

"The best CEOs are "masters of "capital allocation- the process of deciding how to deploy the firm's resources" ... capital allocation is investment, and as a result all CEOs are both capital allocators and investors. They have the investor's mind set"

**William Thorndike,**  
***The Outsiders***



"It's remarkable how much long-term advantage people like us have gotten by trying to be consistently not stupid, instead of trying to be very intelligent."

**Charlie Munger**



"Often, we are not capable of predicting a business' earnings power over an extended period of time. These investments typically end up in the 'Don't Know' pile."

**Bill Ackman**

## Four Bedrock Value Investing Principles:

1.

Treat a share of stock as a proportional ownership of the business.

2.

Buy at a significant discount to *intrinsic value* to create a *margin of safety*.

3.

Make bi-polar *Mr. Market* your servant rather than your master.

4.

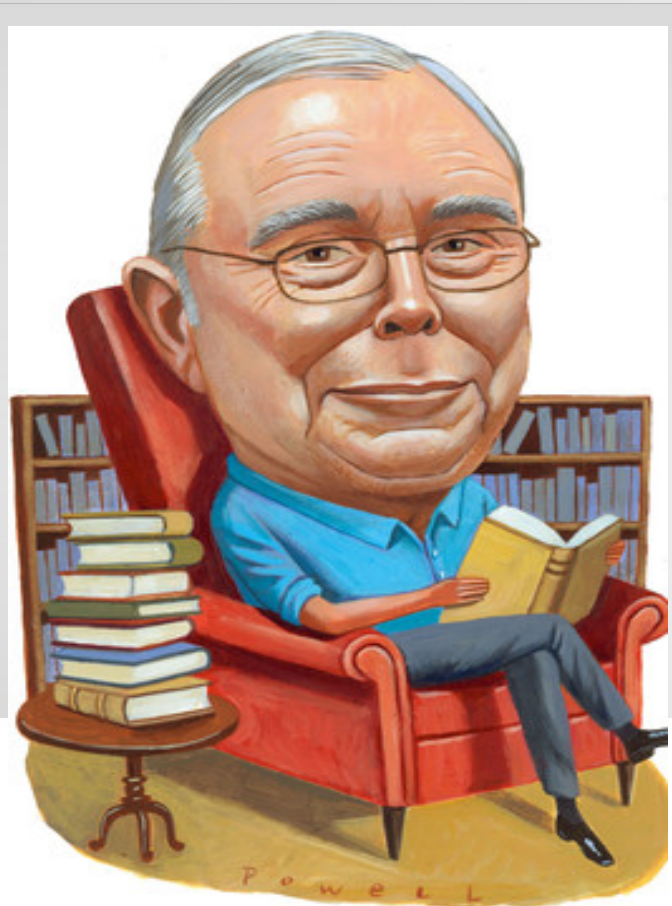
Be rational, objective and dispassionate.



"The entire strategy can be concisely described as buy a bargain and wait."

**Seth Klarman**

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"For a security to be mispriced, someone else must be a damn fool. It may be bad for the world, but not bad for Berkshire."

**Charlie Munger**



"There's no one easy method that can simply be mechanically applied by a computer that will make someone who pushes the buttons rich."

**Charlie Munger**

Variations in value investing "style" are created on top of the value investing bedrock Principles.

These variations are possible on 7 different dimensions:

**VALUATION**



Determining a specific company's "intrinsic value"

**Amount of MARGIN  
OF SAFETY**



Determining the appropriate amount of the "margin of safety" for a given investment

**COMPETENCE**



Determining the scope of each investor's "circle of competence"

**QUALITY**



Determining whether quality of a business should be considered



Variations in value investing "style" are created on top of the value investing bedrock Principles.

These variations are possible on 7 different dimensions:

**CHOICE of  
business**



Determining  
what businesses  
to own (in  
whole or in  
part)

