



How Listening to “The Value Guys” Podcast Can Get You Out of Learning Mode and Into Practicing Mode

by GEOFF GANNON

My favorite podcast, The Value Guys Stock Talk Show, recently came back after a few year hiatus. A lot of people have asked me why it’s my favorite podcast. There are two reasons really. One, the hosts don’t take themselves or their show too seriously. Two, it’s a practical podcast all about picking specific stocks. A lot of the people I talk to – especially those new to investing – focus so much on the idea of learning about investing that they forget investing is really just about picking stocks. It’s hard to get good at investing by just reading The Intelligent Investor, Common Stocks and Uncommon Profits, One Up on Wall Street, You Can Be a Stock Market Genius, or the Warren Buffett biographies. You can learn from those. But, you’ll learn more from them if you’re actually picking stocks day-to-day. I always talk about how the best way to spend your time – the best way to actually get good at investing – is to read a 10-K a day. No one wants to read a 10-K a day. New investors especially don’t want to read a 10-K a day. Why not?

They’re bad at it. That’s the point. You have to do things you don’t know how to do to learn how to do them. There is really no way to learn how to analyze stocks quickly, efficiently, and incisively without

first starting by analyzing stocks slowly, inefficiently, and often with a great deal of confusion. The first dozen 10-Ks you read won't tell you a lot. You won't yet be ready to get much out of them. You'll think you're reading them wrong. And you probably are. But, you have to read a lot of 10-Ks badly to eventually gain the skills needed to read them well. I haven't yet read a book that can teach you to read 10-Ks. Nor have I listened to a podcast – and that includes the podcast I do with Andrew – that can teach you how to pick stocks. Listening to a podcast like ours may help you get better at investing. But, only if you are trying to actually pick stocks on your own. You have to take the ideas you hear us talk about and apply them to the stocks you are looking at. Not the stocks we are looking at. But, the stocks that have caught your interest. The stocks that fit your style. The stocks you are really excited to learn about. You have to get out of the passive learning mode and in to the active practicing mode of finding stocks on your own, reading the 10-Ks, and coming to a conclusion – however wrong. The most common conclusion you'll reach when researching a stock is no conclusion at all. You won't be sure it's a buy or a sell. You'll just be sure you should suspend judgment for now and move on to the next 10-K.

And it doesn't have to be 10-Ks. Some of the best investors ever spent little time reading 10-Ks or annual reports. I don't think Peter Lynch spent a ton of time reading 10-Ks. I think he spent a ton of time talking to company management and trying to figure out “the story” of the company and the industry. Phil Fisher didn't spend a lot of time reading 10-Ks either. He spent a lot of time talking to everyone in an industry he was interested in. So, maybe reading a 10-K a day won't

be the road you take to becoming a better investor. It might not suit your style.

But, I know what won't work for you. Just reading books won't work. Just listening to general investing podcasts won't work for you. Knowing all the principles, all the rules, all the big ideas and yet never applying them will not work. I've mentioned on the podcast that I like reading hard copies of the books I find really useful to me. These are books like "There's Always Something to Do" (about Peter Cundill). They are also books like the Buffett biographies (The Snowball and Making of an American Capitalist). The reason I like to read these books I'll re-visit time and time again in hard copy is that I like writing directly into the books. I journal in them. I don't read the books for what the author is talking about. I read those books for how what the author is talking about can be applied to the stocks I'm thinking about today. This is the practical side of investing. It's all about practice. It's about actively working through the problems that you need to solve. Those problems are figuring out the stocks you've chosen to focus on. Listening to a podcast where the hosts discuss specific stocks – "live examples" – is a great way to bridge the gap from being a passive learner to an active "practicer". The biggest mistake I see new investors making is trying to learn instead of trying to do. This is one of the reasons I have mixed feelings whenever I talk about how much I read, what I read, what I recommend others read, etc. Really I recommend reading a 10-K a day. I recommend reading earnings call transcripts. I recommend reading Value Investors Club Write-Ups and Corner of Berkshire and Fairfax threads and value investing blogs and business news articles – not randomly and generally, but specifically

about the stocks and the industries you're interested in. You want to read with a purpose. You want to take even the most general ideas and translate them into specifics that can help you analyze the stocks you want to analyze.

