Twitter Thread by The Disciplined Investor

The Disciplined Investor
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Had an amazing Clubhouse session with Siddhartha Bhaiya @sidd1307 and the @AequitasL team.

Here’s a thread■on some interesting points made by him:

Read on■

1/ Good Business and Bad Business

No business is bad. It’s all about ethics and intensions. All businesses are difficult to run because we live in a capitalist society.

You know the level of difficulty only once you start a business.

2/ Numbers vs Story

Focus on hard code numbers. Don’t focus on story and narratives. They will come later.

Once the story is all over twitter and media, it's probably the time to sell.

Always remember: The best publicity of a stock is the increase in its own stock price.

3/ Downside Risk

Focus more on the downside risk and less on the possible upside. This concept is counterintuitive to many.

Think of how I can reduce the probability of making a loss. If you protect the downside, upside will take care of itself.

4/ Can we predict the Future?

The future is uncertain. Our ability to predict the future is extremely low. No one know about how Uber and Zomato would change our lives.

Very important to know what you know and what you don’t know.

5/ Measures of Risk

The three most important risks are:
~ Valuation risk,
~ Balance Sheet risk, and
~ Liquidity risk of the company.

Beta and other textbook risk measures only make you look intelligent but they don’t actually make you money.

6/ Valuations

Valuations and Margin of safety are paramount. (Look at net cash, Debt/Equity, PE, Mkt cap/Sales, Long term Ebitda margins)

As a retail investor you don’t have to invest like any mutual fund. All you have to do is to buy 15 - 16 undervalued names.

7/ PE and Margins

At peak profitability margins – PE multiples will be at the peak.

At bottom profitability margins – PE multiples will be at the bottom.

8/ Stick with the Industry Leader

Focus more on the industry leader. An industry leader always has it's basics in place.

There can always be exceptions but investing is a game of probabilities and you want to keep them in your favour.

9/ ROCE

Don’t focus on historical ROCE because it’s already factored in the price.

Instead focus on the future ROCE of the company and from where it will come from.

10/ Portfolio Allocation

Equal weightage as we don’t know which ones will outperform. Focus is on selecting undervalued companies and putting close to 6% in each.

Never invests more than 6% in any company but we don’t sell our winners just to rebalance. We let our winners run.

11/ Cash as a position?

Tries to be close to 100% invested.

99% of the people are not able to time their cash positions and you only realize it after 15 years of experience in the markets.

12/ Multiples, Screens and Announcements

Favourite multiple: Market cap/Sales.

Favourite screen: When Market cap/sales < 1 and Margins have come down due to cyclicality. Focus on the long term EBITDA margins of the company.

Keep a track on Company announcements and commentary.

13/ Near Term & Long Term View of Markets

In the short run there will be volatility. In the long run markets will go up because of global money printing.

When asked about where we are in the bull run of 2002-2007: "We are in 2004." (With a disclaimer of I can be wrong)

That's it folks!
Thanks for reading.

Kindly retweet the first tweet if you think others would benefit from this.

The audio of the clubhouse session is usually uploaded on their website. You can follow @AequitasL and @sidd1307 sir for future clubhouse updates.

https://t.co/i38ExRkSI0

> Join today's Clubhouse session to listen in to our Research and Investment process with @sidd1307 https://t.co/TCcJJWQJoc#aequitas #clubhouse #ValueInvesting #MultiBagger
>
> — Aequitas Investment Consultancy Pvt Ltd (@AequitasL) September 18, 2021