**DIVERSIFY?**

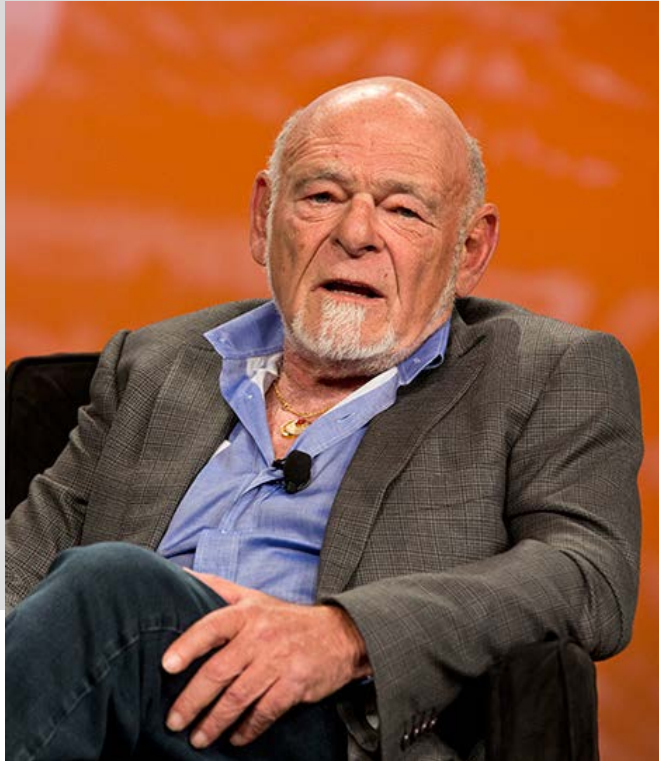


Determining  
how many  
securities  
to buy

**HOLDING PERIOD**



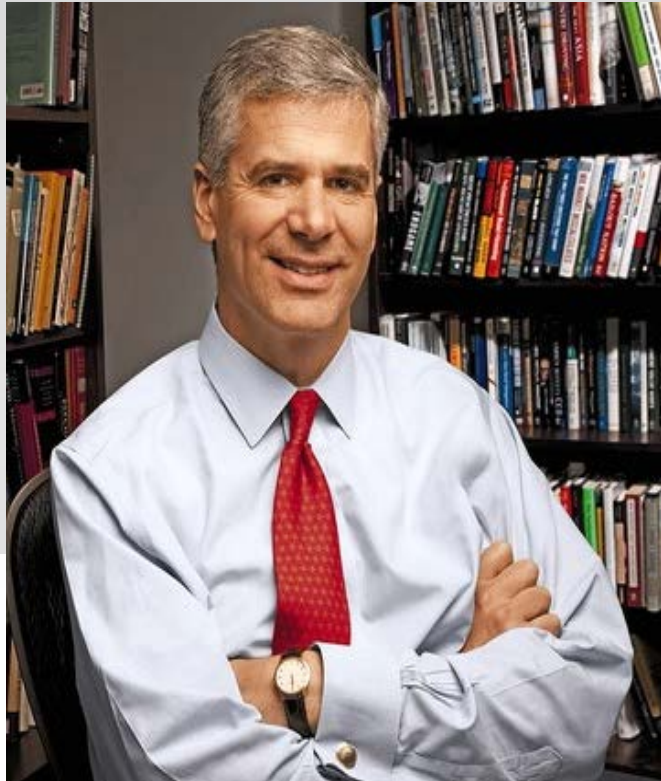
Determining  
when or  
whether to  
sell a  
security



"Listen, business is easy. If you've got a low downside and a big upside, you go do it. If you've got a big downside and a small upside, you run away. The only time you have any work to do is when you have a big downside and a big upside.

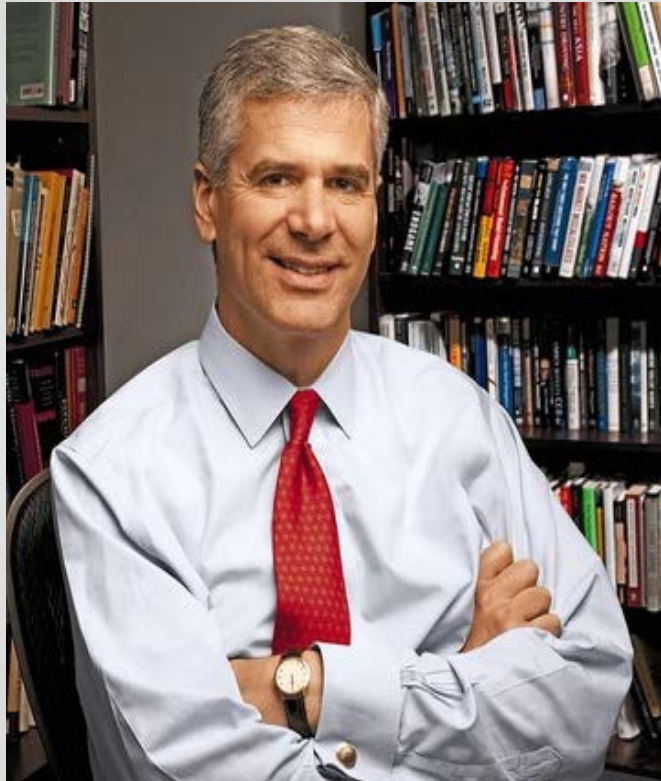
**Sam Zell**

Photo source: xxxxxxxx



"It's unlikely you will gain insight if your inputs are identical to everyone else's."

