INVESTING FOR BEGINNERS SERIES: PART II

WHAT'S INSIDE HERE

This detailed book of clear, concise explanations is a companion to the first book in this series, ESSENTIAL INVESTING BASICS. All of the topic-specific vocabulary is defined in that book. Together, the books are designed to create a basic understanding of the important Investing terms, concepts, ideas and strategies for NEW & BEGINNER INVESTORS.

The goal is to educate the reader so that they can have solid basis from which to begin their Investing journey in financial markets.

The book consists of THREE independent sections:

SECTION 1: TIMELESS AXIOMS & ADAGES

A compilation of tried and true phrases that are uttered each and every day on Wall Street and anywhere Investments are made.

SECTION 2: THE CORE INVESTING TIPS

The essential elemental tips that every investor needs to know if they are looking to achieve long-term success in financial Market investing.

SECTION 3: ADVANCED INVESTING TIPS

This section includes more technical and advanced tips with the commensurate technical language so that the reader can employ certain more advanced strategies.

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TIMELESS
AXIOMS & ADAGES

INVESTING TIPS TO LIVE BY

AXIOMS & ADAGES

1.

"BULLS MAKE MONEY. BEARS MAKE MONEY. PIGS GET SLAUGHTERED."

This age old maxim is a reminder not to be too greedy when you've made a great stock pick. One can make money on Wall Street many different ways, for example when a stock goes up greatly (a bull being long), and when a stock goes down greatly (a bear being short).

But one can stay too long at the party with one too many shots of tequila. So don't be afraid to shrink the size of a position you have that has substantially, and certainly even more so, enormously increased. It is a good idea to reduce your biggest winners position size by 5% maybe even 10% depending on how much it has gone up.

AXIOMS & ADAGES

2.

"THE MARKET CAN STAY WRONG LONGER THAN YOU CAN STAY SOLVENT."

The stock market is often wrong, either wrong on an individual stock or wrong on the market as a whole with something having a price either too high or too low. It happens all the time, most usually because of herd mentality leading to overwhelming activity in one direction. In essence, everyone gets on board.

But it is important to remember that the market can stay wrong for a very long, and a very painful time for you, if you are poorly positioned and it's going against you. It is important not to be too married to any one stock position you've taken, and understand your acceptable loss level and be willing to sell and take the loss when that is hit. Because it can always get worse. Trust me.

AXIOMS & ADAGES

3.

"SOMETIMES A GREAT COMPANY IS NOT A GOOD STOCK."

This is an extremely important distinction to understand, but it is too often not considered or understood. Sometimes a great company is not a good stock at that moment.

Stocks are at some price based on the market's assessment of its growth prospects (earnings potential). But the assessment of its growth prospects is not a science, far from it. As a result, a stock's price can get out of whack, even absurdly so. This is even for great companies. In these instances, the stocks are not a good investment irrespective of the fact that that they may be very great companies. This could in fact happen to every great company, and frankly it's most likely the Great companies that become more out of whack then the bad ones.

AXIOMS & ADAGES

4.

"BEWARE THE GREATER FOOL THEORY."

The old adage is "That a Fool and his money are soon parted," This somewhat underpins the Greater Fool Theory, which expounds that one does not need to be right when purchasing some asset like a stock at a high price, one just needs to find a greater fool to sell the asset to later at a higher price.

This explains why asset bubbles happen and mania creeps into the price of assets like stocks during a craze. People will still buy the asset after it has increased in price tremendously, and they may be right in doing so as long as they can find some greater fool to sell their product too at a later date at a higher price. Beware not to be the last fool standing with the asset when the market crashes back down.

AXIOMS & ADAGES

5.

"INVESTMENTS DON'T GROW TO THE SKY. PREPARE FOR THE FALL."

It is a time tested proven Wall Street axiom: Investments don't grow to the sky. Eventually over time, even with the greatest high flyers that ever were, pullbacks happen, retrenchments happen, a slowdown in the growth eventually occurs. And when that happens a stock price will fall appropriately.

So it is paramount that new investors learn to manage their position sizes, and have the long-term focus to reduce the position size of their greatest winners. You may miss some of the upside as a function of recognizing this axiom, but in the long run you will benefit from it.

AXIOMS & ADAGES

6.

"BE THE TORTOISE & NOT THE HARE."

Far too many people go into stock investing to make "quick" money, and this is a road to ruin. I always counsel the people I manage money for to be the tortoise and not the hare because yes, the tortoise does move slow, but in the end, it wins the race.

So how do we be the tortoise? Through diversifying our positions and ensuring we have a wide variety of stock investments in our portfolio. By making sure our mindset is for the long-term, and not the next 3 months. By balancing the risks of our investing life with everything else in our personal life (family needs, retirement planning).

AXIOMS & ADAGES

7.

"THE FINANCIAL MARKETS ARE A DISCOUNTING MECHANISM."

This is a maxim that explains that the stock market is a system for including and interpreting all information available into one metric we call 'the price'. For example, a stock price or an index price. In theory, a stock price represents the results of all available information (earnings past and future, other news information, rumors etc.)

In finance, when the phrase Discounting is used in this manner, it means that some information has been taken into account when the market sets the price of the asset for which the information pertains. So a financial market is a discounting mechanism because it factors information into a price for assets.