

Buy Right and Hold On:

One of the simplest yet hardest pieces of investing advice came from Thomas Phelps: Buy right and hold on. On the surface, it sounds easy - but following through is excruciatingly difficult.

First, you have to decide to buy. Many people never get past this step. They worry about making a mistake or wait for the “perfect pitch” that doesn’t exist. Meanwhile, their money sits in the bank losing value to inflation while opportunities pass by.

Next comes the “right” part - knowing what to buy and when to buy it. Both matter. Buying the best business at the wrong price is a recipe for average returns. Buying mediocre businesses at a bargain price might feel good but is an approach that requires a constant flow of new ideas. Over time, it’s exceptional operators running companies with solid economics that win.

Then comes the hardest part: holding on. Phelps doesn’t just say “hold” or “wait” but “holding on” because the ride won’t be smooth. Even the best businesses will hit speed bumps. Management will make legitimate (but hopefully not lethal) mistakes. Markets will panic. News headlines will scream reasons why you should sell. There will always be a smart-sounding reason to do something, to lock in a gain, avoid a loss, or chase the hot dot.

Successful investors know that wealth is built not just by backing great people but also giving them time to do their thing. While we are not sure if Einstein said it, compounding truly is the eighth wonder of the world - if you let it.