**Michael Mauboussin**



“In any probabilistic situation, you must develop a disciplined and economic process you must recognize that even an excellent process will yield bad results some of the time.”

**Michael Mauboussin**



“The biggest investing errors come not from factors that are informational or analytical, but from those that are psychological.”

**Howard Marks**



“Master the best that others have figured out. Don't [try to] dream it all up yourself. Nobody's that smart.”

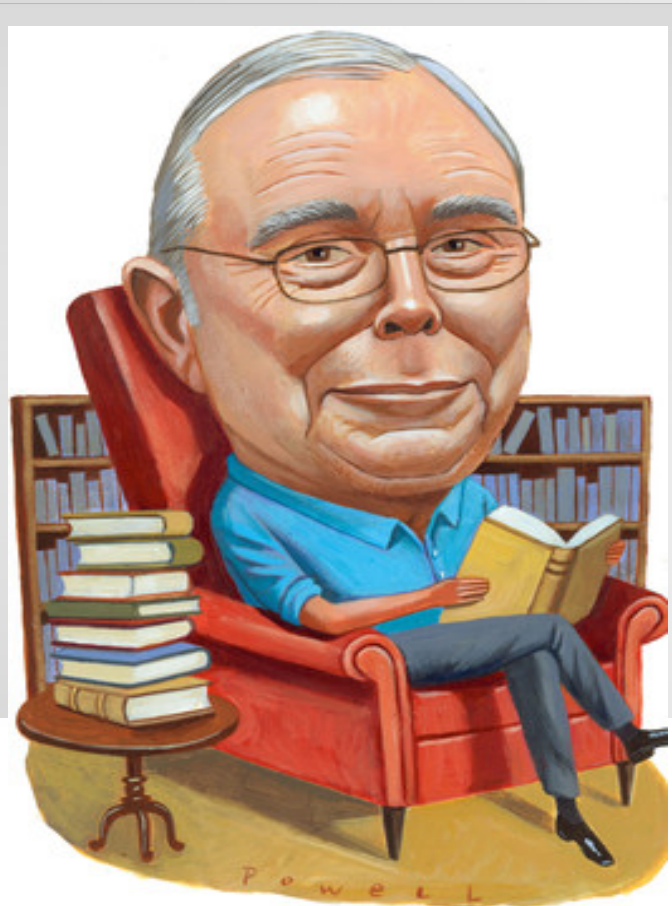
**Charlie Munger**

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"Few are willing and able to devote sufficient time and effort to become value investors, and only a fraction of those have the proper mind-set to succeed."

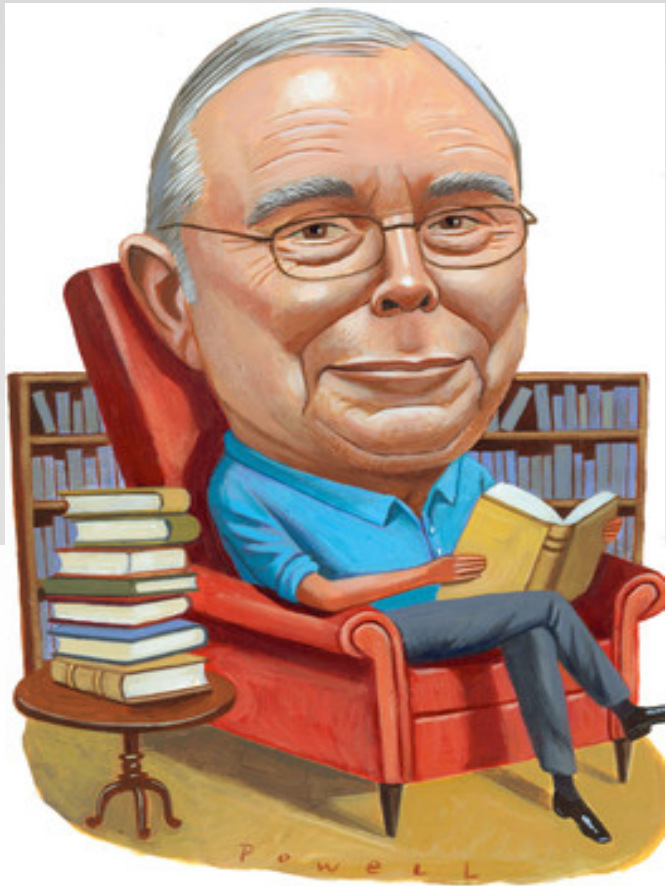
**Seth Klarman**



"Most people who try [investing] don't do well at it. But the trouble is that if even 90% are no good, everyone looks around and says, 'I'm the 10%.'"

**Charlie Munger**





"[Ben Graham] was trying to invent a system anybody could use."

**Charlie Munger**