**Whitney Tilson**

So far in 2022, retail investor portfolios are down 44%, doubling up the losses of the broader market. These types of investors tend to own smaller, speculative stocks, practice bad portfolio management (sell winners/keep losers).

The more markets decline, the more excited Whitney gets. Think about anything you buy… wouldn’t lower prices be a good thing? Most people don’t get that this is still true for investing. Bear markets bring lower prices and make some stocks more attractive.

Whitney’s team remains reasonably constructive. The economy is slowing, but still strong. He believes it’s clear that inflation has peaked – citing commodity, shelter inflation declining. Because of this, the Fed will stop raising rates early next year.

Whitney is an “old-school value investor.” Buying stocks at low multiples of sales, earnings, etc. But there are four mistakes of value investors…

1. Investing in low-quality businesses whose stocks were value traps.
2. Failing to buy high-quality businesses whose stocks were long-term compounders.
3. Selling high-quality companies too soon.
4. Failing to understand innovation.

Four mistakes of growth investors:

1. Overestimate future growth.
2. Pay too high of a price.
3. Don’t sell when they should.
4. Get too caught up in stories.

Lesson 1: **Stocks follow earnings**. As long as earnings continue to rise, the stock should do the same.

Lesson 2: **Beware of overvaluation** (like Cisco in dot-com bubble). You can be right on the company, but if you time in wrong, there’s no way to make money.

Lesson 3: **Beware of value traps**. Bed Bath & Beyond is an example.

Lesson 4: **Look for an inflection point**. Combine value and growth. Buy growth companies at value prices when they’re out of favor. The inflection point in a stock occurs when the consensus view is that it will decline, but instead it grows. Most of the time, the herd is much smarter than an individual. Being contrarian is easy, being right and contrarian is harder.

To have a correct contrarian perspective, you must have a unique piece of data, insight, or analysis.

Lesson 5: **Let your winners run**. As long as story remains intact, hold on (you can trim).

Favorite sectors and stocks: Energy and commodities – Occidental Petroleum (OXY), Schlumberger (SLB), Deere (DE). Big Banks – Goldman Sachs (GS) and Wells Fargo (WFC). High quality tech – Amazon (AMZN), Alphabet (GOOGL), Nvidia (NVDA). Cannabis – MSOS.

Least favorite stocks – the Dirty Dozen, including DWAC, AMC Entertainment (AMC), and GameStop (GME).

Idea 1: Berkshire Hathaway (BRK-A). Trading at a 19% discount to intrinsic value. Solid portfolio of companies and investments. Substitute for the S&P 500 when there’s a discount like there is today.

Idea 2: Netflix (NFLX). Has taken a beating, but is up 65% since July. Netflix is still the dominant market leader, and is now highly profitable. Ad-supported Netflix is a real opportunity to gross addressable market.

Idea 3: Meta Platforms (META). Stock is down 60%. Three of the world’s greatest businesses – Facebook, Instagram, and WhatsApp. Still has extremely high margins, buying back lots of stock. It’s trading at its lowest valuation ever.