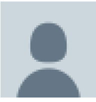
Twitter Thread by Vidya



Vidya
@VidyaG88

1/19

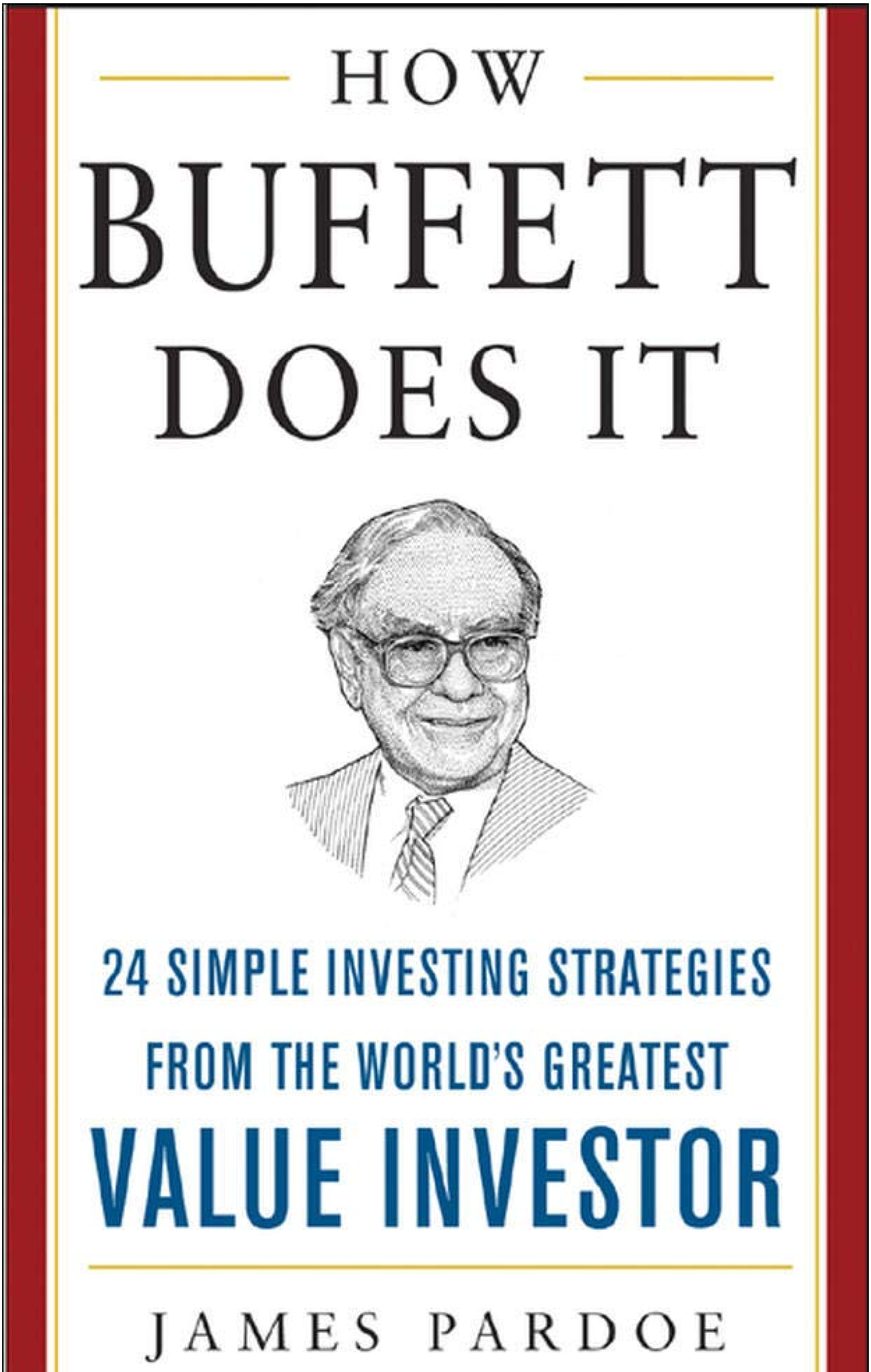
One of the first books I read on investing in 2009 was this ■of a book on Warren Buffett called

HOW BUFFETT DOES IT - 24 SIMPLE INVESTING STRATEGIES.

A great read for investors, given current stock market conditions.

A ■

#Investing
#BookSummary
#BookRecommendations



2/19

SIMPLICITY OVER COMPLEXITY

Buy an easy to understand business run by honest & capable management with MINIMAL VARIABLE PARAMETERS(Avoid Complex Bus.)

