takeways

chapter 1

1. An investment opration is one which upon through analysis promises safty of Principal & adquate return. oprations not meeting these requirements are not an investment it's speculations.

2. a difinsive investor is one interested in safty & freedom from Bother. 25% to 75% stocks or bonds depending on earnings yields (**PE ratio**) or bond cupon.

There are 3 ways one can beat the market according to Graham as the goal of the aggressive investor is to beat the market:

1) Trading
2) Short-term selectivity – i.e. buying stocks of companies expected to report increased earnings or other catalysts
3) Long-term selectivity – Buying great businesses, even tech companies

only for fun

No! no!

not a good strategy

it works

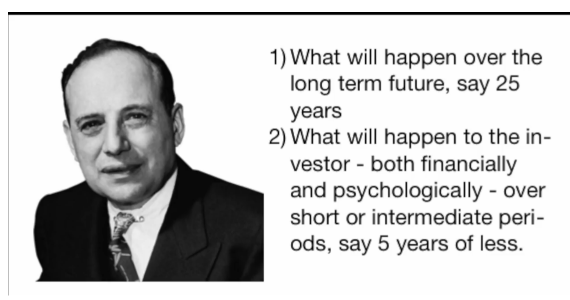
However to enjoy a reasonable chance for contined better than avarage results, the investor must follow policies which are —

1. timeless, inhariently sound & Promising
2. not popular on wall street.

chaptar-2

there is no corrilation between Stocks & infation. goverment policy can change anytime.

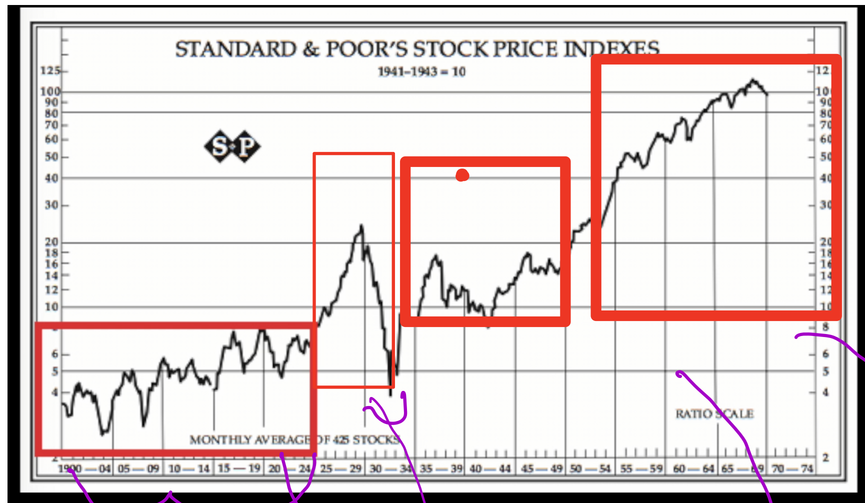
2 questions every investor should ask themselves →



" His frame of mind his hope & appreciation, his satisfaction or discontent with what he has done, above all his decisions what to do next are all determined not in a retrospective of a lifetime of investment but Rather by his experience from Year to year "

⇒ every investor should take a frame of 25 year while investing. (ie, much higer infation in future, govt policy, etc.)

chaptar = 3



3%/yr over 3year

boom (1920-29)

falacturation but 1949 not intrest in stock market

largest Boom in histo- (1950-74)

according to graham — "a few people have been bothered by the thought that the very extent of the rise might indicate it had been overdone" (the bull market)

Now → look at the fundamentals like earnings, dividends, EPS, PE, dept to equity etc from a 10 year average perspective

PE ratio went from 6.3 → 22.9 in 1949–61

dividend fell from 7% → 3% even bond went up

Stocks will deliver growth over time.

– only 2 out of 9 decades have seen a decline in earnings

TABLE 3-2 A Picture of Stock-Market Performance, 1871–1970[a]

Period	Average Price	Average Earnings	Average P/E Ratio	Dividend Average	Average Yield	Average Payout	Annual Growth Rate[b] Earnings	Dividends
1871–1880	3.58	0.32	11.3	0.21	6.0%	67%	—	—
1881–1890	5.00	0.32	15.6	0.24	4.7	75	– 0.64%	–0.66%
1891–1900	4.65	0.30	15.5	0.19	4.0	64	– 1.04	–2.23
1901–1910	8.32	0.63	13.1	0.35	4.2	58	+ 6.91	+5.33
1911–1920	8.62	0.86	10.0	0.50	5.8	58	+ 3.85	+3.94
1921–1930	13.89	1.05	13.3	0.71	5.1	68	+ 2.84	+2.29
1931–1940	11.55	0.68	17.0	0.78	5.1	85	– 2.15	–0.23
1941–1950	13.90	1.46	9.5	0.87	6.3	60	+10.60	+3.25
1951–1960	39.20	3.00	13.1	1.63	4.2	54	+ 6.74	+5.90
1961–1970	82.50	4.83	17.1	2.68	3.2	55	+ 5.80[c]	+5.40[c]
1954–1956	38.19	2.56	15.1	1.64	4.3	65	+ 2.40[d]	+7.80[d]
1961–1963	66.10	3.66	18.1	2.14	3.2	58	+ 5.15[d]	+4.42[d]
1968–1970	93.25	5.60	16.7	3.13	3.3	56	+ 6.30[d]	+5.60[d]

[a] The following data based largely on figures appearing in N. Molodovsky's article, "Stock Values and Stock Prices," *Financial Analysts Journal*, May 1960. These, in turn, are taken from the Cowles Commission book *Common Stock Indexes* for years before 1926 and from the spliced-on Standard & Poor's 500-stock composite index for 1926 to date.

