

## **The Disciplined Investor Podcast summary for Guest Segment with Meb Faber**

### **- TDI Podcast #910 (03/2/2025)**

#### **Quick recap**

Andrew and Meb discussed their personal and professional lives, as well as investment strategies and principles, emphasizing the importance of diversification and long-term perspective in investing. They also explored the concept of 351, a tax-efficient strategy for diversifying highly appreciated stock portfolios, and the idea of an alternative exchange fund for diversification beyond US stocks. The conversation ended with plans to meet in person in Florida in the future.

#### **Next steps**

- Meb to email Andrew details about the Future Proof event and happy hour in Miami on March 16-18.
- Andrew to consider attending the Future Proof event and happy hour in Miami around St. Patrick's Day.

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#### **Summary**

##### **Investment Strategies and Diversification**

Meb discusses key investment strategies and principles that have worked well. He emphasizes the importance of diversification, both globally and across asset classes, to avoid being too concentrated in one's home market. Meb recommends investing in global stocks, bonds, and real assets, including commodities and real estate. He also advocates for tilts towards value stocks, shareholder yield, and trend following. Meb stresses the significance of having a plan to avoid emotional decision-making during market downturns and highlights the importance of considering fees and taxes in investment decisions.

##### **Investment Strategies and Common Pitfalls**

The discussion focuses on investment strategies and common pitfalls. Meb emphasizes the importance of diversification and warns against putting all investments in one market, especially when the US market is considered expensive. He highlights that how much one saves and invests is more crucial than what they invest in. The conversation then shifts to endowment investing, with Meb explaining that many large institutions, despite their resources, often fail to outperform generic ETFs. He discusses Yale's unique success in endowment management and the challenges of replicating their model. Meb stresses the significance of long-term perspective in investing, noting that most investors have unrealistic expectations and make mistakes by chasing short-term performance.

### **Diversification, Market Trends, and Asset Classes**

Andrew and Meb discussed diversification and market trends from 1998. They highlighted the importance of asset class diversification and the potential pitfalls of emotional attachment to certain investment options. Meb emphasized the need to start with a blank slate and assess one's current portfolio against their ideal one, considering taxes. They also discussed the comeback of bell-bottom pants and planned to discuss shareholder yield and the 3-51 Exchange idea in future conversations.

### **Dividend Investing and Buybacks Discussion**

Andrew asked whether dividend investing is still viable these days. Meb responded that people still love passive income and dividend investing has been a long-standing strategy. However, something changed in the 1980s and accelerated in the 1990s: the increase of buybacks. Buybacks are essentially a tax-efficient or flexible dividend and are now used by companies as a distribution method. Share issuance, however, is dilution and is used by CEOs to reward themselves. Meb also mentioned that they have a fund that goes back over 12 years and seeks high-quality companies with low valuations and a large amount of cash distribution through dividends and buybacks. Meb also mentioned that they have new funds coming to their lineup, which they are excited about.

### **Exploring Tax-Efficient Stock Diversification**

Meb discussed the concept of 351, a tax-efficient strategy for diversifying highly appreciated stock portfolios. He explained that this strategy involves launching ETFs, allowing investors to contribute their highly appreciated stocks tax-efficiently. Meb also mentioned that this strategy is particularly beneficial for financial advisors, as it allows them to diversify their clients' portfolios without having to sell their highly appreciated stocks. Andrew agreed with Meb's points and expressed interest in learning more about this strategy. Meb also mentioned that they have already launched their first ETF and are planning to launch two more in the coming months.

### **Alternative Exchange Fund Discussion**

In the meeting, Andrew and Meb discussed the concept of an alternative exchange fund, which would allow for diversification beyond US stocks. Meb expressed his goal to keep the minimum investment low, potentially as low as \$100,000 in the future. The pair also discussed the current state of exchange funds and the potential disruption in the market. Additionally, they touched on the topic of education to ensure people understand the concept. Andrew also mentioned his podcast and the possibility of having Morgan Housel as a guest in the future. They ended the conversation with plans to meet in person in Florida in the future.