Pay less for your share than what it is actually worth in terms of future earning potential.
Hold onto it patiently !
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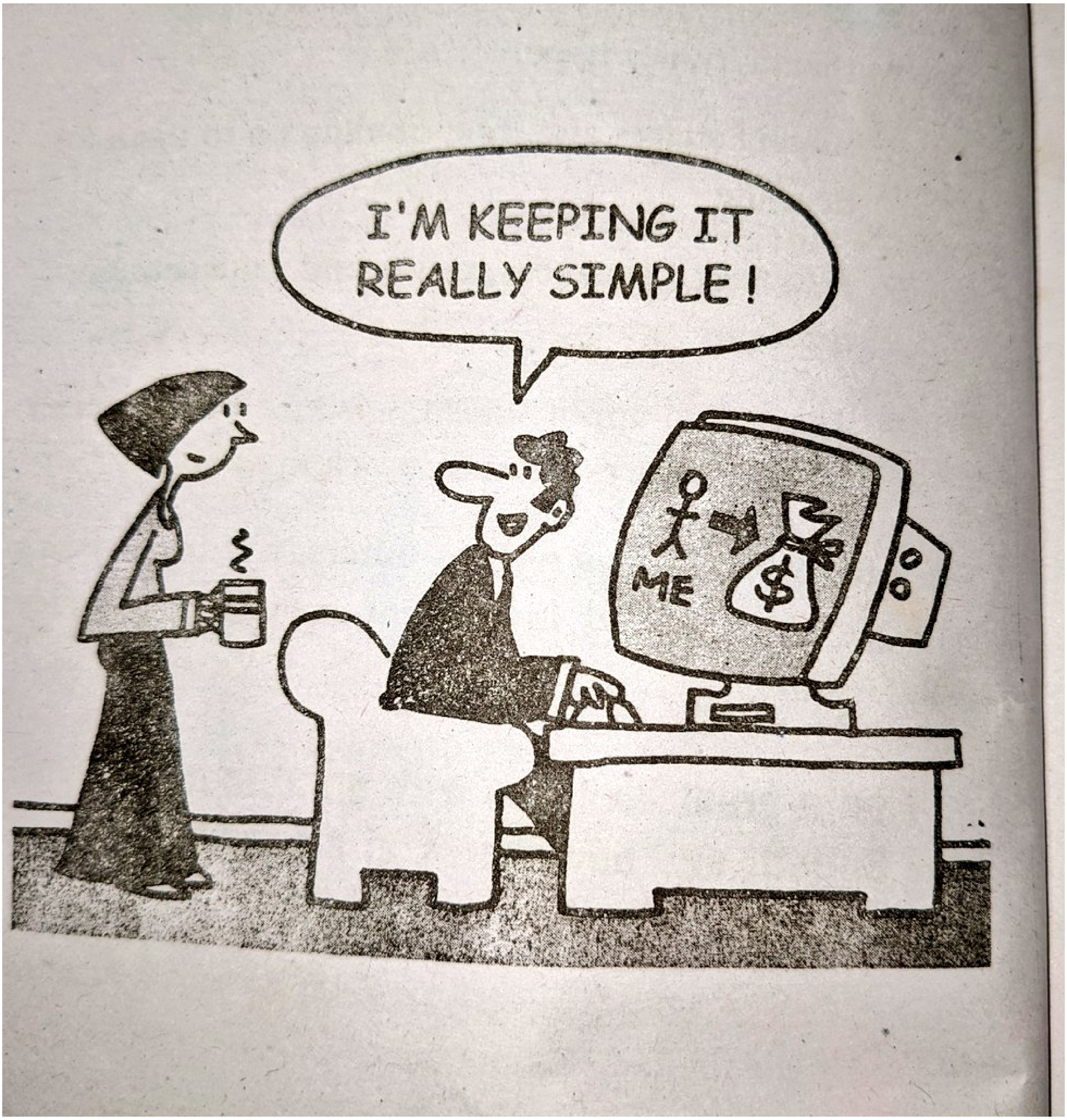

3/19
INVESTING IS A ONE MAN JOURNEY

■Gain basic knowledge of accounting & financial markets.

■Read business Magazines , Periodicals, Annual Reports & Concalls
■Get going !

A basic checklist that shall help you figure if you are actually a Long Term Investor or not.

■

A great deal has been written about Buffett, so it would not be difficult to develop a longer list of habits and behaviors that you might want to emulate. (And don't forget to sketch out the complementary portrait—of that person you'd *never* want to emulate!) But no matter who you decide to hold up as a role model, develop as long a list as possible of characteristics that you want to make your own.

Here are a few questions you might want to ask yourself to make sure that you are not sabotaging your own investment strategy:

1. Do you do sufficient homework and due diligence on companies before you buy them?
2. Do you check your stocks only periodically and avoid the "daily" noise and "talking heads"?
3. Do you ignore stock tips regardless of their source?
4. Do you avoid the herd and instead make your own investment decisions (based on independent thinking)?
5. Do you exhibit patience by waiting patiently for companies to grow in intrinsic value?
6. Do you avoid investing in companies, businesses, or industries that you don't understand?
7. Do you strike (i.e., buy) when people are frightened and sell when people are greedy?

