in the bottom

of the GFC, you know, I was looking at my companies

and thinking, all if these guys go down,

Australia goes down, right?

Yeah. That's, that's, you know, this is,

we're talking about the, you know, you know, the end

of the Australian economy if West Farmers collapses

or CBO collapses, right?

It's like, yeah.

So that's where, and that you have to have that confidence

to stick with your, with your companies through that,

you know, otherwise you're gonna be, you'll be scared out.

Yep. You know, so, and you don't want that, you know, so

that's, um, so that's

where I set myself on the risk spectrum,

and that's why I can sleep at night because I,

and I spend a lot of time going down that list

and looking at the balance, looking at the cash flows and,

and thinking, you know, can they survive?

If, if Trump does something

or anyone does something stupid, right.

You know, can they survive? You

Know? And just, just to, just

to, uh, elucidate a point there.

So you, you're not saying that these companies

that you hold, the share prices won't fall.

I mean, they're gonna fall, right?

But the, the difference is, is that they will,

when the dust clears, they'll still be standing

and, and they will recover.

So I, I, I, I don't have the same degree of experience,

but I, I, I did live and work

and invest through the tech boom and the GFC and COVID

and all three of those big market dislocations.

It was the end of the world.

Like if you were to read the paper at the time, like Yeah,

it was, it's all, and, and,

and the a few, the lessons

that you keep getting from those experiences is,

and it's not to downplay how serious

and severe they are, they're very serious issues.

But generally speaking, life goes on.

And to your point, if it doesn't, well, gold,

a shotgun is your best portfolio.

Um, maybe not even gold, just a shotgun

and a tin of baked beans is your, your best portfolio

A food supply.

Yeah. Like that. That's, that's all that matters.

But, but it, it is all the, it's all the ones
with too much debt and not reliable cash
flows and no good asset.
They're the ones that get flushed out,
the others all get hit, but they actually, they actually,
they're far more resilient.
And then when you, when you look back in a few years,
it's actually, I think Morgan
Housel said it once, which is real.
I, I'll never be able to phrase it as well as he did,
but it's the idea that when you're looking forward,
a risk is always a, a crash is always seen as a giant risk.
But when you're looking backwards,
it's always seen as a giant opportunity.
And I, I think if Trump, just on, on Cleo's point, it was to
continue to do a lot of dumb things, which he is, um,
and it was continued to, and it was gonna have a,
a very big impact on markets.
What you would find is that
West Farm, oh, you know, just to pick your example,
west Farms and some of these big companies
are not going away.
They will still stand up.
And it's more about, it's more
about resilience at that point.
And it's, it's, um, rather than, rather than the company
that exists purely on the good grace of equity markets
and credit markets, like that's the, you don't want to be,
That's where I draw the line.

Right. And I just look at how much
of my portfolio is exposed to that, and that could disappear
and can I bear that?
Right. And, you know, Amongus would've said, you know,
he became much more confident when he could realize he could
live on a lot, not much money, you know?
Yes. So he could last it out, right? Yeah. Yeah.
You lost it out. Right? So it's, um, yeah.
So I mean, I think he's right.
You know, you, if, if that happens
and you, the, the share price will be slaughtered,
you know, do you wanna sell?
And then, you know, I don't know.
It usually happens very quickly in the you,
You can't sell, you can't.
It's, it's, it's, it's, it's the height of hubris to think
that you can get out ahead of everyone else.
It just, I don't think so. You can't, it can't happen.
I, I would all, and, and I'll, um,
well, I'll make a statement.
You can let me know if I'm right or wrong,
but you did still say that there's one
or 2% of your portfolio that's in there
that is subject to those risks.
For me, it's a bit higher, but,
but I, I would actually argue that you,
if you don't have any, then you're pro, well,
maybe if you're 90, you are right.

