# Value Investing Strategies

# Value Investing Strategies

- Value Investing is based on thorough financial analysis
- Warren Buffet spend hours reading the financial statements of the firms in which he invests
- There is probably no one in the world better at reading a 10K than Warren Buffett!

# Value Investing Strategies

- So how can you approach Value Investing?
- How can you find under valued companies to invest in?

# Value Investing Strategies

- There is no substitute for reading the financial statements of companies in your portfolio or which you are tracking
- The Annual Report in the US is called the 10K
- The Quarterly Report is the form 10Q
- These are widely publicly available from the company's website or the SEC website
- The same applies to companies in the UK and Europe

# Value Investing Strategies

- Once you have the financial statements for a company you can apply some of the financial analysis techniques covered in this course to understand the firm’s intrinsic value

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- Income Statement
  - Revenues
  - Costs and Expenses
  - Profits
- Balance Sheet
  - Assets and Liabilities
  - Current and Long Term
  - Debt and Equity
- Cash Flow Statement

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- Then the next question is to ask how a company can increase its revenue?
  - Increasing prices
  - Sell more products
  - Reducing expenses and costs
  - Divesting unprofitable divisions, companies or product lines

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- You should combine this with a study of a company's main competitors
- The ability to increase revenues will be a qualitative function of the company's competitive advantage and market position
- But its entirely qualitative!

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- To make these judgement calls, Buffett would argue that you should only invest in industries that you are familiar with and understand
- He would argue its better if you have worked in the industry, but of course that is not very practical

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- The next strategy is to watch who is buying and selling the share
- Particularly either shareholders with more than 10% or Directors
- These stockholders probably have more "inside" information about the business than most

# Value Investing Strategies

- While their trading is controlled, they will still act in their own best interests legally
- If Directors are large buyers of stock, this is a good thing.  If they are selling, maybe not.
- This is one reason why Directors transactions are reported on and tracked in the market.

# Value Investing Strategies

- You can always ignore all this and simply track other investors
- Warren Buffet of course
- Watch particular funds, review their investments and the changes they make in their portfolios
- Let them do the analysis and stock selection, simply track and follow their investment decisions

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