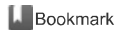




### Rupert Hargreaves

Articles (534) | Author's Website | 117 followers [Follow](#)



Tweet

Like 0

Share

1. [How to use GuruFocus - Tutorials](#)
2. [What Is in the GuruFocus Premium Membership?](#)
3. [A DIY Guide on How to Invest Using Guru Strategies](#)



GF Chat

91

# Five Tips From Pabrai For Finding 100-Baggers Pt. 1

How to find 100-baggers...

June 26, 2018

Finding a 100-bagger is every investor's dream. But finding these rare beasts is not a precise art, nor is it easy. It requires patience, analysis and, above all, skill to know when to buy, hold and sell.

[Mohnish Pabrai](#) ([Trades](#), [Portfolio](#)), one of the world's most respected value investors, knows a thing or two about finding undervalued stocks that are set for huge returns. His book, "The Dhandho Investor," concentrated on this topic, and he's built a career around finding stocks with enormous upside potential but minimal downside risk.



Pabrai has spent a career looking for equities that have limited downside but a substantial payoff in the best-case scenario -- classic value investments that look cheap and have a highly attractive risk/reward skew.

- [Mohnish Pabrai Stock Picks](#)
- [Mohnish Pabrai Current Portfolio](#)
- [This Powerful Chart Made Peter Lynch 29% A Year For 13 Years](#)

Looking back at his most successful investments, Pabrai said that there are five separate buckets potential 10 to 100-baggers fall into. He presented these findings in 2016 to students of the Guanghua School of Management in what was the first Value

Investing Course ever to be held in China. The course was sponsored by Himalaya Capital.

## Five ways to find 100-baggers

The first of the five categories is probably the most well-known. Companies that have "tailwinds" or, to put it another way, companies that have a significant structural or economic advantage working in their favor:

Join the forum

to win a value investing book

(/flarum)

We shouldn't be finding much to buy right now, correct? (/flarum/d/177428) 24

Three Steps to Take When Establishing a Value Investment Portfolio (/flarum/d/181255) 5

Latest portfolio of invested stocks (/flarum/d/186115) 9

Southwest Air (LUV) (/flarum/d/183562) 11

Shiller P/E and Beta for value investing (/flarum/d/186110) 2

Component stocks for JUST (/flarum/d/184155) 1

Upgrade/downgrade info of a stock (/flarum/d/174333) 3

Video - Warren Buffett on Hurricane Harvey, the U.S. economy and Apple (/flarum/d/131825) 3

NAS:EA (/flarum/d/183958) 1

Federal Judge Approves Landmark AT&T-Time Warner Merger (/flarum/d/183849) 2

When to sell sector-based ETF (/flarum/d/183561) 2

[Access the Forum! \(/flarum\)](#)

## Performances of the stocks mentioned by Rupert Hargreaves

Symbol	Company	Current Price	Change (%)	Gal (%)
FCX	Freeport-McMoRan Inc	\$ 16.65	-0.64 (-3.70%)	22.61*
SYF	Synchrony Financial	\$ 32.23	-0.73 (-2.21%)	-4.84%
IEP	Icahn Enterprises LP	\$ 76.15	1.42 (1.90%)	49.52%
CHK	Chesapeake Energy Corp	\$ 5.21	0.09 (1.76%)	-5.1%
PYPL	PayPal Holdings Inc	\$ 87.70	-1.43 (-1.60%)	97.3%
VSAT	Viasat Inc	\$ 69.55	-0.88 (-1.25%)	5.89%
CAT	Caterpillar Inc	\$ 140.77	1.35 (0.97%)	48.98%
CW	Curtiss-Wright Corp	\$ 122.91	1.09 (0.89%)	31.33%
ARII	American Railcar Industries Inc	\$ 41.82	0.29 (0.70%)	-4.17%
XRX	Xerox Corp	\$ 25.33	0.17 (0.68%)	-11.56%
Summary			-0.19%	23.02%