I don't know. But there's, but I, I think in the main,
you want, you don't wanna askew risk entirely, right?
Yeah. Like, it, it, it's, it's, some
of these very big resilient companies are great for
that kind of thing, but they're never gonna be a 10 bag.
Right? So you, you want that, you want that mix of,
if the worst happens, I'm still standing
and I I will survive and, and, and muddle through it.
Um, and not be completely wiped out.
'cause then, then you're starting from scratch again.
But if you are, if you are 100% in something
that's just bulletproof, I mean,
markets tend to go up over time.
Economies tend to go up over time.
And you can actually,
avoiding risk can be risky in and of itself.
I'm not getting this outright,
but I don't know. Do you agree? Yeah.
I mean, it's, it's, yeah.
I was, I said a little while ago, you know, my, my,
my share portfolio is my biggest asset
by a long, long, long way.
Right, right, right.
So, so I, I, I, so I'm carrying an enormous equity risk,
you know, and I expect volatility on that,
but you know, it, it's, so I'm carrying that risk.
Yeah. Right. I'm, I'm probably, you know,
a financial advisor probably look at it
and say, oh my God, what the hell are you doing?

You know, you, you're retired.

You shouldn't be carrying that much equity risk. Yeah.

And, but, uh, so I'm carrying that.

But, um, but you know, the, the flip side of that is,

you know, I'm, I'm skewing the stocks to lower, you know,

and, and I, this, you know, yeah.

Shares aren't shares. I think that's what a lot of, uh,

financial planners miss.

They put it all in the risk bucket, not realizing

that there's, there is a long spectrum

of risk within that bucket.

That, that's correct. Yeah.

And, and, and one thing I do disagree with you, Andrew,

that one of the, the things you said in, in one

of your weekly things that, you know, um,

low lower risk is lower return.

I don't, you know, I suppose it depends on

what you're talking about there.

But, you know, I, I don't concede that.

'cause I'm moved down the risk spectrum a bit

that I'm giving up a lot.

You know, I'm giving up some,

but, you know, if I can like, get

around 15% compound a year,

I'm pretty happy with that. Right.

Very happy with that. Especially as you go,

That's doubling every four or five years.

That's right. Yeah. Yeah.

So that's, that's, uh, uh, if I can, so that's sort
of where I'm targeting.
Yes. Uh, they, I'd be pretty ecstatic with that outcome.
Yeah. So risk
Is a very broad term, isn't it?
Depend. There's a bit of nuance in there.
A hundred percent guilty, you mean. Yeah.
You don't, you do, you do. Yes. Sorry, go on.
Yeah, yeah. I mean, yeah, it's one of those terms that's,
you know, everyone sort of hears it
and it means something different to everyone, right?
Yes. Yes. So true. Yes. Yeah. So,
But I, that, that calibrating of, of risk is, is, um,
you know, what, what I, you know, I focus on a lot,
you know, so I'm taking equity risks,
but I don't want, uh, you know, a lot of, um,
fundamental risks, let's call it that in the stocks. Yeah.
Yeah. I, I, I think, I, I think that's, I, uh, well, I,
I actually really agree with all of that.
And I think I, well, I don't want, I don't want to, um,
don't answer the question 'cause I don't wanna know
it's personal information.
But when you've, when you are, when you've got a,
a sizable enough portfolio and you've,
and you've managed it in the way,
and you've structured it in the way that you have,
it would suck if it dropped 50%,
but you're not on the street.
Right. And, and,

and it's actually that positioning
that well over the longer term, over the various cycles.
I mean, you, I'm sure it will continue to do very well
for you and, and, and your regret, uh, over a career
of investing is, I, I,
because I just see it, I see it with family friends
who have been, you know,
really since middle age just invested in
ultra low risk stuff.
And it's kind of like they've just been left in the dirt
because they were afraid to take risk thinking
that volatility was risk,
and thinking that all shares were risk.
And it's like, it's not to advocate for, oh,
you should go buy some penny dreadful stock at,
at infinity pe,
but it's just like you are taking
nowhere near enough risk for want of a better term. And,
And, and also it depends on the person, right?
'cause I've been through, you know, 87, 99 1, the tech boo,
GFC COVID, and none of those I sold at the bottom.
Right? Yeah. I've just thought, I, I think I've, I've,
so I can back myself that I'm not gonna do that, right?
Yeah. And that's the big error that, uh, that people make
that like the, the, the lady who lives next to me here,
you know, she, I, you know, she gets nervous when the, the,
the, the garbage trucks are the hour late or something.
Yeah. Mm-hmm. She should not be in the stock market because

