MODULE 6

Investment Strategies Of The World's Best

POWERED BY

Rapunzl

Key Takeaways From This Module

Guiding Questions

- Who are some famous investors and what can they teach us?
- What do good investment strategies have in common?
- Is there a way to time the market and buy stocks only at a discount?
- What lessons from Warren Buffet should I apply to my own investing practices?

Enduring Understandings

- What is the value of buy-and-hold investing and why is it important to think about the long-term investing?
- Why is timing the market a bad idea & how can dollar averaging benefit me in the long run?
- How do the world's greatest investors leverage compound growth?
- Be confident enough in any stock you choose to stick with it or even buy more
- Stick with industries you know to find great investments. when the price is right

11. Peter Lynch - Buy What You Know

- **Fidelity Magellan Fund manager from 1977 - 1990**
- **The fund grew from $18 million to $14 billion with an average annual return of 29% (2x the S&P 500)**
- **He authored “One Up On Wall Street,” “Beating the Street,” and “Learn To Earn”**

Buy What You Know: Peter Lynch believed new investors should start with companies they frequently interact with or are experts in.

Anti Market Timing: He said investors lost more money trying to anticipate market fluctuations than in the fluctuations themselves.

Growth At A Reasonable Price: Lynch also popularized GARP which combined Growth Investing and Value Investing.

What Does This Mean For You?

If you don’t understand how the company makes money - don’t buy it. Attempting to time the market is a fool’s errand - instead purchase reasonably priced stocks with high growth potential.

10. Ben Graham - Understand Value

- **Founder of Graham-Newman Partnership, an early hedge-fund, and Buffet's mentor**
- **The partnership returned an average annualized return of 20% from 1936-1956 when market average was 1.2%**
- **He authored the investment classics "Security Analysis," "The Intelligent Investor"**

Security Analysis
Ben Graham distinguished between investments and speculation saying that investments must show safety of principal and sufficient return.

Value Investing
He believed fluctuation in stock price was irrelevant and one should invest in companies with strong balance sheets such as those with little debt, above-average profit margins, and ample cash flow.

What Does This Mean For You?
Pay close attention to the fundamental attributes of a company and trust that the market will realize and price in these strengths at some point in the future.

9. Thomas Rowe Price Jr. - Search For Growth

- **Founder of the investment fund T Rowe Price, and the father of growth investing**
- **Conducted proprietary research on investment selection and diversification that guides the fund today**
- **Pioneered the percentage of AUM fee as a superior alternative to traditional commissions**

Growth Investing

Thomas Rowe Price Jr. believed in identifying well-managed companies in fast growing industries to ensure returns that outpaced inflation and the rest of the market.

He was so confident in this approach benefitting investors that he abandoned commission systems for an annual percentage of assets under management (AUM), therefore tying the firm''s performance to the investors and setting the modern-day standard for performance-based fees.

What Does This Mean For You?

Cheaper stocks can often offer more attractive growth rates. Be cautious - cheaper stocks often come with significantly more volatility than blue-chip stocks.

8. Geraldine Weiss - the Dividend Detective

- Co-founded Investment Quality Trends, an investment advisory service
- One of the most prominent female investors at a time when finance was virtually entirely male dominated
- She authored “Dividends Don’t Lie,” and “The dividend Connection”

Dividend Yield

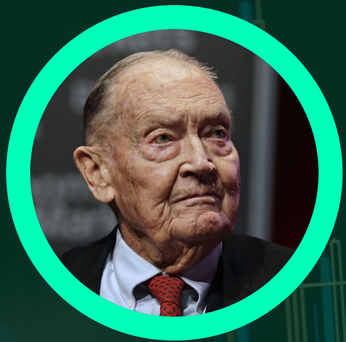
Geraldine Weiss believed that dividend yield (dividends over stock price) was crucial to determining value. A company with high dividend yield over a long period of time was considered undervalued, while one with low dividend yield was considered overvalued.

Undervalued stocks were purchased so that they could be sold when the market eventually recognized their true value.

