Bad Investment Advice
and ways to avoid it

Value investing
The Intelligent Investor

Benjamin Graham's Advice

- Aim for safety of principal and an adequate return.
- Investors make money for themselves.
- Speculators and Traders make money for their brokers.
- Hold a portfolio split between bonds and stocks in a ratio between 25/75 and 75/25.
- Use dollar-cost averaging to smooth out the ups and downs.
- Don't buy new, hot stocks.
- Buy only "important" companies.
- When the investing public expects superior stock market returns, the more likely they are to be proved wrong.

$$\text{Fair value} = \frac{EPS \times P/E0 + 2x\ LTG}{Y} \times Yhg$$

- Buy stocks with these criteria:
  - Market cap of $2 billion or more
  - Good debt/equity ratio depending on the industry,
  - Current ratio of at least 2
  - Positive earnings for the last 10 years
  - Uninterrupted dividend payments for the last 20 years
  - Earning growth of at least a third over the last 10 years
  - Current P/E ratio should be no more than 15
  - Price to book value should be less than 2.5
- There is no such thing as a good stock, there are only good stock prices that come when a company is undervalued and go when it is overvalued.
- Graham books had the distinction of being read and ignored by more people than had any other finance books.
- The true investor is never forced to sell his shares.
- If you allow a bear market to stampede you into selling, you have transformed your basic advantage into a basic disadvantage.
- The intelligent investor does not allow himself to be forced to take actions based on the misjudgment of others.
- One lucky investment can be worth more than a lifetime of smaller carefully selected ones.
- Behind the wildly successful shrewd investing decision, there is an established foundation of preparation and disciplined capacity.