Freak Out, you know, and then, and, and,
and panic, you know?
So you have to be able to, um, and,
and where do I get that confidence from?
I'll get that confidence, as I said, looking
through those companies company by company
and saying, you know, these guys will, you know,
they should survive through, through this,
you know, so Yeah.
It's, it's the classic Lynch.
So I, I say it all the time, probably too much,
but it's a know what you own and know why you own it, right?
That's right. That, that, that just carries you a long way.
Um, and if you, and that's fine.
If you don't, if you can't articulate that well,
that just tells you not to own that thing.
Right? You can't, you can't answer those questions.
And that's, that's cool, but just don't, don't own it.
Um, a good one from Mike Izzy here as well, he's saying,
he was asking in, in picking your quality growth stocks,
what relative weight do you give
to historical track record versus your view on
future prospects?
In other words, how do you ensure a dispassionate view
of the future is not unduly colored by the past?
That's a really good question.
Yeah, that's a good question.
It, it's, it sort of goes, it's sort of the same as the,
the flesh wound and the Yeah.

Yeah. And the, you know, it's, you know, I, I do, I mean, I,

you know, I I I do look at, you know, I am skewed

to companies with a lot of history, right?

Because that, you know, I would like to,

in the old days when we had recessions, you know, see

how a business goes through a recession, right?

Yeah. How, how, how much

of the margins crunch, how much is the revenue?

How elastic is the, is the revenue to, to, um,

the economic activity, et cetera, et cetera.

Mm. You know, I, I would like to look through that.

Again, it's building confidence when into the future.

Mm-hmm. But you have to like, realize that, you know, um,

you know, I, I, I'd warn again, look at

where their returns are coming from

and is that relevant going forward, right?

Mm-hmm. It's so you, you,

'cause it's, it's incremental capital.

Yep. You know, you, you know, maybe pedis doesn't need to,

you know, they, they, they don't need,

they don't need capital to grow,

but most companies need capital growth.

And what returns is that incremental cap? Where's it going?

Right? Yes. Because that's gonna drive,

is it consistent with the past?

Yeah. Or is it completely different?

And when it's completely different, then, you know,

then you, um, the, the past means less, right?

Yep. Obviously it does mean less so. Yep.

So you have to be, you have to be, uh, aware of that

and, um, and take that into account.

So just mindless extrapolation Yeah.

Is, is, is is probably, maybe that works,

but it, it, you have to be aware

that it's probably not gonna work when,

when the companies are, uh, uh, investing in,

in a different division or new business

or something like that, you know?

And, and the ROE still looks great,

but that's, that business is, is done, right? Yes.

Well, I mean, I mean that, that, that you, you made

that point really well when you talked about

that a hundred most, you know,

the best companies on the market from, from back in the day,

you know, it, it is, they all, if you were

to extrapolate all of those, you'd think, well, this is

where all my money needs to go.

Right? So it's, it's, it's definitely things change.

Things change all the time. Things

Change and, and yeah, you have to be aware of where,

where those, those returns are.

You know, and that's why we, we sort of, you know,

you should be, you should be mindful at least, and,

and probably a little bit cautious when things start to,

you know, deterioration start, you know, it then goes back

to can you identify that properly?

Right? Yeah. What, what are they doing, you know, what's happening there that is causing that, you know?

And, and be careful

because if, you know, if you get that wrong, you know,

if you, if you say, yes, I've found it,

and you are wrong, you,

you could end up in a lot of trouble.

So, yeah. So I do use a lot of, you know, Mike,

I do use a lot of, and I prefer companies with a lot of data

'cause I like to go through it all.