4/19

TEMPERAMENT MATTERS

Your reaction to Greed & Panic shall determine your investing success.

Are you fixated on the LT business fundamentals or on the weekly stock prices ?

You need to have the SKILL to invest correctly & then the CONFIDENCE to hold them through drawdowns.


DON'T PANIC!

5/19

PATIENCE IS A CRITICAL COMPONENT

Don't get swept up in others' irrational exuberance.
LEARN TO SEE THROUGH FADS.■

A volatile price DOESN'T IMPLY a volatile business!
Focus on the underlying business & it's earning capacity always.

In investing, Inactivity is rewarding.

Here's a mental exercise that Buffett recommends. Imagine, when you buy a stock, that the markets closed the next day for a five-year holiday. Buffett says that he wouldn't think twice about such a turn of events because he almost never buys a stock with the intent to "flip" it. Buffett sets out to make money on a company rather than on the stock market. The market is simply the intermediary in your value-adding proposition. Think about other self-imposed disciplines that might help you maintain a patient outlook.

No, it is not easy being patient, but it is an absolutely critical component of having the proper temperament in value investing. When you invest, consider yourself as a permanent resident and not as a transient. A French city planner was once cautioned that he should not plant shade trees along the broad boulevards of Paris because they wouldn't mature for 80 years. His response? *"My god, man, then we'd better plant them right away!"* Buffett makes the same point when he observes that we can sit in the shade today because someone planted a tree many years ago.

It takes *time* for an acorn to grow into an oak tree. There are at least 25 families in Omaha, Nebraska, who have held on to their Berkshire shares for over 35 years, and their holdings are now worth over $100 million. Their original investments were $50,000 at most.

Buffett swims against the transient tide both as an investor and as the head of a major corporation. When it comes to the owners of Berkshire Hathaway, Buffett says

Buy the RIGHT business & it SHALL (more often than not) THRIVE !

Buy & Hold WORKS only in the RIGHT business.

Look for PREDICTABLE Cash Flows & Earnings.
CONSISTENCY matters immensely.
So does SCALABILITY.

(Correlate these to newly listed new age businesses & think)
■

7/19

Owning cutting edge tech businesses is good as long as they CONSTANTLY REINVENT to ensure HEALTHY CASH

FLOWS !

Stay away if you don't know WHEN the industry shall make any money.■■

Better to go in for boring businesses with PREDICTABLE CF !

Search out the franchises that will stand the test of time. Always be on the lookout for companies that meet Buffett's criteria: a company that produces products that are needed or desired, that has no close substitutes, that does not eat up capital, and that is not subject to price regulation.

Study companies' underlying fundamentals before you buy them. Make sure that you are doing the right due diligence before making stock purchases. This will help you to make better investment decisions and increase your prospects of success over the long haul.

Don't hesitate to "take strikes" before you swing. Buffett advocates taking strikes. That's baseball parlance for a batter who lets some balls get by before swinging at them. Over time, the best investors make fewer and fewer buy and sell decisions.

If you see piranhas and crocodiles in a big moat surrounding a big castle, says Buffett, you have the type of long-lasting business that can reward investors.

8/19

Do Nothing when Nothing is to be done.
Shun hyperactivity.■■

Frequent churn results in frictional costs : Commision , Capital Gains taxes, Hidden costs - Load in MF further reduces our gains (if any)

Aim to get wealthy over Long Term, not rich !

9/19
My personal fav.

DON'T LOOK AT THE TICKER !

Your life does NOT depend on daily / monthly stock movement.
Checking prices daily can cause exaggerated mood swings, leading to knee jerk decisions.

Ticker is all about the price.

But investing is a lot more than that.

