5 Keys to Better Investing:

- 1. Find strong companies
- 2. Get them on sale
- 3. Follow Big Money
- 4. Track the insiders
- 5. Know when to get in and get out



Notes:	 	

1 – Find Strong Companies (cont'd) Warren Buffett: 1. Buy a great company 2. Buy it at a discount (Margin of Safety)

Notes:	 	

1 – Find Strong Companies (cont'd) A. Use industries you are familiar with first B. Average trading volume C. Insider ownership D. Return on equity

Notes:	

2 – Get Them on Sale

Intrinsic Value: The actual value of a company based on all aspects of the business. This includes both tangible and intangible factors. This value may or may not be the same as the current market value.

The goal is finding investments where the true value of the investment is different from its current market value. When the value of a company is higher than it's current market value, it is considered to be "on sale."



Notes:	 	

3 – Follow Big Money

Institutional investors such as hedge funds, insurance companies, mutual funds, etc. can move markets. We want to know what the Big Money is doing.

"Chimp '99 champ! Makes monkey of Wall Street" headline in Market Watch said "The chimpanzee won. And big. He didn't just beat all Internet and technology funds. He beat all 10,000 mutual funds. Raven the chimp is now Raven the Champ!"

A chimpanzee throwing darts at a dartboard beat out 10,000 mutual fund managers for two years in a row.



Notes:	 	

3 - Follow Big Money (cont'd)

Institutional Investors and Mutual Funds have the disadvantage of being large. By the time they buy, stocks have moved up and by the time they sell, stocks have moved down. That's why only 0.6% of Mutual Funds beat the market on average.





Notes:	 	 	

4 — Track the Insiders "There's no better tip-off to the probable success of a stock than people in the company are putting their own money into it." — Peter Lynch Knowing what the insiders are doing is an important indicator of the health of a company.

Notes:	

4 – Track the Insiders (cont'd) "Our performance has never been stronger; our business model has never been more robust; our growth has never been more certain..." – Enron's Ken Lay in an email to all employees 8/14/01 He was simultaneously selling his stock!!

Notes:		
	 	

Valuation Analysis Report Let's talk about what a valuation should look like when you put together what we've talked about so far.

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5 – Know When to Get In and Get Out Technical Analysis: The study of supply and demand in an effort to determine price movement. Technical analysts use over 1,000 indicators in determining pricing and movements.

Notes:	 	



Notes:	 	 	

Buy & Hold vs. Informed Investor - Wal-Mart • Buy & Hold - Informed Investor – • 01/07/08 - In \$43.40 - In 01/07/2008 at \$43.40 7/20/12 at \$72.25 09/29/08 – Out \$55.03 - 66.85% • 03/30/09 - In \$50.06 Investment = \$100,000 09/28/09 - Out \$46.00 • 07/26/10 – In \$48.61 • Result = \$166,850.00 • 01/31/11 - Out \$53.81 • 04/25/11 – In \$53.17 • 08/08/11 - In \$48.78 • 02/21/12 - Out \$58.01 • 05/14/12 – In \$62.43 07/20/12 - Cur \$72.25 Result = \$172,022.38

Notes:		



Notes:	 	 	

Buy & Hold vs. Informed Investor -Research In Motion • Buy & Hold - Informed Investor – - In 03/17/2008 at \$104.94 • 03/17/08 – In \$104.94 7/20/12 at \$6.77 • 07/07/08 - Out \$109.79 - 93.50% Loss • 08/18/08 - In \$131.45 • Investment = \$100,000 Result = \$6,500.00 • 03/30/09 - In \$59.29 • 05/03/10 – Out \$64.92 10/25/10 - In \$56.92 • Result = \$90,838.62

Notes:			



Notes:			

Buy & Hold vs. Informed Investor - Apple • Buy & Hold – - In 01/01/2008 at \$180.05 7/20/12 at \$604.30 - 235.62% • Investment = \$100,000 • Result = \$235,628.99 • Informed Investor – • 01/01/08 – In \$180.05 • 01/14/08 – Out \$161.36 • 04/14/08 – In \$161.04 • 07/21/08 – Out \$162.12 • 03/23/09 – In \$106.85 • 07/20/12 – Cur \$604.30 • Result = \$420,021.32

Notes:	 	 	
		 	



Notes:		

Buy & Hold vs. Informed Investor - Vanguard Emerging Markets ETF • Buy & Hold – - In 01/07/2008 at \$46.46 7/23/12 at \$38.42 - -17.30% Loss • Investment = \$100,000 • Result = \$82,700.00 • Result = \$82,700.00 EXPLOSIVE STOCK PROFITS

Notes:	 	

Put the Weight on the System

"Knowledge without action is wasted."

Many times amateur investors will swap from system to system to system, never locking in on a few techniques or systems to excel at.

Professional investors put the weight on the systems. They will specialize in a handful of things rather than try to generalize on everything.

Notes:	 	 	



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