Yeah. And, but you know, it, it depends how well

that story holds going forward.

Yeah. How relevant it is, right? Yeah.

And sometimes it is, sometimes it isn't. You know, so

I mean, that's, that's the challenge

with the earlier stage companies.

'cause they don't have that track record.

That's, and that's why inherently to me,

that's why I find it very hard to put Yeah, exactly right.

You know, put a lot of money in those, I mean, you know, so,

because they just, you know,

they're still there to prove themselves, right?

Yeah. So, and that's a big deal, right? So Yeah.

And you have to then, uh, be right on, on top

of it if that's not working out right.

Yeah. And I dunno if I'm that good at that. Yeah.

You know, I'm slow, slow in, slow out. Yeah.

And, and so, um, yeah, so that, so that sort of suits my,

my style know my temperament

and my abilities where I'm sort of foing

focusing myself, you know? So Yeah.

Yeah. I draw the line, I draw the line. You're

Very good at that, right? You, you're

good at that.

Well, You area, right?

So it's, um, but I, I, you know, yeah, I was gonna like go

through, 'cause I've been there in, in Strawman now

for a while and I was going to put all

of those smaller companies, like the development,

I call it development risk, right?

They're still developing business, right.

And we don't know exactly where those margins are.

And, you know, there's a wide wider outcome, wider scenario.

How, how I've actually gone on those, I'm not sure. Yeah.

I mean it's, it's definitely, it's de my my view on

that is that I fully exp I think the track record speaks

for itself is that the strike

rate's gonna be pretty ordinary.

You know, 3, 4, 5 out

of 10 if you're lucky will go go the way you hope.

Um, but it's just that when they do go that way,

they more than make up for the losses.

It's almost like a VC kind of mindset.

I I I, I definitely draw the line at, uh,

like pre-revenue I'm not interested

in 'cause it's all fluff.

Uh, or it's all hope is a better way of saying it.

I I, I definitely, I I think you,

you take a big de-risk down when the product
or service is actually in the market
and selling and sales are growing.
It's like, that's now I'm very interested
'cause you've got something, but the risk, the, the, the,
the next hurdle to get over,
and this is what's tripped me up with like, uh, Ava, um,
uh, and Virus Suite.
Oh, it's a bunch of them. And, and,
and what got me wrong there was is this sort of like
actually some really nice units
with some really nice sales growth
and all of that kind of stuff,
but they could never scale, which is
the next sort of challenge, right?
Yeah. Yeah. And, and, and,
and yeah, it's, it's definitely more risky. So
Yeah, because on, you know, on YouTube they have the, um,
the Motley Fool guys from the us right?
Oh yeah. And, and, and they're, uh, I watch 'em
because I mean, they're, they're, they're like that, right?
One of them actually says it's the
slugging rate, not the hit rate.
Yeah. You know, and I'm the, I'm a hit rate investor.
I'm not a slugging rating.
So you sort of like, you know, you, you, it's the ball
that goes over the, you know, that you score.
You, you, and that's a different, you know, it, it's,

it's a different, it's just

different, right? Yeah. It's different.

It's why we started the conversation, right?

It's not that there's one right

or wrong, it's about finding who you are as an investor.

What's the strategy that's gonna work for your temperament?

And also just having it defined.

You just, you know, what is within your wheelhouse

and what isn't within your wheel. That's

Right. You know, and

so the sooner you find that out,

the better off you are.

Some people never find it out. No, they don't.

And they're the ones who, who churn like chase,

like headless chooks, right.

Running around trying to, um,

to find the latest, latest thing.

And I, I think they're the ones who actually do,

you know, don't do very well.

Yeah. Yeah.

It's been about an hour and a half.

So I, I'm, I am conscious of, of time here, Sean,

but I guess a good, a good point to end would be, um,

I think you might have mentioned this in your piece,

you know, the, the advice to your younger self,

if you could go back in time

and sort of say, listen, young Sean, this is what you need

to know over your career, may maybe elaborate

and riff on that a little bit.

