

Alex Lieberman What is up, everyone? This is Alex Lieberman, cofounder and CEO of Morning Brew, and this is Fresh Invest, the investing podcast, powered by Morning Brew and sponsored by Fidelity Investments.

Alex Here's what you can expect from Fresh Invest. Each week, I will dive into a massive business topic making headlines, and work through the impact that topic has on my portfolio.

Alex Fresh Invest is the jet fuel you need as a young investor, and I am so excited for today's topic. Drum roll, please. Big tech.

Alex As a young investor, there is nothing more fascinating to me than the information, impact and implications surrounding the largest technology companies in the world. Think Apple, Amazon, Facebook and Alphabet.

Alex Big Tech has been on a heater with a string of strong earnings reports in Q3 of this year, from Apple showing strength in its burgeoning services business, to Alphabet, accelerating its YouTube ad business and Google cloud revenue. All eyes are on these giants ahead of Q4 results. But I got to be honest, the amount of coverage around and focus on these companies has me on edge. I get they're massive, but are they deserving of the disproportionate attention they get? And as an investor, should I even be focusing on the quarterly performance of these tech titans?

Alex I know there are a bunch of young investors like myself, who want to make sense of Big Tech and understand the importance of quarterly earnings reports. So I recently sat down with Fidelity's own Heather Knight, and she answered my most pressing questions. Let's get into it.

Alex Heather Knight, thanks for joining me for the conversation.

Heather Knight, Regional Brokerage Consultant with Fidelity Investments Hey, thanks for having me today, Alex.

Alex So we are talking about Big Tech and technology stocks. Before we hop into it, can you just give me a little bit of background on what you do?

Heather Absolutely. So I'm a regional brokerage consultant with Fidelity Investments, and part of my role is to actually educate and work with our newer investors to Fidelity or just clients that might be interested in picking some stocks or they're building their own portfolio. So I help them from a strategy perspective, and I also work from an educational aspect to making sure that they understand how to use the tools that we have properly.

Alex Got it. So it sounds like I'm square in the demo that you typically work with.

Heather Absolutely.

Alex OK, so, you know, obviously the large technology companies — whether it be Amazon, Apple, Facebook, Google, Microsoft, the list goes on — these companies are constantly in the media. They

get so much of the airtime. Can you share with me just your thoughts on, like, if that amount of coverage is warranted and why do these guys and girls get so much airtime?

Heather Yes, actually, the bottom line is that they have made up a significant portion of the returns of the S&P 500 this year, and they make up about 80% of the overall return of the S&P. So that's comprised of those three big stocks — your Amazon, Microsoft, and Apple. So we look at their earnings reports because they're driving the market and they could be indicators of what might come going forward.

Alex So you talked about earnings, and I want to go a little bit deeper into that for a second. You know, I think of quarterly earnings as like the Super Bowl for stock market junkies. But I'd like to, you know, better understand how important should this be for me as a young investor when evaluating my portfolio?

Heather Yes, I'm glad you asked that. I talked to a lot of clients and also friends and family about this. It's really important to follow earnings reports for stocks that you own because they tell you how a company is doing. It's essentially a report card. So sometimes it can take a look at that and give us an idea of maybe where future guidance might go. So this will inform your decision about how to manage the stock. Do you want to continue to own it and do you want to own more of it? Do you want to sell out of it? So it really kind of gets us the idea truly about how a company is doing and what a company reports on from the earnings aspect and what to look forward to from the company itself.

Alex I guess I'm just trying to better understand in terms of my portfolio, my existing portfolio, how much credence should I be putting into quarterly earnings in evolving or changing my strategy each quarter?

Heather Yeah, so when you own a stock or purchase a stock — let's just say just one individual stock — you really want to get an idea as to why you're buying it and what the profitability of that company looks like. Sometimes you have a lot of people who are just buying stocks. And of course, the more people that buy the stock, then the price of the stock continues to go up based on that. But the price might not actually support the company's revenue or performance. And so listening to and understanding quarterly reports really give you an idea as to what you can expect for the company. It also helps you understand potential risk for the next quarter. So maybe there's something where you say, you know, I don't want to have this much exposure to this stock. Maybe I want to sell out of it this particular quarter and go into something else that might be a little bit more stable for my time frame and for my horizon.

Alex I'd love if you could just give me context from the perspective of Fidelity. If there are certain tools that you have internally to help clients like myself understand these earnings reports and how I should be interpreting them.

