



*"Focus on the List"*

October 29<sup>th</sup>, 2018

#### To Focused Compounding Members:

The amount of time you spend on investing matters less than you'd think. It's the **quality** of the time you spend – the amount of **focus** you apply to the task at hand – that matters. You could create a formula where you said that how well you understand something in investing is the product of the time you put in and your degree of focus. So, 180 minutes spent on some stock at only 30% of your maximum level of focus isn't worth as much as 60 minutes at 100% focus. And that understates the truth. You can't make up for a lack of high focus time spent on some task with extra low focus time. For almost all your day-to-day tasks, you probably can. But, investing is more intellectually intense. I'm not sure that 3 hours of less focused work can match an hour of 100% focused work. Andrew and I did a podcast about deep work. It's episode #61. Andrew named the episode *"The Most Important Concept for Investors: Deep Work"*. And I have no complaints with that title. I think that episode is the most important podcast episode we've ever done. I'm sure you've heard the story of Warren Buffett and Bill Gates both being in a group where they were going around the room asking each person – these were all very successful people – what one trait best explained their success? Bill Gates and Warren Buffett both said the same word: "focus". In that podcast episode, Andrew and I talked a little about Cal Newport's book "Deep Work". That's obviously where we stole the concept from. And it's a good book to read to get some practical ideas about how you might spend less time – but more focused time – thinking about investing. Read Newport's book. And listen to our podcast. Because if our podcast episode #61 can motivate you to think about how to improve the **quality** of the time you spend on investing – rather than the quantity of the time you spend on investing – that episode will have done more good for your future investment success than listening to all our other episodes combined. So, how do you improve the quality of the time you spend investing? We could talk about further maximizing your most intense moments of focus. But, that's difficult. That would be asking you to learn to focus more on investing – which for many people reading this is not their day job – than you do even for the work you're paid to do each day. That seems too tough an ask. So, let's attack the problem from an entirely different angle. Instead of trying to get you to push beyond the current limits of your **most** focused moments – let's talk about the **least** focused moments you spend on investing. Do you watch CNBC? Bloomberg? Do you check your stock quotes once a day? You can eliminate CNBC and Bloomberg entirely. You can resolve to check the stock prices in your portfolio just once a week instead of once a day. Now, we've saved some time. What better – more focused – uses can we put that time to? Well, those passive tasks of watching financial news and checking stock quotes probably didn't take you very long and didn't ask much of you. So, replacing them with reading another 10-K might be too much to ask. But, let's see if we can improve the return on your time spent on investing just a little. Let's start with coming up with a watch list of 10 stocks. I do this myself. It's my "on deck" circle. My research pipeline. Here's the #1 investing habit I want you to pick up. At all times, have 10 stocks that you would be researching now – **if you had the time**. Then, every day: instead of checking the prices of the stocks you **already** own, or checking the Dow (which you don't even own), check the prices of the 10 stocks you want to research next. Make it a daily habit to check these 10 prices. If you put a stock on the list at \$38 a share and it's now dropped to \$19 a share – maybe that stock should move to the top of your research list. Instead of passively taking in news about the stocks you already own, start actively thinking about the list of stocks you might one day own. Focus on the stuff you can do something about. This little list of just 10 stocks at a time can eventually be the source of a lot of profits. But, you have to treat it right. You have to check it daily. You have to think how to improve it just a smidge each day. That daily routine of improving your list will keep you away from the news. It'll keep you focused on the only little slice of the investing world that actually matters to you. The Dow doesn't matter. All that matters to your future investing success is your personal, custom made list of stocks you plan to research next. If, every day, you can make one tiny improvement to that list (add a new name, improve the order) – you'll have increased your return on time spent thinking about investing. And, if every weekend – instead of worrying about the market – you focus in on just one stock (the top stock) on that little 10 stock list of yours, you'll be doing more than most investors ever do. Day by day and week by week, that active focus – in place of passive fretting about the stuff every other investor is worrying about – will pay dividends. This process will snowball into a database of your own peculiar investment ideas. Some of those ideas will prove profitable on some unforeseen tomorrow. And all because you focused on them today. Check your list daily. Read a 10-K weekly. Repeat.

To learn more about [our managed accounts](#), call or text Andrew at 469-207-5844 or email him at [info@focusedcompounding.com](mailto:info@focusedcompounding.com)

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