What Does This Mean For You?

Dividends are the most crucial cash-flow received by owners of stocks - pay attention to how they vary with the price of the underlying stock to help value the stock.

7. Jack Bogle - Own The Market



- **Founder and Chief Executive of the Vanguard Group**
- **Created and introduced the first index fund, the Vanguard 500, in 1976**
- **He authored "Common Sense on Mutual Funds: New Imperatives for the Intelligent Investor"**

Owning the market

Jack Bogle believed that attempting to beat the market, as actively managed mutual funds do, is futile especially when you account for fees.

He advocated for the superiority of capturing market returns through index funds that are characterized as no-load, low-cost, low-turnover, and passively managed.

Warren Buffett once claimed that he believes no man has done more for the common investor than Bogle.

What Does This Mean For You?

Pay close attention to transaction costs. ETFs and Index funds offer a low-cost medium through which you can "own" the market. Eg: SPDR S&P 500 (SPY) ETF.

6. Bill Gross - Or Own The Market's Debt

- Co-founder of PIMCO and ex-manager of the $270 billion Total Return Fund, once the world's largest bond fund
- Known as the "Bond King" for pioneering active bond investing
- He authored "Bill Gross on Investing" and "Everything You've Heard About Investing is Wrong!"

Own the Market's Debt

Bill Gross focused on bond and fixed income investing but he shunned the purchasing and rarely trading stance most institutional investors chose. He was a contrarian in many senses, but always wanted seniority if a company failed.

Gross traded in and out of positions based on the direction he believed interest rates, inflation, and economic growth were headed; a lot of times in contrast to what the general market believed.

What Does This Mean For You?

Some markets see more success with forecasting than others. A strong understanding of macroeconomic forces can enable you to actively trade debt in these markets.

5. John Rogers & Mellody Hobson: Slow & Steady

- **Co-presidents of Ariel Investments LLC, the largest minority run mutual fund**
- **The fund began with an initial funding of $10,000 and grew to $15 billion in AUM**
- **He is a regular contributor to Forbes while she regularly contributes to CBS This Morning**

Patient Investing

John Rogers and Mellody Hobson are the Co-CEOs of Ariel Investments and they focus on long term, fundamental growth by investing in companies that they identify as mispriced by the market's short term outlook.

The investment fund purchases companies whose prospects include high barriers to entry, sustainable competitive advantage, and predictive fundamentals.

Their investment horizon is typically in the decades.

What Does This Mean For You?

Markets are constantly over and under reacting to any given situation. If you can understand and exploit that attribute of the markets - you're a winner.

4. John Templeton - A True Contrarian

- **Founder of the Templeton Growth Fund and skilled personal investor**
- **Numerous well timed investments like buying low during the Depression and selling high during the Internet boom**
- **He authored "Investing the Templeton Way" and "Buying at the Point of Maximum Pessimism"**

Value Investing: Focus on purchasing undervalued stocks and invested in companies that were profitable, well-managed and had good long-term potential.

Avoiding the Herd: John Templeton was known for investing in troubled industries, and selling when prices and confidence were high.

Emerging Market Investing: He was one of the first investors to move into non-American markets like Japan for low regulation and high growth potential

What Does This Mean For You?

Investments that the market does not believe in or know about can be the low-cost, high-return strategy that all investors want.

3. Cathie Wood - Picking the Best

- **Founder, CEO, and CIO of ARK Investment Management**
- **Named the best stock picker of 2020 by Bloomberg News**
- **She authored "One Up On Wall Street," "Beating the Street," and "Learn To Earn"**

Disruptive Innovation

Cathie Wood is known for purchasing high growth investments before the market recognizes their value, specifically choosing stocks that she believes will change the world.

Also, she's known for booking hundred of millions of dollars of profit by betting big on companies such as Peloton, Zoom, and Tesla. These investments often see exponential growth trajectories because Cathie is investing in innovation which has the potential to capture market share & transform the world.

What Does This Mean For You?

