

The Disciplined Investor Podcast – Guest Interview Summary

Guest: Danielle Park

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Summary

Legal Perspective on Investment Risk

Danielle explains how her legal background influences her approach to portfolio management, noting that she sees risk differently due to her experience with financial litigation. She emphasizes that individual investors often have unrealistic expectations about market returns, panic during drawdowns, and overestimate their risk tolerance, unlike pension managers who can take a longer-term view. Andrew and Danielle discuss how investors frequently focus on volatility and drawdowns while ignoring other risks like not making enough money for retirement, with Danielle suggesting that proper financial planning should start with steady income, controlled spending, and debt management before considering investment risk.

Market Risks and Investment Concerns

Danielle discusses the risks of current market conditions, noting that quick market recoveries have reinforced dangerous investor behaviors and that major financial institutions predict bonds may outperform stocks over the next decade due to high stock valuations. She expresses concern about the concentration of market cap in a few tech companies and believes AI benefits are currently overpriced relative to actual business value. Danielle warns about lack of true portfolio diversification, low cash reserves, and the "mosh pit" of financialization, suggesting that the true test of investment strategies will come during a prolonged bear market rather than brief downturns.

Real Estate Downturn Economic Impact

Danielle discusses the significant real estate downturn affecting both Canada and the US, noting that 20% of Canadian small businesses expect to close or go bankrupt in the next six months. She explains that housing markets are experiencing a major correction after years of ultra-low interest rates led to unsustainable price increases, with Canadian home prices having fallen 18% from their February 2022 peak. Danielle believes this real estate cycle, driven by aging boomers looking to downsize and higher mortgage rates, will have more

economic impact than tariffs, potentially leading to the first national decline in US home prices since 2008. Andrew adds that this downturn affects multiple sectors including construction and home improvement, with developers continuing to build despite reduced demand.

Economic Outlook Amid Rate Cuts

Danielle explains that 70% of people believe unemployment will be higher next year, noting that historically, job losses occur during rate-cutting cycles, not before them. She discusses how current inflation has decreased but prices haven't reversed to pre-COVID levels, causing consumers to seek cheaper alternatives. Danielle highlights that after years of zero rates, savers now have positive real yields of nearly 2%, making treasuries attractive investments that have historically outperformed stocks during Fed cutting cycles. She warns that many asset classes, including real estate, typically reprice lower during downturns, and cautions against expectations of continued double-digit returns in the current market environment.