Buffetology review

Buffet's main thrust has been to let stocks grow (and never sell it). He does not believe in dividends also, as they are taxed in US. Here, in India, the situation is different. Dividends are tax free and if you keep stocks for more than 1 yr, then the gains (long term) are also tax free. Thus I believe he need not be followed 100% in India. But, his methods for choosing companies are closely in-line with Value investor like me. Here are some points form his book:

-Buy stocks that you never want to sell; when you get a good business, buy for life

-Ideal purchase: buy more of what you already like and have becaus e the price is right

-To understand a company, understand its products, its competition, and its earning power

- The critical investment factor is determining the intrinsic value of a business and paying a fair or bargain price.

- Never invest in a business you cannot understand.

- Risk can be greatly reduced by concentrating on only a few holdings.

- Stop trying to predict the direction of the stock market, the economy, interest rates, or elections.

- Buy companies with strong histories of profitability and with a dominant business franchise.

- You are neither right nor wrong because the crowd disagrees with you. You are right because your data and reasoning are right.

- Be fearful when others are greedy and greedy only when others are fearful.

- Unless you can watch your stock holding decline by 50% without becoming panic-stricken, you should not be in the stock market.

- It is optimism that is the enemy of the rational buyer.

- As far as you are concerned, the stock market does not exist. Ignore it.

- The ability to say ''no'' is a tremendous advantage for an investor.

- Much success can be attributed to inactivity. Most investors cannot resist the temptation to constantly buy and sell.

- Lethargy, bordering on sloth should remain the cornerstone of an investment style.

- An investor should act as though he had a lifetime decision card with just twenty punches on it.

- Focus on return on equity, not earnings per share.

- Look for companies with high profit margins.

- Buy a business, don't rent stocks.

- Wide diversification is only required when investors do not understand what they are doing.

- An investor should ordinarily hold a small piece of an outstanding business with the same tenacity that an owner would exhibit if he owned all of that business.