

The Disciplined Investor Podcast – Guest Interview Summary

Guest: Meb Faber

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From Farmland to Finance

MEB discussed how his father's upbringing on a farm in rural Nebraska shaped his views on money and contentment. He shared stories about his father's challenging childhood and how hearing these stories influenced his perspective on wealth and what "rich" really means. MEB also reflected on how different generations perceive risk differently, comparing the traditional risks of farming to the modern risks associated with investing in areas like crypto and options trading.

Financial History in Investing Education

MEB discussed the importance of studying financial history rather than relying solely on personal experience or age when approaching investing and markets. He emphasized that while lived experience provides wisdom, it may not represent future trends, and recommended studying historical events and market cycles to develop more realistic expectations. MEB also shared his academic journey, starting in aerospace engineering before transitioning to biotech during the late 1990s tech and biotech bubbles, which eventually led him to study markets more closely.

Work-Life Balance and Long-Term Planning

Andrew and MEB discussed balancing professional work with personal interests, with MEB sharing his experience of early morning trading to accommodate skiing in Tahoe. MEB explained how he eventually moved to Southern California, starting a company 20 years ago that has survived market challenges. The conversation concluded with both participants reflecting on the importance of long-term perspective in investing and life decisions, with Andrew emphasizing the concept of considering how the "future you" will evaluate current decisions.

Long-Term Investing and Compounding Strategies

MEB discussed the importance of long-term investing and compounding, sharing an example from a talk he gave to students about the benefits of investing money instead of spending it on travel or other expenses. He emphasized the challenge of thinking about long-term financial goals at a young age and criticized the investment industry for focusing on frequent trading rather than simple, long-term strategies. The conversation

then shifted to a discussion about angel investing, where MEB explained that while it may seem different from a quant approach, there are still key factors to consider, including the concept of power laws in equity markets.

Trend Following Investing Strategies

MEB and Andrew discussed the similarities between trend following investing strategies in both public markets and angel investing. MEB explained that trend following, as implemented in market cap-weighted indices like the S&P 500, involves buying stocks based on their price performance and allowing winners to run while cutting losses. They also briefly discussed the upcoming SpaceX IPO, noting its significant market cap increase and the unique 5-day hold period before entering the NASDAQ 100.

AI Market Disruption Discussion

MEB and Andrew discussed the potential market disruption from new AI companies like Anthropic and OpenAI launching by year-end. MEB explained how index investing faces challenges from front-running and arbitrage, noting that company additions to indices can sometimes result in significant costs. They analyzed the current market environment, comparing it to past bubbles and discussing how SpaceX's space exploration ambitions could drive investor excitement, with MEB suggesting the company could potentially reach extremely high valuations.

Meme Stock Book Writing Project

MEB discussed his recent book writing project, inspired by his frustration with how meme stocks were being promoted to new investors. He explained that he wrote two books - one covering global market history from 1600 to 1800, and a second U.S.-specific version titled "Investing in America, the Rise of a 250-Year Bull Market" which will be published by July 4th. The books feature visual charts and historical market data, with the U.S. version covering different decades from 1800 to present day.

Financial History and Portfolio Strategies

MEB and Andrew discussed MEB's upcoming book on financial history, which will cover stories from the past 50 years. They explored portfolio construction strategies, with MEB explaining his approach of using multiple asset classes including equities, global fixed income, and real assets. MEB emphasized the importance of studying history and being prepared for potential losses, sharing an example of how substituting gold for bonds in a 60-40 portfolio made little difference over long periods. They also discussed the recent strong performance of international and emerging markets stocks compared to US markets, with MEB noting that foreign indices outperformed the S&P 500 in the previous year.

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