A lot of investors like to "clone" the portfolios of the great investors. They want to talk about **Bank of America (BAC)**, because Buffett has recently been buying up more and more of it. There's absolutely nothing wrong with Bank of America as an investment. Maybe you should buy it. But, should you analyze it? There are a thousand other bank stocks you could be analyzing. It's okay to start by trying to reverse engineer Buffett's thinking about that stock. But, once you have reverse engineered his thinking about a stock – why not try to apply those same ideas to some bank stocks you've picked out for yourself. Why not try to take his ideas about a big, well-known stock and then pick a regional bank or a community bank in the state where you live? It might not turn out to be as good an investment as Bank of America. But, I promise it will turn out to be better practice. Because it will be you alone having to grapple with the 10-K, with the FDIC call report, with the earnings call transcript, and with whatever other info you can dig up.

A podcast like "The Value Guys" gets you thinking about specific stocks. Even if you don't like the picks they make – the picks they make may set you off on a path of finding other stocks you like better. Listening to a podcast like "The Value Guys" each week will get you in a practical, specific stock picking frame of mind. And that's the frame of mind you need to be in.

There's a big difference between learning the principles of investing in the abstract – like you would from a textbook – and seeing those same principles in action, tied to some specific stock you're interested in.

Should you cast a wide net? Or should you focus on a narrow set of stocks? Should you aim for breadth? Or should you aim for depth?

I think either approach can work. But, it can't be a superficial approach based on what you hear from other people. I do recommend reading the "Investment Ideas" threads over at Corner of Berkshire and Fairfax. But, I don't recommend stopping with that. There are ideas on there that you can follow-up on and learn more than anyone who is commenting on the thread for that stock. So, go out and do it. Find the one idea out of twenty that really sings to you. And then just delve deeply into it. The internet is a great place to find investing ideas. But, you then have to go off and form your own independent opinions about those ideas.

Why?

Can't you just recognize someone else's great idea and ride their coattails in that stock?

You can.

But, it'll work once. And, for most people, one stock idea will not make a career. Certainly not one idea they got from someone else. Sure, you can get a lot out of someone else's bright idea if you bet very big on it and you hold it for a very long time. But, in my experience, people rarely bet big and hold for a long time an idea they got from someone else and then did no work on. Even if the original idea comes

from someone else – you’ll need to do your own work to have the confidence (the conviction) to bet big on the stock and hold the stock for a long time. If you bet only a small portion of your portfolio on the stock and (or) you only hold it for a short time, it won’t be worth much to you.

What will always be worth the most to you is your own self-improvement. Improving your own stock picking skills is usually going to be more valuable to you than finding any one stock. The good news is that you can do both at the same time. If you find a promising idea, you can analyze it in-depth. You will learn something from the experience. You’ll become – gradually, incrementally, and often almost imperceptibly at first – a better stock picker. That’s the investment in yourself. Luckily, you’ll find situations where your process of analysis makes you a better investor and you find a good stock idea where you have the confidence (because you did the homework on it yourself) to make a bigger than usual bet and to hold the stock for longer than you usually do. You’ll get more out of the idea in terms of the monetary payoff. And you’ll also be building your stock picking muscle.

You need to exercise that muscle. It isn’t difficult. It’s mostly a matter of discipline. It’s just mental endurance. You just need to keep practicing. Now, the confusing thing is that unlike other muscles you work out, the stock picking muscle can’t be exercised in a simple way. So, you are not just repeating the same thing over and over again and quickly seeing results (however small). Instead, it will sometimes feel like you are taking one step backwards for every two steps forwards. Each 10-K you read, each stock you analyze will present some new challenges. You’ll bump up against subjects you don’t really

understand. So, the first time you analyze a really cyclical stock – you’ll make mistakes. You’ll feel confused. The first time you analyze a stock where the industry is fast moving and competition is fierce and ever changing – you’ll also make mistakes. You may lose money on some of these stocks. But, you’ll learn lessons from those mistakes.

It’s cheaper to learn from other people’s mistakes than it is to learn from your own. The cheapest and easiest way to learn from mistakes is to zero in on other people’s past mistakes. Instead of asking me what stock do I like best today – ask what were some of my long ago biggest mistakes in buying or not buying a stock. There will be a story behind those mistakes that you can learn from. It’s impossible for me to see the mistakes I’m making today. But, I can talk about past mistakes. And you can learn from those.

“The Value Guys” has like a decade (or more) of past episodes in the archives. There are good picks in there. And there are bad picks. There’s a lot of past experience for you to learn from. And all of it is practical experience. So, use that show’s archives as a way to gradually get yourself off general investing podcasts and books and ideas and into the world of picking specific stocks. You won’t feel as smart in the world of practical stock picking. You will always feel wiser (and safer) just sticking to reading general investing books and listening to general investing podcasts. But, the real way to learn is to practice. And the best way to practice is to dig in to analyzing actual stocks.

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