[b] The annual growth-rate figures are Molodovsky compilations covering successive 21-year periods ending in 1890, 1900, etc.

[c] Growth rate for 1968–1970 vs. 1958–1960.

[d] These growth-rate figures are for 1954–1956 vs. 1947–1949, 1961–1963 vs. 1954–1956, and for 1968–1970 vs. 1958–1960.

"old standards of valuation appear inapplicable while new haven't yet been tested by time". ⇒ it could be multipule things like economy, war, geopolitics, pendamic etc.

"should be prepared for difficult times ahead." ⇒ what had happend in past might not happen in future.

⇒ generally 9% over the long run. could be a good investment.

⇒ earnings & profits dictates your stocks returns

chaptar = 4

Bond & Stocks

25% | 75%

however it can vary from country to country where you live in. & what's their treasury yield spread.

Sometimes stocks are overvalued but bond canbe overvalued too.

chaptar = 5

Don't try to time the market

4 rules of graham investing =

1. adequate but not excessive diversification (10 – 30)
2. Buy only large & Prominent company with low debt risk (not more than 50% debt), leading industry & larger than $20 billion Market cap.

however now 21 century speedy tech company this rule could vary

3. long record of dividend payment (min 20 yrs)
4. Put a limit price you are willing to pay in relation to the earnings average over the past 7 years where the limit is 25 the average earnings & 20 for the current earnings

chaptar = 6

this capters highlight –

(i) Junk Bond
(ii) Forign "
(iii) IPO

(I) Buy Junk Bonds when things are bad. with Discount.

Junk Bond

By JAMES CHEN Updated February 23, 2021
Reviewed by MICHAEL J BOYLE
Fact checked by AMANDA BELLUCCO-CHATHAM

What Is a Junk Bond?

Junk bonds are bonds that carry a higher risk of default than most bonds issued by corporations and governments. A bond is a debt or promise to pay investors interest payments along with the return of invested principal in exchange for buying the bond. Junk bonds represent bonds issued by companies that are financially struggling and have a high risk of defaulting or not paying their interest payments or repaying the principal to investors.

Junk bonds are also called high-yield bonds since the higher yield is needed to help offset any risk of default.

KEY TAKEAWAYS

- A junk bond is debt that has been given a low credit rating by a ratings agency, below investment grade.
- As a result, these bonds are riskier since chances that the issuer will default or experience a credit event are higher.
- Because of the higher risk, investors are compensated with higher interest rates, which is why junk bonds are also called high-yield bonds.

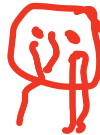
(II) currency devation should be kepte in mind when buying forigen Bonds

(III) 90% Ipos shouldn't be considerd as they are overpriced.

marchent Banker get frees to promote Ipos. thus don't fall into the trap.

IPOs are later when it's actual price has been discoverd by market.

Paytm & Zomato



chaptar = 7

growth stocks > value stocks ??

Now what to pick ?

The unpopular Big company

cyelical
trun around
&

Peter Lynch

Bargain issue

"The market is fond of making mountains out of molehills and exaggerating ordinary vicissitudes into major setbacks"

Spacial Situation
- law Suits
- workouts
- margers & aquisitions

chaptar = 8

Investor & the market :

⇒ Mr market metaphor hasbeen created for explaing how stock price canbe mispriced.

⇒ The intelligent investor shouldn't ignore mr market entirely Instead you should do business with him but only to the extent that it serves your interest.

- Mr market's job is to serves you with prices.
- your job is to act whether it is to your advantage to act on them.

⇒ Investing isn't about beating others at their game. it's about controling yourself in your own game.

- the single best choice for lifelong holding is a total stock market index fund.
- the best way to masure your investing sucess is not by whether you've put in place a financial plan & behaviour discipline that are likely to get you where you want to go.
- Go for business forecast than stock market forecast.

⇒ chapter 9 & 10 isn't that important as such for someone who has spent some time on market. therefore I didn't write anything.

chaptar = 11 How to analysis stocks?

Capitalization Rates for Growth Stocks

Most of the writing of security analysts on formal appraisals relates to the valuation of growth stocks. Our study of the various methods has led us to suggest a foreshortened and quite simple formula for the valuation of growth stocks, which is intended to produce figures fairly close to those resulting from the more refined mathematical calculations. Our formula is:

Value = Current (Normal) Earnings × (8.5 plus twice the expected annual growth rate)