Yeah, yeah, yeah. Well, I, I, I, I'd, yeah.

Yeah. I, I mean, I could get very philosophical about this,

you know, in terms of like, on the business side,

which has had a, a lot bigger impact.

You know, watch out the people who you deal with, right.

There's some nasty people out there, right? Yeah.

Buffet says that. Yeah. Huh.

Buffet makes, he talks a lot about that. Yeah,

Yeah, yeah. And

you, you be, yeah, because they, they can do,

and that's done, you know,

me serious them more than any stock, right?

Yeah. It's, um, so,

but in terms of like stocks, I think, you know, you have

to find out what, what you are good at right.

Where, where you, what we're just talking about,

and find that as quickly as you can.

Yeah. And take it seriously. Right. Stick to it.

It's, um, and you,

and you know, it's, it doesn't work all the time.

And other people are doing different stuff

and sometimes they look great, sometimes they look terrible.

Mm-hmm. Sometimes you look, but you, if you keep at it,

the opportunities come up

and you, you hone your skills, you know, you do.

So I'd say, like, for me, it's been like

finding profitable businesses and,

and waiting till the opportunity comes, learning as much as you can about and opportunity and then going hard, right?

Yeah. It's like you have to take

that when it's for it, right?

Yeah. And it's, um, so, so it's a lower, I think it's, it's,

you know, lower risk than some of the other, other,

um, methods.

Maybe not, but it's, uh,

but it's something that I can execute on

and have confidence on, right?

Yes. It's like, yeah. And I believe in, right? Yeah.

I can, you know, where I can see an intrinsic value,

intrinsic value is going up over time.

Understand why the share price is down below that

and, and mm-hmm.

And, and, and move into it then, you know,

when the opportunity comes up, move,

move aggressively as you can.

Right. So I love that

because it's not there forever, but it's, um, yeah.

But that's, yeah, as I said, you know, sometimes you have

to make sure that you, you, you,

you're getting that, that call.

Right. You know, and Yeah. And, and, and yeah.

So that's, you know, and when I say the,

the interesting thing is, you know,

when I say quality business at, at a a, a good price,

you know, you, you're not gonna get consensus on that.

No. You know, I've spent,

and I would say a lot of the times I've talking to guys who are qualified and, and you know, pretty good investors.

Oh, we wouldn't agree if they were a quality business,

and we wouldn't agree if it was a good price.

Yeah. So you're not gonna get consensus. Right.

You, you hear their, well, if

Everyone knew it was a good business,

it's not gonna be at a good price.

Like, that's right. Yeah. You know,

So it's like, yeah.

So you, you, you won't get that you,

and you shouldn't expect to get that type of comfort, right?

Yeah. So you have to like, make a stand, uh, do your work,

make a stand, and,

and then, um, back yourself, back, back yourself, right.

Into, you know, and let's say you either, you know, you,

you will find out, you know, um, if you,

if you are right or not, right.

If you, if it's a, it's just

because that is, um,

something you can replicate going forward.

Yes. Keep, keep it going. Right.

That's the, that's what you want replicating actions to, um,

to build, build up, you know, uh, uh, uh, ongoing, you know,

wheel that keeps compounding away.

Right? Yeah. You, you, you

Said, you said something there that I, I,

I'll sneak in one more question.

Is that like when you do find something that you,

you quite high conviction in, you know,
don't muck about with it.
This, this is a, an epiphany I had a little while ago
as well, having, 'cause I, I,
I genuinely think very good investment ideas,
very high conviction ideas are, are rare.
And, and what I would used
to do is I'd come across something I got really excited
about and I'd put 1% of my portfolio into it and,
and like, and then you'd be right.
And, and it would go really well.
And it's like, it just doesn't move the needle for me.
Mm-hmm. And, you know, I'm, I'm not,
I'm certainly not advocating for going all in, you know,
but, but the question, well, what, what I've learned,
embraced is that when I have something I'm super high
conviction on don't muck about with a tiny little position.
Right. Um, a do you agree,
and b, where sort of like how, how much of a a bite
of the apple are you prepared
to take on something you are very, very confident on?
Would you go 20% on one stock or,
Well, that's 20% of my net wealth. No,
No. Okay. Yeah.
No, no, no. Not at this stage. Okay.
My biggest, my biggest positions are probably
four, four or 5%.
Okay. Yeah. I, I would like,
but um, yeah, so I'm, I'm like, you know, uh,