Be passionate about the companies you invest in. Impact driven investments can drive immense profitability in your portfolio.

2. Robert F. Smith - The Pied Piper of Tech

- Founder, chairman, and CEO of Vista Equity Partners (private equity firm)
- The firm has consistently brought a 30% return rate for its investors
- The firm was named "Deal Maker of the Year" by PitchBook Private Equity Awards

Technology Investing: Robert Smith pioneered SaaS investing with a focus on enterprise software companies (software companies offering solutions to other businesses).

Fundamental Investing: Despite being in tech investing, which is notorious for inflated valuations, Smith focused on companies with sound fundamentals that he could help succeed through operational and structural changes.

What Does This Mean For You?

Take ownership of an industry - make every effort to understand it completely and develop an investment niche in the industry. For Robert F. Smith, it was SaaS investing - what will it be for you?

1. Warren Buffett - Buy & Hold, Forever

- **Chairman and CEO of Berkshire Hathaway, a multinational holding company**
- **Berkshire Hathaway returned a compound annual gain of 20.3% from 1965-2019, double the S&P 500**
- **He authored 2 editions of "The Essays of Warren Buffett"**

Ownership Mentality: Warren Buffett advocated that buying shares should be viewed as becoming an owner of the company for the long run. He believed in "buy and hold" investing and often worked to protect management from risk.

Passive Management: Buffett is skeptical of active management as a means to achieve returns due to high associated returns. Instead, he believes that index funds are superior in the long run.

What Does This Mean For You?

Competitive advantage is the most overlooked & important concept in investing. Think of your investment as a castle. Competitive advantages are the equivalent of large moats protecting your castle.

So What Can We Learn?

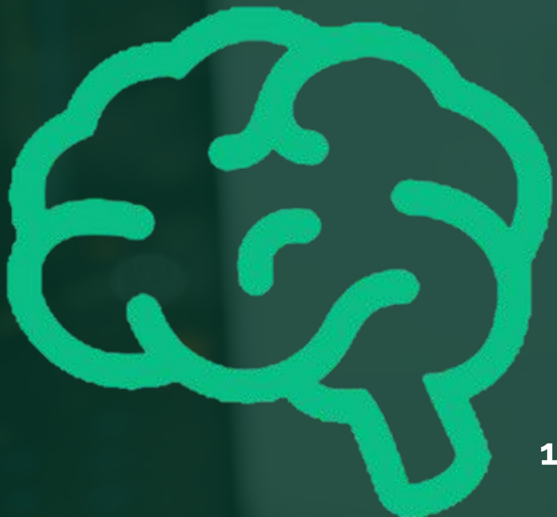
All great investors have a strategy and stick to it…

In order to foster your own strategy it is best to know what your goals are as an investor and to understand your risk-profile. Once you identify your goals and the risk you're willing to take, you should define a thesis as to what you look for in prospective investments.

It is imperative that you stick to your strategy during economic downturns and not just sell out of fear. Investing should be boring, slow, and methodical.

If you're unsure about how to go about evaluating companies' stock prices to make investments in individual companies, remember to use ETFs!

ETFs are an incredible passive investment strategy when you purchase broad-based funds that track major indices.



Key Takeaways From This Module

CORE & FUNDAMENTALS

- Who are some famous investors and what can they teach us?
- What do good investment strategies have in common?
- Is there a way to time the market and buy stocks only at a discount?

APPLIED KNOWLEDGE

- What lessons from Warren Buffet should I apply to my own investing practices?
- Why is timing the market a bad idea & how can dollar averaging benefit me in the long run?
- How can I use ETFs to buy the market?
- There's value in going against the grain.

RELEVANCE FOR YOU

- Even if you feel uncomfortable evaluating specific companies, you can start investing like some of the greatest investors by simply purchasing an ETF which tracks the market.
- When you begin making investments in specific stocks, time in the market is worth more than timing the market. That means that investing should be a long-term game.
- Don't let fear dictate your investment decisions.