

Disclaimer

- LEGALLY REQUIRED DISCLAIMER: THE INFORMATION PRESENTED IN THIS VIDEO AND THROUGH WEALTHY EDUCATION IS FOR EDUCATIONAL PURPOSES ONLY AND IS NOT INTENDED TO BE A RECOMMENDATION FOR ANY SPECIFIC INVESTMENT. THE RISK OF LOSS TRADING SECURITIES, STOCKS, CRYPTOCURRENCIES, FUTURES, FOREX, AND OPTIONS CAN BE SUBSTANTIAL. INDIVIDUALS MUST CONSIDER ALL RELEVANT RISK FACTORS INCLUDING THEIR OWN PERSONAL FINANCIAL SITUATION BEFORE TRADING. TRADING INVOLVES RISK AND IS NOT SUITABLE FOR ALL INVESTORS. WEALTHY EDUCATION ENCOURAGES ALL STUDENTS TO LEARN TO TRADE IN A VIRTUAL, SIMULATED TRADING ENVIRONMENT FIRST, WHERE NO RISK MAY BE INCURRED. STUDENTS AND INDIVIDUALS ARE SOLELY RESPONSIBLE FOR ANY LIVE TRADES PLACED IN THEIR OWN PERSONAL ACCOUNTS. WEALTHY EDUCATION, IT'S TEACHERS AND AFFILIATES, ARE IN NO WAY RESPONSIBLE FOR INDIVIDUAL LOSS DUE TO POOR TRADING DECISIONS, POORLY EXECUTED TRADES, OR ANY OTHER ACTIONS WHICH MAY LEAD TO LOSS OF FUNDS.



VALUE INVESTING FUNDAMENTALS

MODULE 2: **VALUE INVESTING PRINCIPLES**

LEARNING NOTES FOR MODULE 2

Understand What You Buy & Why You Buy It



- What does the business do?
- How does it make money?
- What are its competitors?
- What are the potential risks that the business may take?
- Why do you expect the stock price to rise over time?

Invest in a Cash Rich Business



- More Cash = More Liquidity
- More Cash = More Opportunity
- Find out if the management is utilizing the company's cash well
- Looking for a long and uninterrupted history of dividend payments

Invest in a Low-Debt Business



- Too much debt = Financial trouble
- Short-term debts: Use **Liquidity** ratios
- Long-term debts: Use **Solvency** ratios
- Compare with its competitors and the industry average
- Evaluate its ability to repay debts

Rely on High-Quality Management



- A company is only as successful as the people running it
- Determine how well the management is doing - Use **Efficiency** ratios
- Invest in companies with sustainable competitive advantages

Avoiding Losses is The First Priority!



- Rule 1: Never Lose Money
- Rule 2: Never Lose Money
- **Interesting Fact:** If your portfolio's value drops by 20%, and then grows 20%, you've lost money.
- Give yourself a margin of safety!

Invest For The Long Term



- Think in terms of years or at least months, not days or weeks
- Long-term investments = lower risks
- It takes time for the stock price to reflect the company's true value
- Patience is key to your success!

Know When to Sell Your Stocks



- The stock becomes overvalued
- Bad news reports
- The company fails to meet revenues, earnings or growth projections
- Market volatility
- Dividend cuts

THANK YOU FOR READING!

Let's keep in touch! – Visit our website: www.WealthyEducation.com