Heather Over the years, Fidelity has really done a good job at expanding the tools that we have and really giving clients and even newer clients just the understanding of how to interpret some of the information that we have, such as the earnings reports. So we do provide unbiased information outside of the physical reports that we sourced through our research providers. This helps our customers identify some of the trends like we were talking about from historical earnings or that help people understand what to expect with the next report going forward. Some of these tools that we have available on the website will give customers the ability to be able to see that. In addition, we have an educational center as well that's phenomenal. This includes articles, videos, webinars,

small daily coaching sessions from our Trading Strategy Desk where our customers can ask questions directly. And these are all complimentary services that we provide here to our customers here at Fidelity.

Alex And so in thinking about doing research, obviously, and making smart investment decisions. One question I have is, you know, how much should I be relying on the research and due diligence of others versus performing my own analysis?

Heather So I'd say that you probably want to spend time doing both, because there are sometimes measurements that we may not be thinking of when we go ahead and buy a stock just because we know the company itself or we have a good expectation. We think there's a stock that's going to be the best stock ever, you know, maybe two to three years. But you really, truly need to look at the company itself and make sure that it's actually in line with what your needs are and what your interests are, frankly.

Alex Heather, I want to get a little bit more timely. You know, obviously, we have a world pandemic that really has changed the way that we interact with each other as well as with society. I would love to better understand how should my thinking around investing in Big Tech be changing or evolving based on what we see happening with this pandemic?

Heather Sure. So right now, we have a lot of people working from home. We have a lot of people that are buying some of the high-flying stocks, everything technology, and they really don't know why they're buying it. Remember, when we're investing in a company, we want a company that's going to be profitable because we want to be able to partake in the upside of that. Again, it's really important to go back to the foundation. What are my risk tolerances? How am I looking to get — what am I looking to get out of this company and this investment? Like I said before, we all want to make money, but how much am I willing to lose as well? And maybe even taking a look at what the time frame is in addition to that. So it's really important to focus more so on your strategy at hand and then in addition to that, utilize some of the tools that we have available to make those informed decisions. And just because technology is a highlight is the headline and in the news and the stock market today, doesn't necessarily mean it's going to be the greatest next year. So we want to be certainly mindful as that pertains to our portfolio.

Alex Heather, I have one final question for you that I like to ask all of the guests in these conversations, which is, you know, let's put ourselves in the shoes of not a 27-year-old Alex, but a 21-year-old Alex. So Alex just graduated from college, moved to New York City, working in financial services and is generally, let's say, proficient in understanding the financial landscape more broadly, but not at all fluent. What is one piece of advice that you would have for 21-year-old Alex in navigating the financial landscape today?

Heather So I think that being 21 is a great time to start the process of really evaluating yourself and what your goals are. And creating a portfolio that makes sense for you and even your short-term, as well as your long-term goals. So sit down and create yourself with a list of those goals and long term, of course, and short term, like I mentioned. And then in addition to that, know what your risk tolerance is. That's going to be extremely helpful. So the other consideration is to work with maybe a financial planner. There's always so many available resources that we have here at Fidelity, and we're happy to help out and to make sure that you're on the right track for whatever your needs are because every individual investor is different. So all of our needs are going to be different. And we want to make sure that we know that we're keeping that in mind as we start to invest and build our portfolio as a whole.

Alex You know, I feel like it may sound cliché to some, but I think history has proven that failing to plan is how you can plan to fail. So I am fully aligned with that. And I think 21-year-old Alex would absolutely appreciate the advice. Heather, thank you so much for your time and for your insights. It's really appreciated.

Heather Thanks so much, Alex. I appreciate you having me today, and I hope you take care.

Alex You know, I had no idea that three of the largest technology companies in the world are responsible for nearly 80% of the S&P 500 returns this year. And in thinking about my portfolio strategy moving forward, there are two things I need to focus on. The first is that having a long-term thesis is imperative with any investment I make. And unfortunately, recent market runs may not be driven by smart money. The second is that quarterly earnings results can be used to identify longer term patterns or shifts in strategy that carry longer-term implications. Anyways, I just want to thank you all for tuning in to Fresh Invest. Check out [Fidelity.com/freshinvest](https://www.fidelity.com/freshinvest) for more information and resources, and make sure to join me next week for our final episode of this season on All Things GDP and how the go-to economic figure impacts all of our portfolios. Have a great day, everyone.

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Morgan See you next time.