## User Generated Screeners

- [rael2222](#) [STRONG 8 MODIF](#)
- [rudy\\_wadhwa](#) [RW\\_Metrics](#)
- [rudy\\_wadhwa](#) [HighROE\\_2](#)
- [scooter6982](#) [Dividend Income Screener](#)
- [bhavin1970](#) [Growth\\_Stocks 1](#)

very deep moats, they have very long runways, they have a very high return on equity, they typically don't need any debt, and the most important condition, an idiot can run these companies. Like [Warren Buffett \(Trades, Portfolio\)](#) says, "Invest in businesses that an idiot can run because one day an idiot will run them."

The second category isn't as well-known. Buffett's quote about investing only in businesses that can be run by idiots, as mentioned above, is well-disseminated, but some companies cannot be run by so-called idiots. Some enterprises require skilled managers to generate the best returns for investors. And as long as the right managers are in place, then these companies can also work out to be multi-baggers, although having the combination of a great business and great management is extremely rare.

"The second is exactly like the first except these cannot be run by idiots. These are businesses which are exactly like the first kind. They have huge tailwinds, they have deep moats, they have ultra-long runways, they have high ROE, they don't need any debt but they need great management, and they do have great management. These are businesses like Amazon, Costco, GEICO...These are all great businesses but they do need solid management on top of them to make sure that they can keep those franchises. But these businesses have economics that are just phenomenal, just great economics."

The third and final category of 100-baggers is the category of confusion. Here's what Pabrai had to say on the topic:

"The third one is when the market gets confused between risk and uncertainty. When you find a combination of low risk and high uncertainty, that combination is usually going to give you a high reward because markets are not very good at pricing in uncertainty. They hate uncertainty."

And to add some meat onto this slim definition, here's how fund manager [Whitney Tilson \(Trades, Portfolio\)](#) described the need to untangle risk and [uncertainty in 2008](#).

"Wall Street in the main hates uncertainty, which manifests itself in depressed share prices of companies whose prospects lack "visibility." But where the market can err is in confusing uncertainty with risk. Just because a company's future is highly uncertain doesn't mean an investment in it is risky. In fact, some of the best potential investments are highly uncertain, but have little risk of permanent capital loss."

**Disclosure:** The author owns no stock mentioned.

#### Also check out:

- [Mohnish Pabrai Undervalued Stocks](#)
- [Mohnish Pabrai Top Growth Companies](#)
- [Mohnish Pabrai High Yield stocks, and](#)
- [Stocks that Mohnish Pabrai keeps buying](#)
- [Warren Buffett Undervalued Stocks](#)

DBrizan 10Jul2018 11:21p  
 DBrizan cdn 10Jul2018 901p

GF Chat 91

#### Guru News

- [US Market Indexes Close Higher on Thursday](#) by Julie Young
- [Amazon Shares Soared Over 3% This Week](#) by David Jackson, MBA
- [Global Materials Industry Foresees Growth](#) by Yamil Berard
- [Cobas Funds Commentary: Investing Against the Consensus](#) by Holly LaFon

#### Value Ideas

- [Chesley Taft & Associates Llc Buys iShares Core S&P Small-Cap, Merck Inc, United Technologies Corp, Sells Philip Morris International Inc, Comcast Corp, Invesco Senior Loan](#) by insider
- [Krueger & Catalano Capital Partners, LLC Buys Enbridge Inc, NVIDIA Corp, Constellation Brands Inc, Sells LCI Industries Inc, GlaxoSmithKline PLC](#) by insider
- [Comprehensive Portfolio Management, LLC Buys Vanguard S&P 500, Aquantia Corp, iShares Core MSCI EAFE, Sells Schlumberger, Sherwin-Williams Co, Pentair PLC](#) by insider
- [First National Bank Of Omaha Buys Broadcom Inc, Cigna Corp, Atmos Energy Corp, Sells MB Financial Inc, Education Realty Trust Inc, iShares Core U.S. Aggregate Bond](#) by insider

