

## ➤ The Investment Perspective – March 2025

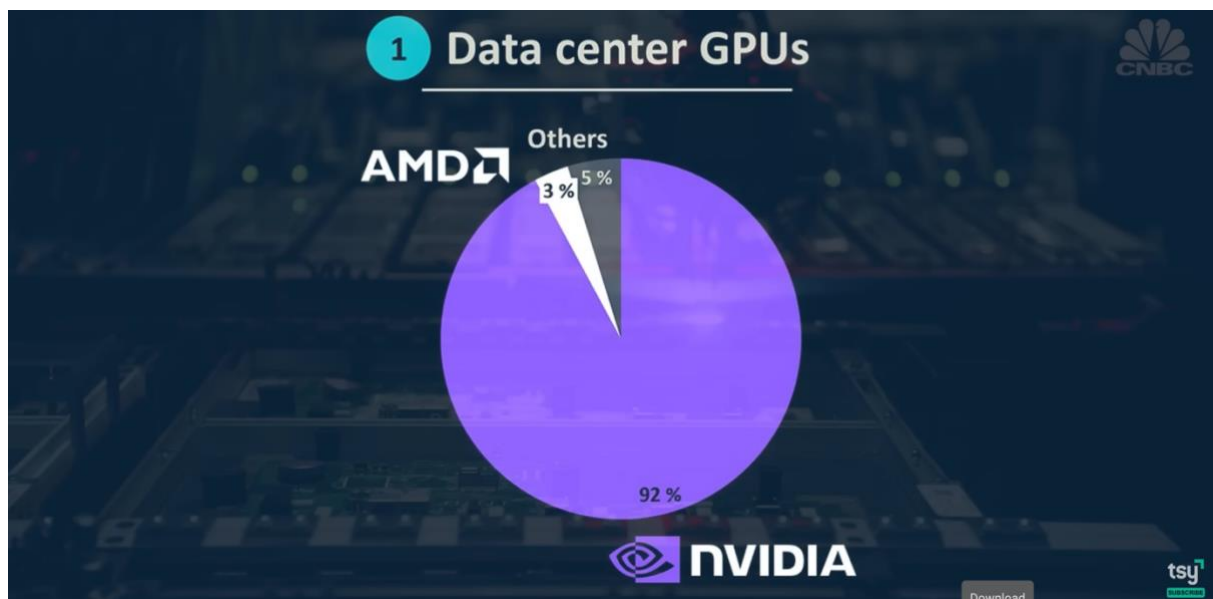


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*"Wealth is not primarily determined by investment performance, but by investor behaviour."*

-Nick Murray

## Investing and Reasoning



The pie graph above shows Nvidia's market share

OK – stay with me here...The trading price reflects market sentiment, often around quarterly reports on revenue, earnings and expected growth.

At WISEplanning, we also like to think about the economics of the business. For example, the pie graph above shows Nvidia's very healthy share of the widely used data centre GPU/CPU market. This is even before the latest Blackwell chip is fully developed and released.

Some worry that large customers like Amazon, Apple and Alphabet, for example, make their own ASICS chips and will eat into Nvidia's market share. But, in short, ASICS chips are very specific and have a narrow application, whereas Nvidia's chips have a wider application and are therefore widely adopted on lots of servers and computers on a global scale.

Also, the upgrade cycle for Nvidia chips is annual, more frequent than the ASIC chip. This means the performance of Nvidia chips is between 2 times and 8 times more efficient (Nvidia chips have a higher

performance/watt) which is a significant advantage for Nvidia and Nvidia's customers (a competitive advantage right there).

## The Reasoning

Think about graphics processing units (GPUs) and central processing units (CPUs). They process data. *The faster and more efficient the better.*

Simply, DeepSeek, out of China, has materially developed the '*post-training*' part of data processing, as well as '*test time scaling*', making it all much more efficient and cost-effective.

Now think ChatGPT.

What this means is that, instead of just coming up with an answer when prompted, AI can now look over a number of answers, consider them, pick the best one and then present it to you.

That is AI reasoning and it means that the amount of computation required now has just gone up 100 times. That all means more data processing power required, 'smarter' GPU's and CPU's required.

## The point of all that:

I have attempted to highlight the importance of:

1. Investing in the business, not the stock.
2. The underlying economics of the business. For example, market share and advanced computer chips that are in demand, widely used, driven by the underlying technological advances in which Nvidia is dominant.

The investor's dilemma can often be around the commonly available information pumped out every quarter that is valid but not necessarily right.

For example, an increase in one quarter's profit is generally good, but (without 'getting into the weeds' on it), that number tells us little about the underlying business. A stock can deliver more profits this quarter than last quarter, but what about the return on capital employed? What about its market share?

Profit is a 'blunt instrument' when it comes to understanding the performance of a business (I know, the market uses it religiously to check ... performance (?!)).

Business performance is measured by return on capital and shareholders' funds, which in turn is driven by strong business economics.

If the market is very focused on earnings growth and is disappointed, selling off that stock may take place, regardless of how well the underlying business is positioned.

The 'voting machine' (the market) may adopt a simplistic view and move the trading price up or down, for long periods of time (e.g. Fletcher Building, Xerox).

The 'weighing machine' (the business' economics) overrules the voting machine in the long term.

The investor's dilemma is that the massive amount of popular information and analysis readily available is not all that useful in the long term, especially if we are looking to maximise investment performance.

It is prudent to watch our investments ... to manage them.

It is profitable to know what information 'moves the needle' and to use it.

The weighing machine rules 😊

*"Investors should remember that excitement and expenses are their enemies. And if they insist on trying to time their participation in equities, they should try to be fearful when others are greedy and greedy only when others are fearful."*

**-Warren Buffett, [Berkshire Hathaway 2004 Letter to Shareholders](#)**

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