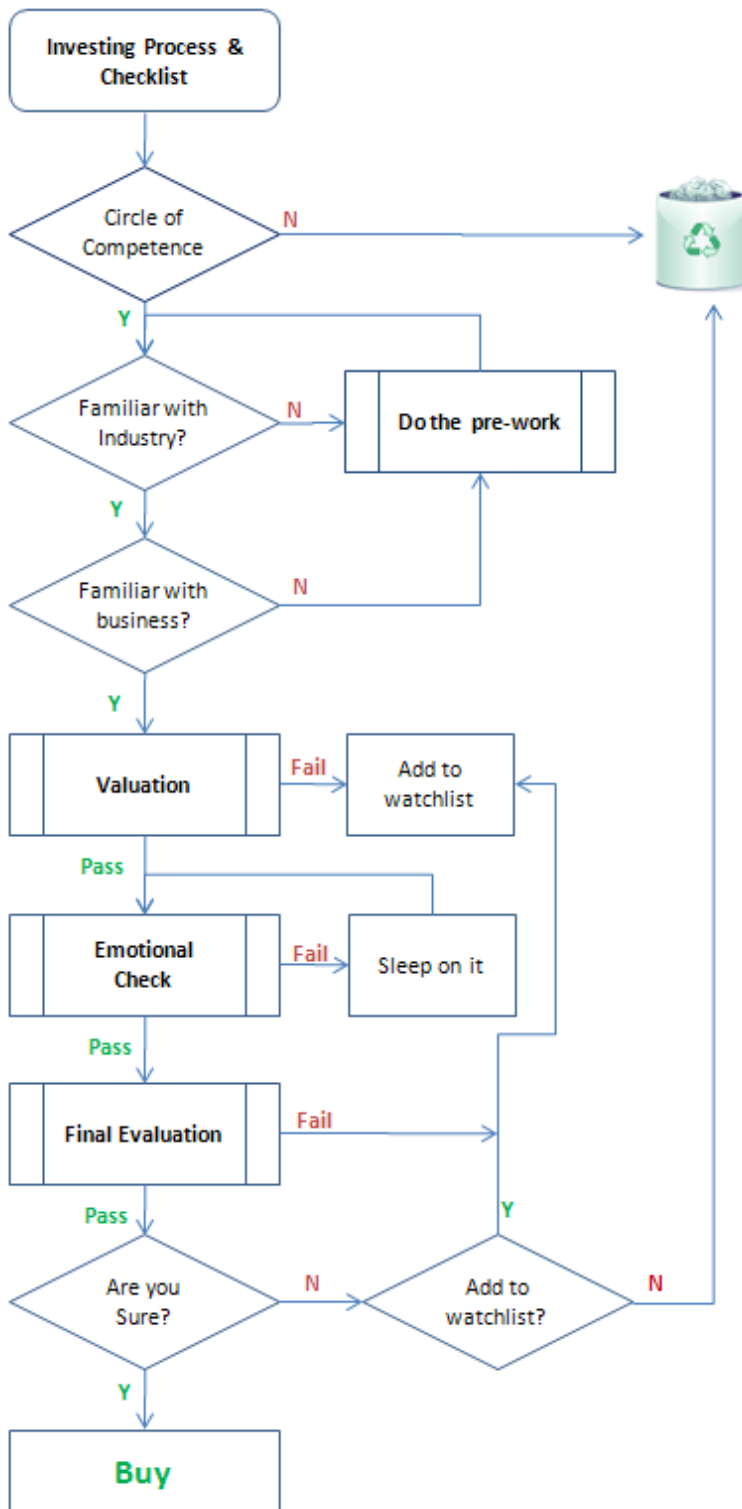


Old School Value



Pre Work

Preliminary Background Reading

- Read articles on Blogs, Sites, Forums, Alerts to get familiar with idea
- Read news headlines

Valuation

Financial Statement Analysis

- Analyse line items
 - [Income statement](#) + [competitive advantage](#) analysis
 - [Balance sheet](#) + [competitive advantage](#) analysis
 - [Cash Flow statement](#) + [competitive advantage](#) analysis
 - [Quality of Earnings](#) ([Inventory](#), [tax](#), [EPS](#))
- Competitor comparison
- Verify [15 value investing metrics and ratios](#)
- [Discounted Cash Flow](#)/ [Graham's Value](#)/ [Earnings Power Value](#)/ Multiples/ Sum of Parts

Dirty Work

- 2 annual reports
- 3 quarterly reports
 - specific attention to footnotes at the end of the report
 - managers discussion - consistency, candidness
- 2 letter to shareholders
 - compare words, numbers to annual report numbers
- Latest proxy
 - CEO compensation (% of sales)
 - Greed factor (bonuses, reimbursements, planes, boats, family donations)
 - Insider ownership
- Search CEO history, track record, personality

Old School Value

Emotional Check

- Write down how you are feeling
- Beware of
 - wanting to just buy and study later
 - hindsight bias
 - overconfidence
 - obligation to buy due to amount of research
 - reluctance to accept differing opinions
 - social proof bias
- If required, take a break and clear your mind. Get away from the excitement and noise.

Final Evaluation

- What can go wrong?
- What are the risks? How likely are the risks?
- How can you lose money?
- How would you categorise this investment?
- How attractive is this idea compared to the other holdings? (There can only be ONE best idea. Not 2 or 3.)
- What is the expected holding time frame?
- What should be the portfolio sizing?
- What price will you sell?