

The ABC of Investing

By Kaushik Punjabi

Context

- ▶ Why Invest
- ▶ What is the market
- ▶ Why should(in theory) a stock go up !
- ▶ Golden Rules Of Investing
- ▶ Why are you in the game ? Investment business vs Investment professionals

Why Invest ?

- ▶ When does one retire ?
- ▶ Power of optionality
- ▶ Develop a frame work to life
- ▶ You are the raw material, machine and factory !
- ▶ Want to become a partner of the biggest entrepreneurs ?

The Apple Journey !!!

Apple Inc. (AAPL) - NasdaqGS

Like 76

100.18 ↑0.22(0.22%) 12:24PM GMT - Nasdaq Real Time Price

Enter name or symbol Get Chart COMPARE EVENTS TECHNICAL INDICATORS CHART SETTINGS RESET



Steve Jobs Return
200X
\$10k= \$2M

Ipod release
75X
\$10k= \$750K

Iphone Release
6X
\$10k=\$60K

Iphone 3GS Release
4X
\$10k=\$40K

Why should(in theory) a stock go up !

➤ **Profit + Growth !!!!!!!**

Golden Rules Of Investing ?

- ▶ Buy a good business at a good price
- ▶ Good news and good prices don't go together
- ▶ Difference between value and price generates the maximum amount of wealth
- ▶ Understand the difference between risk and uncertainty !

Investment business vs investment professionals

	<u>Investment Business</u> Vs	<u>Investment Professionals</u>
1)	Number of correct decisions	Magnitude of correctness
2)	Time Pressure	No Time Pressure
3)	Have to react to news	Don't have to react to new
4)	Have to deliver linear return	Have to deliver boombastic returns !!!
5)	Can get fired !!!!!	Can fight another day !
6)	Peer pressure	Peer pressure
7)	Have to listen to the noise	Turn it off !!!
8)	Trading restrictions	No Trading restrictions

Trading vs Investing

	<u>Trading</u>	<u>Investing</u>
Purpose	Generate Cashflow	Develop an asset base
Time Horizon	Short-Med	Med to Long
Leverage	Yes and Lots of it !	No
Timing	Important	Less Important
Play	Momentum	Research Driven/ Investment thesis
Buying	A Stock never a Business	Always a Business
Stock goes below a point	CUT ! CUT ! CUT ! - Book a loss, fight another day	Maybe add more
Positioning	Long Short & Long Short Pair	Genrally Long

Trading vs Investing

Following

Stock price

EPS and Stock price

Number of
decision

Very large

Much fewer

How to generate a trade idea ?

Step 1 - Watching TED video at 11pm before going to bed

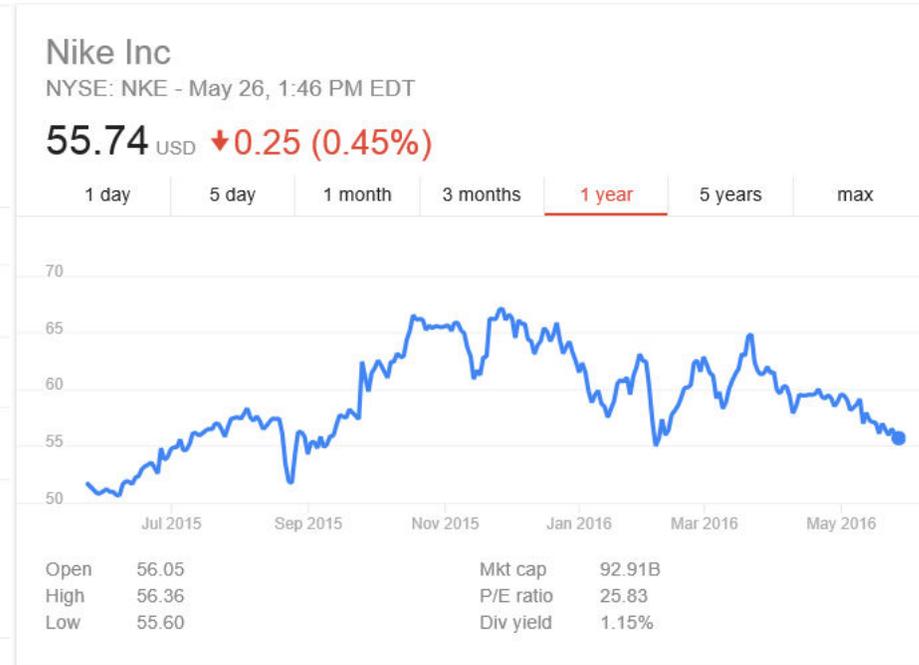


Step 2 - Figure out if the trend is real.



How to generate a trade idea ?

Step 3 - whats going on with Nike and Adidas



How to generate a trade idea ?

Step 4- Research sneaker culture and Adidas shares



<p>SOLD OUT</p>  <p>6 colours</p> <p>NMD_R1 PRIMEKNIT SHOES Men Originals</p> <p>£130 ★★★★★ 85</p>	<p>SOLD OUT</p>  <p>6 colours</p> <p>NMD_R1 PRIMEKNIT SHOES Men Originals</p> <p>£130 ★★★★★ 85</p>	<p>SOLD OUT</p>  <p>6 colours</p> <p>NMD_R1 PRIMEKNIT SHOES Men Originals</p> <p>£130 ★★★★★ 85</p>
<p>LIMITED EDITION</p>  <p>2 colours</p>	<p>SOLD OUT</p>  <p>2 colours</p>	<p>SOLD OUT</p>  <p>2 colours</p>

How to generate a trade idea ?

Step 5 - Reflect on what I have learned about trading and Investing of consumer stocks

Step 6- Set stop loss BUY ! BUY ! BUY !