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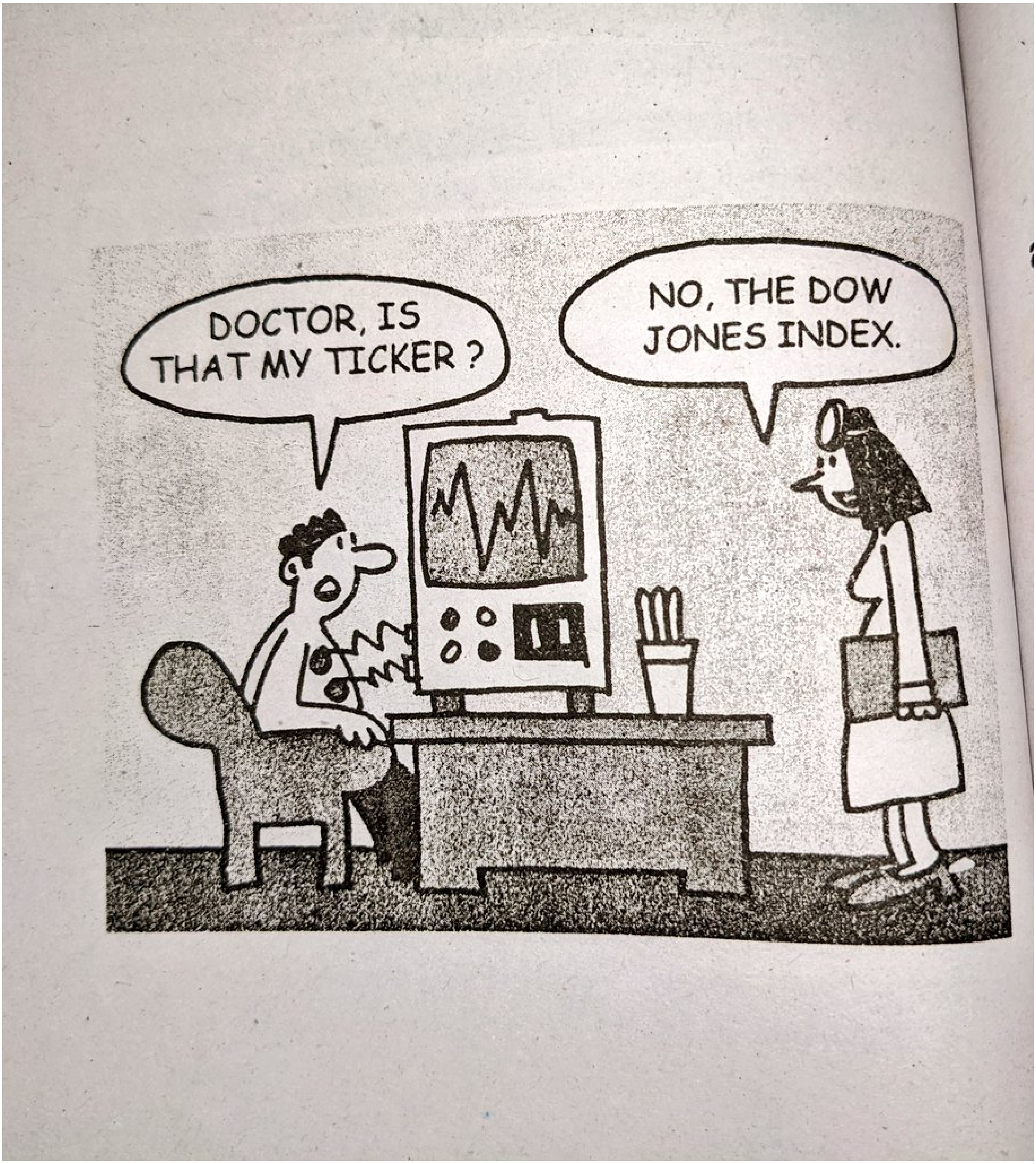


10/19

If the herd starts running away from a good stock, get ready to run toward it.

Rings any bells ? ■

Invest when great businesses are experiencing temporary difficulties

Or during Bear markets when share prices plummet due to overall gloom & underlying business is intact.

11/19

DON'T SWING AT EVERY PITCH!

Be patient, let a good one come by & then swing big !
The sweet spot is
A great business + strong earnings future + ethical management + good stock price.

Mistakes of Omission are alright.
Mistakes of Commission ARE NOT.

12/19
V.Imp !!
WHO IS IN CHARGE AT THE HELM ?

Charlie Munger states,

"The opulence at the head office is often inversely proportional to the financial substance of the firm."

"A dirty kitchen rarely has just one cockroach" states Warren Buffett.

Some notes to help know WHY

■

agement, especially in their annual reports. First of all, analyze their accounting. If it looks weak, stay away. If the company doesn't expense options; presents fanciful pension assumptions; trumpets its earnings *before* interest, taxes, depreciation, and amortization (EBITDA); and relies on a blizzard of unintelligible footnotes, these are all bad signs. Let's assume that you have at least a modest ability to read financial statements. If you can't understand something in a company's financial statement, says Buffett, it's because management doesn't *want* you to understand it. Do you want a business partner who hides things from you? Certainly not!

