Twitter Thread by Christian Reshoeft



Christian Reshoeft
@reshoftc

(Thread) Why do I own individual stocks?

Thesis:

1. The digitalization of our world is 10% complete.
2. This megatrend will continue for at least another decade.
3. If you enjoy spending your free time on individual stocks, then the potential for outsized returns is possible.

What is my approach?

There are two parts to my portfolio.

- 40% in Vanguard All-World ETF. This is on autopilot w/ regular contributions.
- 60% in what I consider to be high growth stocks

I keep a balance by adding cash. No shuffling around unless it gets too out of whack.

The latter is the interesting part.

I invest in companies that can

1. successfully disrupt an industry with new business models $TTD $SQ $PTON $TDOC

2. further enable the digital transformation with their services and infrastructure $ZS $HUBS $TWLO $CRWD

I intend to hold my shares indefinitely and allow my investments to compound over time.

I don’t believe that it is possible to time the market. Markets go up and down. I hold on knowing that quality businesses tend to bounce back.

The list of reasons to sell is always long.

If you have full conviction in your holdings, then no single piece of “infotainment” should make you change your mind.

Ignore it + people who make predictions about the economy.

Have the patience to stick with a stock that is moving sideways. You never know when a multiple expansion or re-rate may kick in, as I personally witnessed again over the last few weeks with $BIDU

Conviction can only be gained by doing the work. Analyze your holdings at a frequency you are comfortable with.

When in doubt, get out.

Avoiding risk is fundamental to accumulating wealth.

Don’t fall in love with a stock.

I evaluate

- the underlying business,
- the competitive landscape,
- have an opinion on what the TAM is,
- quality of the management,
- their plans, and a proven track record of strong execution against those plans

I try to find companies whose product has or is about to catch on with mass adoption.

I like companies led by founder CEO's, who have significant skin in the game via high insider ownership. I don’t invest in IPO's and always wait until at least the lock-up period has expired

I need to see intact customer growth, strong and stable, or even improving retention metrics I need to see high gross margins and a clear and believable path towards profitability via positive operating margins and cash flows.

From a bird's eye perspective, the ideal software company has

Gross Margin >75%,
Rule of 40 >50%,
Revenue Growth >40%,

with consistent revenue growth numbers over several years, at a reasonable EV/Sales valuation

Some examples of industries where I am comfortable placing my bets are:

1. Online Gaming
2. Social Media
3. SaaS

4. Cloud
5. FinTech
6. Online Advertising

You will never see me invest money in the banking, oil, airline industry. These are out of my circle of competence.

2020 has been a very strange year with out of this world returns.



Over the last decade, the picture is equally impressive. This is the motivation that I personally need to keep trying to beat the market, and especially vs Nasdaq.



I openly share my portfolio performance once a month here on Twitter and on https://t.co/3QC6xZFVVf .

I have nothing to sell. I do this to keep me accountable, my thinking sharp, and to connect and learn more from the incredible FinTwit crowd.

Learned and been entertained by many people. Novice or expert. These accounts will make you smarter.

@FromValue
@richard_chu97
@adventuresinfi
@StockNovice
@InvestmentTalkk
@akramsrazor
@SeifelCapital
@KermitCapital
@dhaval_kotecha
@BahamaBen9
@hhhypergrowth
@BrianFeroldi