what I'd really like to target is sort

of like 30 stocks at are average of 3%.

'cause that's, you know, it's starting to close to my net

net, you know, positions of my net wealth.

I sort of think it from my net wealth point of view Yeah.

Rather than a, a portfolio that's sort of sitting out there

that may be two tenths of bugger all, you know, right.

For the whole thing. So I'm actually talking some big money

here, you know, from a, from a, from exposure.

But I would like two

or 3% definitely, like have a go.

Right. Yeah. And that's, that's a fair bit, you know,

that's two, 3% of my net wealth into something.

Right. So, um, but, and then

Big enough that it'll make a difference if you're right

and small enough that you're not gonna

wipe yourself out if you're wrong.

Exactly. Right. Yeah. Yeah. So that's where it goes.

And, and because I'm, I'm looking through, you know, very,

I can see stuff that, you know, if

what really interests me is like I,

I have like a base valuation, a whole heap of stocks

and something that hasn't been there

before suddenly comes up.

Mm-hmm. Right? And, and oh, right, what's happened here?

This is like, you know, this great company now is time

to like, have a really good look at this

and see whether it's time to flick the switch or not.

You know, so that's, uh, so that's the, the what, um,
the process that goes through. Right. So,
Okay. I, I did say
last question.
This is genuinely the last question
and I only need to be a short one.
What's your, what's your, what's your biggest holding right
now or or your highest conviction holding right now?
Well, my biggest holding actually just reported yesterday
or um, last week was, um, Taiwan semiconductor.
So, oh, right. Yeah. Yeah. So that's, um, yeah.
So that's, you know, when, when you think about, you know,
when, when you know, you think about my process,
so when did I buy that?
You know, I bought that when people thought
that Taiwan was about to be invaded by the Chinese. Right.
Well, I said, un uncertainty is the best,
best for creating opportunity.
That is the bet, right? I, I, I, I, you know,
because it's a leader, right?
It's a, and then, oh,
obviously it's gone on the big things since then.
And the second biggest is Google, right?
Google, when did I buy it when Google was dead?
You know, people thought Google and I'm saying anyway,
we can, you know, don't wanna go down
that rabbit hole, but it's, yeah.
So they're, they're, they're sort of like, you know,
they're big companies, a lot of data.

You can do a lot of work on them

and the opportunities come up,

but you're taking that risk, right?

Was Googled, was it gonna be killed by chap GPT, yes or no?

Right. And there was the Chinese gonna invade

and that's the risk I took on.

Yep. And, and,

and you know, it's, um, you know, that's the, that's the,

you know, so they, so they, they've like moved up, you know,

moved up to big, big position

And there, there's the advantage in,

in independent thinking and going against the crowd.

And again, just, it just emphasizes the point.

Uh, you know, yet again that it's just like if,

if you want a really good opportunity, you need most

of the market to disagree with you because Yeah.

This's just how it goes, you know,

You have to make assessment on,

on can you identify what they're worried about.

Yep. That's why macro is, I think macro's good when the Mac,

because easy identify

what people are worried about, you know?

Yep. Um, if it's, if it's stock specific,

maybe it's a bit more difficult,

but if it's a macro concern, I'm, I'm like,

I'll, I, I'll have a,

Have a swing. I'm more

Likely to have a go at that.