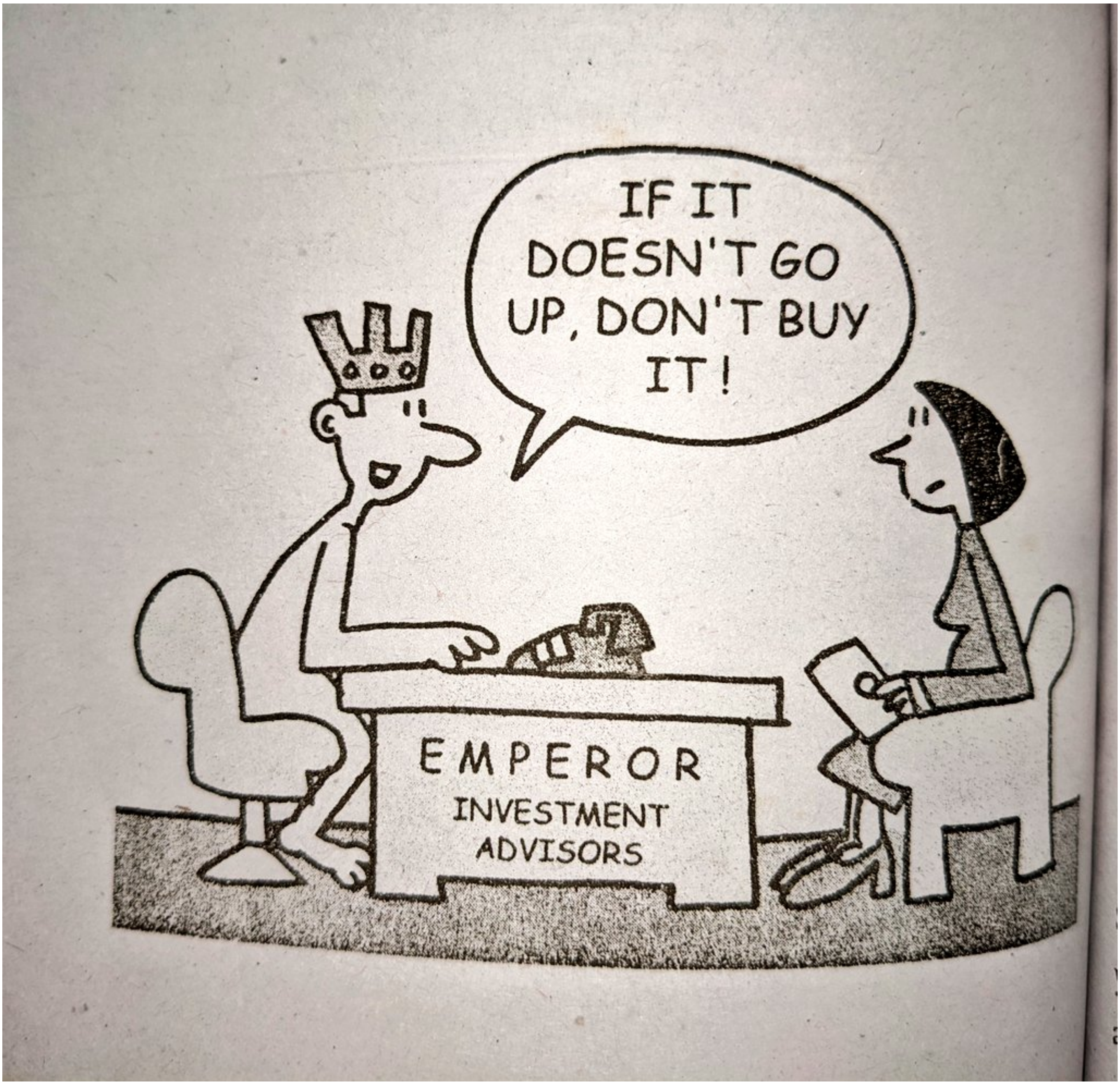
In addition, Buffett warns investors to be suspicious about companies that look exclusively to the future for their "good news." Is the good news all about earnings projections and growth expectations? *Bad sign*, says Buffett. He does so based partly on his own experience as a CEO. The senior managers at Berkshire Hathaway have no clear idea what one of their businesses is likely to earn in the coming year—or even the next quarter. When an executive claims to know the future, Buffett warns, that's a bad sign. And when an executive actually *hits* those numbers, quarter after quarter, that's a *really* bad sign. It strongly suggests that something is being manipulated somewhere. If you make ironclad commitments to "make your numbers," you may put yourself in a position where you have to make *up* the numbers—eventually leading to all kinds of mischief and unhappiness. HealthSouth did this exact thing as its CEO

13/19

Too many choices confuse us.
But how many merit themselves ?
Only a few.

We will be bombarded with information & investment strategies by "professionals" - their bread & butter afterall
But is it worth it for us ?

Remember,
The Emperor Wears No Clothes on Wall Street ■



14/19

"Most men would rather die than think. Many do."

THINK INDEPENDENTLY.
Investing is a one man journey.

Think based on FACTS & REASONING.
Not based on PREVAILING PUBLIC OPINION !

