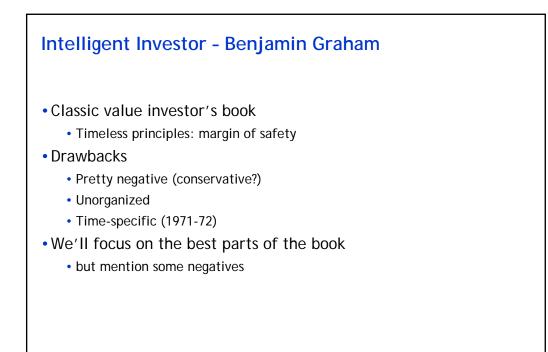


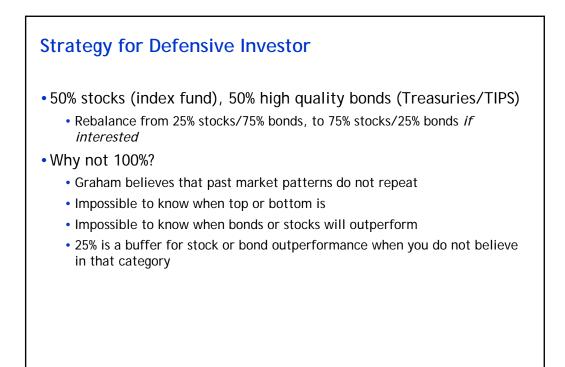
### **Disclaimers**

- I am not a registered investment advisor and I do not offer any investment advise
- No parts of this talk are suggestions to invest, not invest, buy or sell any kind of securities or other financial instruments



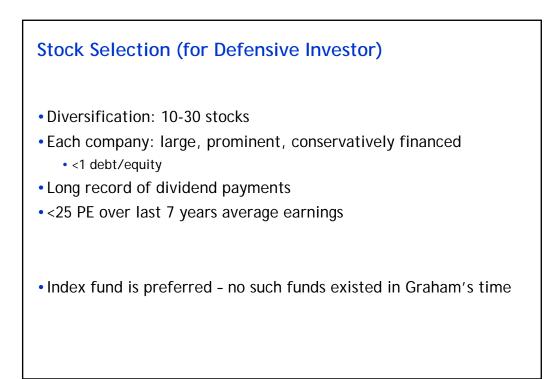
# **Investor Types**

- Avoidance of losses for both types
- Defensive investor
  - Little effort, few decisions
- Enterprising investor
  - Spends time and effort for security selection



#### Expect 6-7% annual return

- One of the very negative claims of the book
- 3-4% dividend return + 3-4% economy growth translating into business growth translating into stock growth
- Don't expect 10-12-15% per year!
  - Historic 10-12% market returns were due to PE expansion mostly
- Before inflation! 3-4% after inflation
- Most people do not believe Graham we are all overoptimistic!
  - Yet ~0% return on SP500 since 1997!
  - Of course, we all believe that we can do better than SP500...







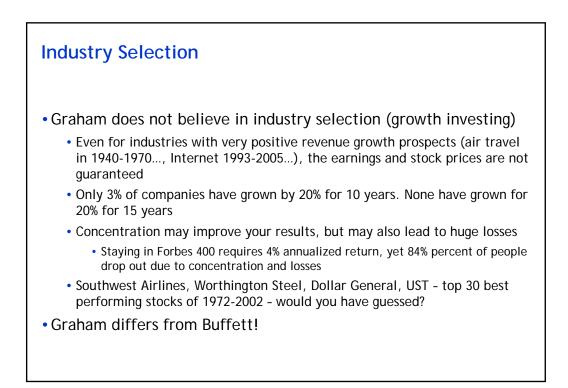
- No second-grade bonds or preffereds
- No foreign bonds
- No IPOs

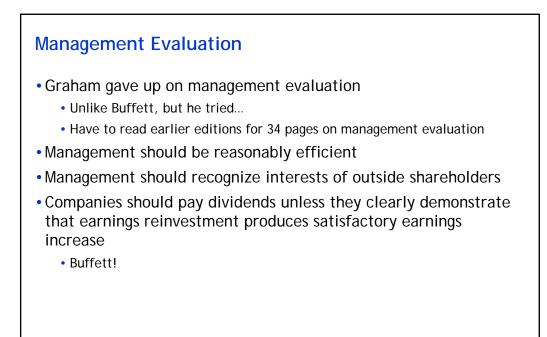
### **Stock Selection Criteria**

- Stocks in "relatively unpopular large companies"
- Over 10 years of positive earnings and dividends
  - At least 33% earnings growth through last 10 years (not annual!!!)
- At or below net current assets
  - Or at least <1.5 book value
- Low PE on average earnings 7-10 years PE 15 over average 3 year earnings
- Strong financial position
  - Current assets / current liabilities > 2
- Prospect that earnings will at least be maintained in coming years
- Very tough demands
  - Very few companies sell at such prices even now after 38% drop in SP500

## Stock Selection Criteria for Enterprising Investor

- Arbitrages
- Liquidations
- Net Current Asset investments
  - <2/3 NCAV
  - Current assets / current liabilities > 1.5
  - Debt/equity < 1</li>
  - No losses in 5 years
  - Some dividend
  - Some earnings growth
    - Growth calculation: 3 last years earnings to 3 years average 10 years ago
  - Not always available! When not available, do not buy "leftovers"





### **General Advice**

Investor is never forced to sell shares

- Ignore price quotation if it does not suit you to buy or sell
- Investment for protection instead of projection
- "The risk of paying too high price for good-quality stocks is NOT the chief hazard... Chief losses ... come from purchase of low quality securities at times of favorable business conditions"
  - Even with aversion to growth companies... pure Buffett