Right. I, I'll, 'cause I'll, I'll take on a macro risk,
at least I can identify what the risk is
and make a sensible assessment about it.
Yep, yep. And, and a good company is a good company
and a good or bad macro environment, that's,
that's the other thing worth remembering, right? That's
Right. Yeah. Yeah. They, they,
they will survive, right?
They, and they, and sometimes a a a harder time is good
for them, you know, that's like,
they come out stronger out the other end,
Less competition and an opportunity
to pick up half their competitors at fire sale prices.
It's, it's like, it's a wonderful thing.
That's why Berkshire shines
during those periods when Corporate America picks up the
phone to Uncle Wasa
and just sort of says, can you bail us out?
You go, well, at this price I can, you know, and yeah.
It's, it's, and I think, yeah, and it's painful
'cause the share prices are down,
but you have to remember that these guys are you,
their competition is falling over, right?
Yep. That means probably in the next five years is gonna be
pretty good once we get
A hundred percent. A hundred
percent. And I, and there's one other thing
we on on that you, it's not as though you have
to pick the bottom there.

You can be absolutely.

I mean, you're gonna be wrong in your timing.

He's like, I think Google's fine

and I don't think chat PD is gonna kill it.

You buy it and then it drops another 20%.

Like those kinds of things happen a lot too. Yeah.

I still prove out.

Yeah, no, I've given up trying

to pick the tops and bottoms.

I, I I, and I don't, me too, like obsess over it at all.

You know, it's like, it's, it's, um,

I do sometimes stagger in, you know, if I say, geez,

you know, a lot of the, there's a lot

of negative sentiment here, so it's, um, you able

to put some in, but then if it doesn't drop

and starts going over, I think, oh, then I'll,

then I'll go again.

Right? It's sort like, it's, it's, um, I,

I don't obsess about trying to pick,

I think over the whole 40 years,

I've probably done it twice, you know?

Yeah, no, it's probably luck anyway, right?

Yeah. Same for me.

It's, it's, it's a few sense is

not gonna make a big difference.

Five years out, you're gonna make a

bigger error than that, right? Yep,

Yep. And I, I'll

actually, I've, I've said it before.

I think I look at all

of the best long-term investments I've made.

I think almost all of them were,

they looked pretty rubbish like three

to six months after I first bought.

Like, it was just like, what have I done?

This is a terrible mistake.

It just, it's not like the, the, the, it is the height

of hubris to think that you, the moment that you buy,

the rest of the world is gonna come around to your viewpoint

and, and that's gonna be the bottom and it just

Doesn't happen. Yeah. I found that

usually it's like a year

or two years, 18 months.

Yeah. Yep. And if, if, if the, if there's, if the,

if the business isn't performing, then you,

and I'm mainly in look at the business, not that if,

if there's something, if it's going as,

then I start thinking, oh, right.

Have I got this wrong? Right.

It's, um, you know, it's, it's not, it's not, you know, the,

the numbers aren't falling as I thought, you know,

there's something I've missed, you know, so Yeah.

It could be a tough two year wait,

but I mean, that's definitely my, it is,

it is definitely my experience as well.

And it is, it is looking beyond the noise,

it's focusing on the business.

It's all the things you've said, mate.

I, I'm, I'm, I'm, I'm gonna, I am gonna stop now

'cause I'm just gonna other, otherwise I'm gonna keep

asking you a million questions.

Um, but I will finish by saying, uh,

it's great to have you on the team.

Uh, appreciate all that you do.

Thanks for the, the great post and,

and thanks for your time today.

I know a lot of people will get a lot out of it and, um,

and I'll put out the call or anyone who's watching this,

who wants to, to, to do the same thing, we'd, we'd,

we'd love to have you on and, and share your insights.

Um, yeah. Yeah. But thanks mate. I really appreciate it.

I do love doing this stuff.

As you can probably tell, it's probably,

I'm not good at many things.

This is about it. So, well,

I've gotta push that barrow, right?

Lean, lean into what, what works. Absolutely.

That's right.

Thanks. Lot pleasure. Thank

You. And thanks everyone.

Cheers.

Bye-Bye.