DON'T make a decision just because it is CONTRARY. That isn't being Contrarian ! ■■■■■■
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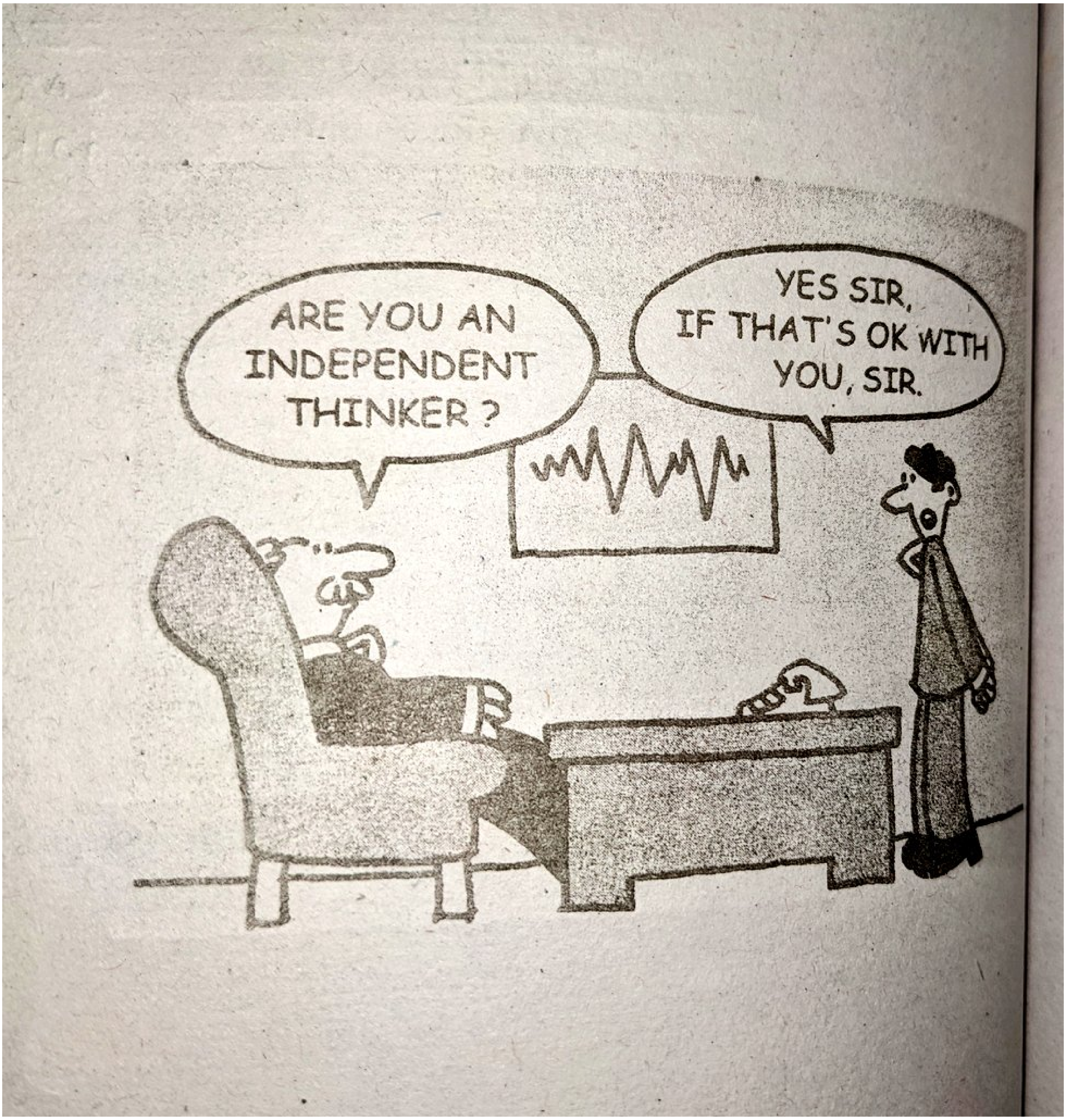
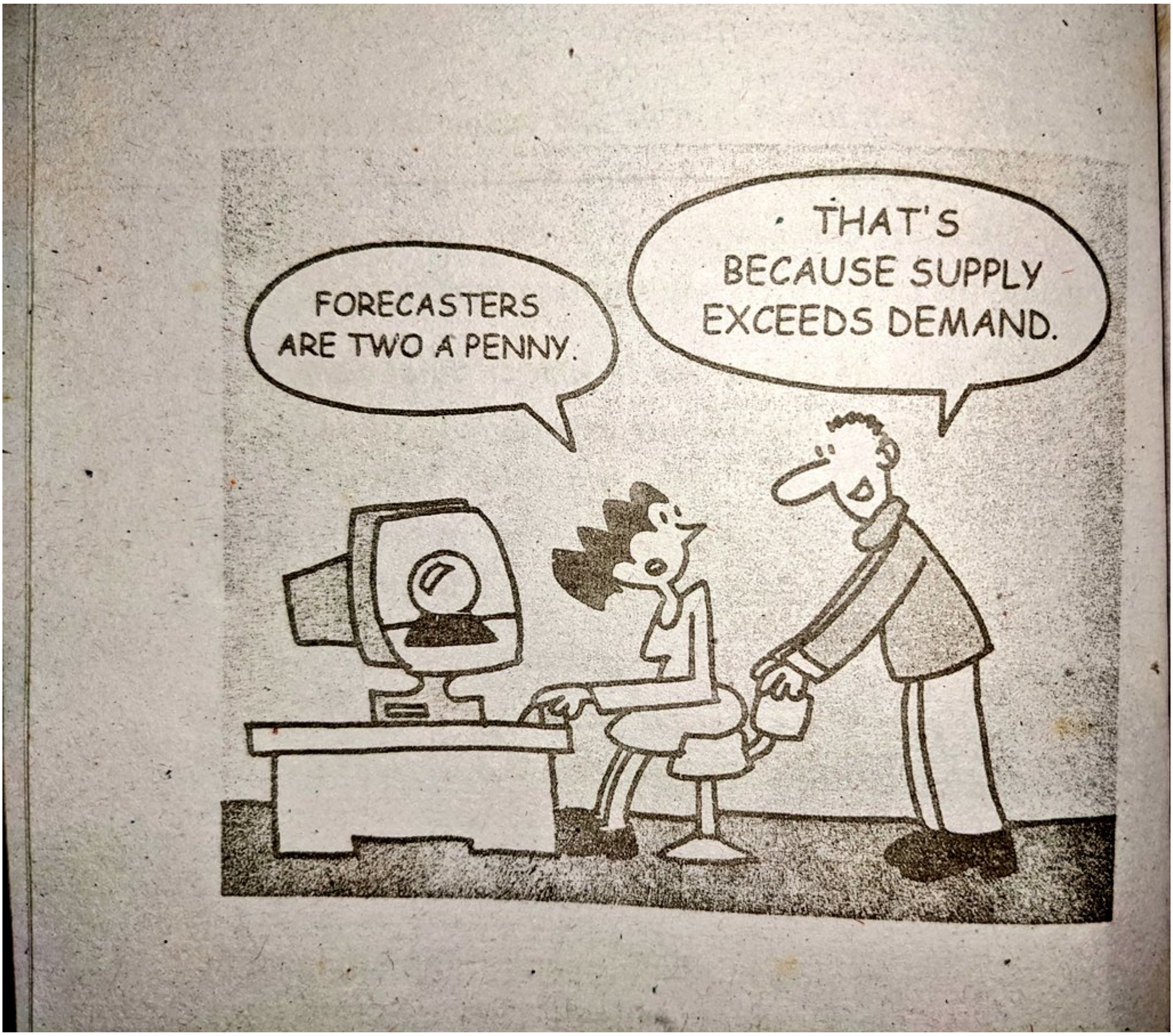