#### More By Rupert Hargreaves

- [Warren Buffett's Salomon Experience](#) - Jul 12, 2018
- [Investing Lessons From Mohnish Pabrai](#) - Jul 12, 2018
- [10 Factors Needed to Make Money in the Stock Market](#) - Jul 11, 2018
- [To Buy Dividends or Not to Buy Dividends?](#) - Jul 11, 2018

#### Guru Interviews

- [David Rolfe Is Taking Investing Questions From GuruFocus Users](#) by Holly LaFon
- [Citigroup: Still a Great Long-Term Investment](#) by Cody Eustice
- [Thomas Russo: How to Invest in International Consumer Brands](#) by Bram de Haas
- [A Propitious Time for the Value Investor](#) by Yamil Berard

#### Top Ranked Articles

Search  Go

My Portfolios

My Gurus

Try PremiumPLUS Membership Free For 7 Days

Is This the Magic Formula of Value Investing? by John Engle

About the author:

Rupert Hargreaves

Rupert is a committed value investor and regularly writes and invests following the principles set out by Benjamin Graham. Prior to his investing and writing career, Rupert was as a proprietary currency trader. Rupert holds qualifications from the Chartered Institute for Securities & Investment and the CFA Society of the UK. He covers everything value investing for ValueWalk and other sites on a freelance basis.

Visit Rupert Hargreaves's Website

Rating: 0.0/5 (0 votes)

Subscribe via Email Subscribe RSS

Comments

Shu, please post a comment. But first, please upload your picture:

Rich text editor with Source, Styles, and Format options.

Send replies to me via email

Post Comment

More GuruFocus Links

- Latest Guru Picks, Warren Buffett Portfolio, Real Time Picks, Aggregated Portfolio, ETFs, Options, Insider Trends, 52-Week Lows, Model Portfolios, RSS Feed, The All-In-One Screener, Value Strategies, Ben Graham Net-Net, Buffett-Munger Screener, Undervalued Predictable, Low P/S Companies, 10-Year Financials, Interactive Charts, DCF Calculator, Monthly Newsletters, Portfolio Tracking Tool

You May Also Like

- Investing Lessons From Mohnish Pabrai, Mohnish Pabrai: Low-Risk, High-Uncertainty 100-Baggers, Mohnish Pabrai's Auto Companies Outperforming Global Competitors, Five Tips From Pabrai for Finding 100-Baggers Pt.2, Fiat Chrysler: A 5-Bagger Waiting to Happen?

GF Chat 91

Search  Go

My Portfolios My Gurus

Try PremiumPLUS Membership Free For 7 Days

© 2004-2018 GuruFocus.com, LLC. All Rights Reserved.

Disclaimers: GuruFocus.com is not operated by a broker, a dealer, or a registered investment adviser. Under no circumstances does any information posted on GuruFocus.com represent a recommendation to buy or sell a security. The information on this site, and in its related newsletters, is not intended to be, nor does it constitute, investment advice or recommendations. The gurus may buy and sell securities before and after any particular article and report and information herein is published, with respect to the securities discussed in any article and report posted herein. In no event shall GuruFocus.com be liable to any member, guest or third party for any damages of any kind arising out of the use of any content or other material published or available on GuruFocus.com, or relating to the use of, or inability to use, GuruFocus.com or any content, including, without limitation, any investment losses, lost profits, lost opportunity, special, incidental, indirect, consequential or punitive damages. Past performance is a poor indicator of future performance. The information on this site, and in its related newsletters, is not intended to be, nor does it constitute, investment advice or recommendations. The information on this site is in no way guaranteed for completeness, accuracy or in any other way. The gurus listed in this website are not affiliated with GuruFocus.com, LLC. Stock quotes provided by InterActive Data, Fundamental company data provided by Morningstar, updated daily.

GF Chat 91