15/19
Short term forecasts tell us more about the forecaster than the future, states Buffett.

Social media is filled with such forecasters !
These are NOISE because they create an illusion of precision.

Look at proven performance instead,
as the future is obscure.



16/19
EQUANIMITY IS THE KEY

Paraphrasing Benjamin Graham,

"Never fall under the influence of Mr. Market.
His gloom can fill the room.
His euphoria can be intoxicating."

Read the mood & act.But don't get swept in the mood yourself.
Aggressive opportunism when pessimism is MAX.

to ... pounds—in other words, plenty of room for error.

And here's where the irrationality of Mr. Market works in your favor. Eventually, he gets *very* gloomy, causing share prices to fall precipitously. This gives you an opportunity to achieve a margin of safety in the purchase of shares. Eventually, says Buffett, the market will recognize their value, and their price will rise. *Sooner or later*, Buffett says confidently, *value counts.*

Again, don't let Mr. Market suck you into his mood. Don't let him value businesses for you, emphasizes Buffett. He is your *servant* rather than your guide.

When assessing the margin of safety, says Buffett, use the concept of "intrinsic value" as your starting point. This is the measurement that really counts. It attempts to determine the discounted value of the cash that can be taken out of the business during its remaining life.

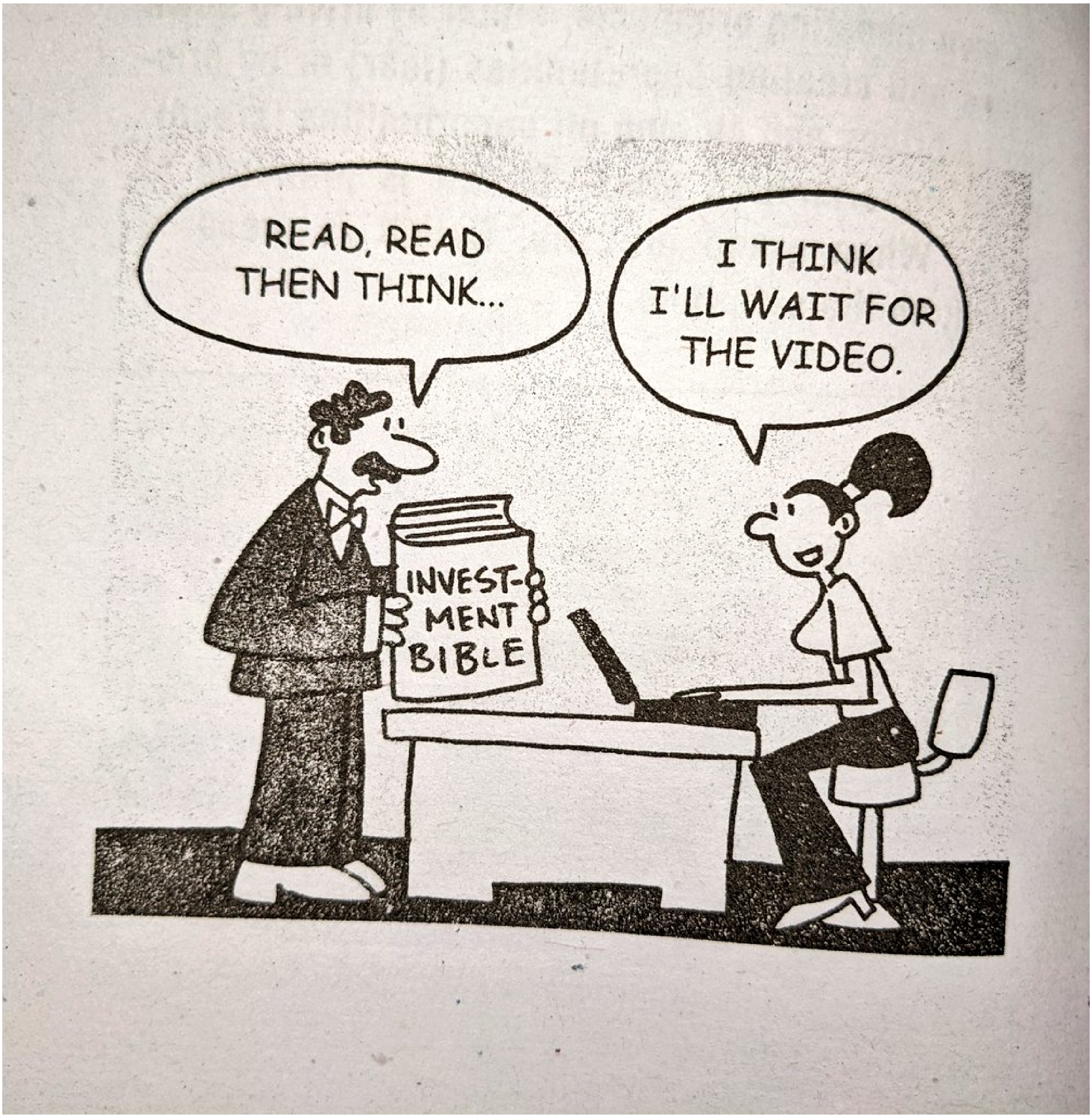
It is, as Buffett is the first to admit, a "highly subjective" estimate. Future cash flows get revised up or down, and intrinsic value floats along with them. The variability of interest rates also affects any calculation of intrinsic value. Nevertheless, says Buffett, it remains the most useful starting point for understanding the relative attractiveness of an investment compared with an alternative investment.

17/19
READ , READ & READ SOME MORE.
BUT READ , SELECTIVELY* !

Then sit in isolation & THINK

Over the years, a pattern emerges and you start identifying businesses that are fluff and are able to differentiate between value and noise.

*Explained in Notes ■



18/19

"All I want to know is where I'm going to die. So I'll never go there."
- Charlie Munger

Aka
Avoid the costly mistakes of others !

Don't get enticed with pitches of professionals (25%CAGR or Assured returns) & become victims of unsound investing.

Nuggets of wisdom
■

19/19
■Keep things simple
■Stick to what you understand, else outsource
■There will always be distractions - Ignore them.Focus on underlying business
■Write your investment approach & stick to it

■Rule no 1 : Never lose money
Rule no 2 : Never forget Rule no 1

Lastly , ■