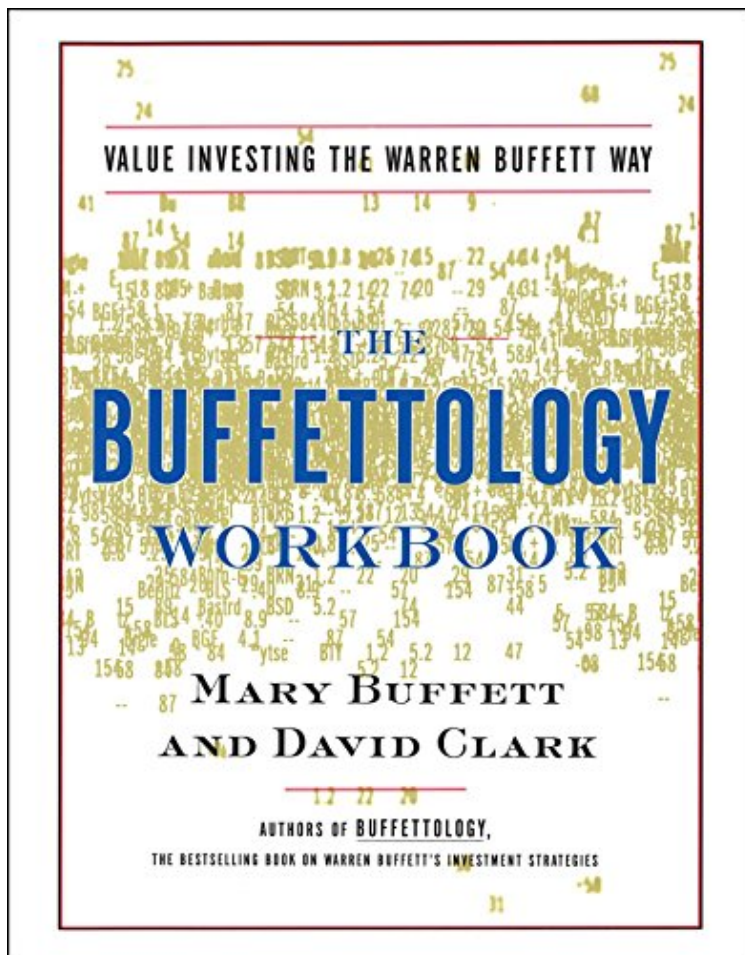


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# The Buffettology Workbook: Value Investing the Warren Buffett Way

Mary Buffett, David Clark

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**Mary Buffett, David Clark : The Buffettology Workbook: Value Investing the Warren Buffett Way** before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Buffettology Workbook: Value Investing the Warren Buffett Way:

9 of 9 people found the following review helpful. Buffettology LiteBy Gregory McMahanFor those of you that are time-pressed, this is the best book in the Buffettology Series to read in order to glean a few secrets on the investment techniques of the Oracle of Omaha. The workbook covers both the qualitative and quantitative sides of Buffett's value investing approach, and provides the basic techniques one can implement in order to invest with a reasonable amount of success. The workbook is not exactly the best book on investing that I have read (that title goes to Benjamin Graham's The Intelligent Investor), but in its defense, it does provide a simple to implement investment strategy. Most of the techniques hinge on a few simple ratios and knowledge of simple present and future worth. Additionally, most of the limitations associated with the techniques are clearly and simply stated. The book has several merits. The chief

merit of the book is that its approach to investing is self-contained, and emphasizes the qualitative aspects more than the quantitative aspects. In passing, readers that focus more on Part One of the book and skip Part Two, the quantitative part, could easily obtain a dramatic improvement in their investment results. Written in simple, easy to understand language, the target audience of this book is most likely that individual who depends on the Internet for all of her information on companies, as such sites as Yahoo, MSN and Value Line are routinely cited in the text as sources of information. The book is very well organized, quite possibly with the idea that it would fit the mold of a chapter-a-day format. Most chapters are usually no more than five pages long, with easy, cheesy word problems and true/false questions at the end of most every chapter to reinforce key concepts. The title of each chapter basically states the key concept to be learned, and key points are highlighted at the end of each chapter. Although it provides some theory and rationale for the techniques it attempts to teach, this is kept to a minimum, and the book focuses almost exclusively on application of the techniques. Those readers that are only interested in the methodology can simply skip to the 22nd Chapter titled 'Doing It Yourself: Buffettology Worksheet'. Thus, the book makes every effort to make learning, and ultimately using, the techniques as painless as possible. The major demerit of this book rests in its insistence on doing all calculations on a per-share basis. But then, this is how much of the information that is easily obtainable through such channels as Value Line and other sources is presented. One minor demerit is that the authors do not seem to be aware of the virtual ubiquity of MS Office, making it possible to perform all of the calculations in the book in one Excel spreadsheet, but then again, this is a minor demerit. Although there were a number of minor typographical and mathematical errors in the book, I am willing to overlook this, as the thinking and reasoning behind any investment proposition is more important, and is clearly presented throughout the book. Overall, I rate the book to be worthy of reading. It presents a simple and straightforward investment approach, and does not require an advanced degree in rocket science to implement it. All it really requires is a basic understanding of fractions, decimals and percents, and most important, a willingness to think and reason through the investment proposition. However, those of you with strong quantitative backgrounds will be very dismayed with this book (as I was initially), but as I said before, if you focus exclusively on Part One of the book and Chapter 22, then you will see a dramatic improvement in your investment results going forward. 1 of 1 people found the following review helpful. The simplest and best book ever written for investing By Mark A. Millevoi The simplest and best book ever written for investing. Follow these simple directions in this book and over time you cant lose with your investments. To sum up the book in less than a paragraph. Buy good companies that have an identifiable monopoly, have ton of cash in the bank, very little debt, then NEVER sell these companies. You cant fail over time. 0 of 0 people found the following review helpful. Five Stars By Wayne Very good book. Now it's up to me to use it.

Timeless Investing Strategies for Any Economy For five decades, Warren Buffett has been making himself one of the wealthiest men in the world, amassing more than 30 billion dollars by investing in the stock market. Remarkably, he did it by spurning popular Wall Street trends, adhering instead to his own unique discipline, one the world has come to know as Buffettology. In The Buffettology Workbook, internationally acclaimed writer and lecturer Mary Buffett has again joined forces with David Clark, the world's leading authority on Warren Buffett's investment methods, to create an in-depth, step-by-step guide to the concepts and equations Warren Buffett uses to create fantastic wealth. Here you will learn: The difference between a great company and a great undervalued company How the short-sightedness of Wall Street pundits can work to your advantage Where to look for investments with long-term, consistent, and extraordinary growth potential To perform the same financial calculations Buffett uses, and apply them to stocks you'd like to buy

Rocky Mountain News (Denver) One of the best books about mega investor Warren Buffett. About the Author Mary Buffett For over twenty years, Mary Buffett has been considered a leading authority on the subject of Warren Buffett's investment methods. Her international bestselling investment books, co-authored with David Clark—Buffettology, The Buffettology Workbook, The New Buffettology, The Tao of Warren Buffett, Warren Buffett and the Interpretation of Financial Statements, The Management Secrets of Warren Buffett, Warren Buffett and The Art of Stock Arbitrage, and The Warren Buffett Stock Portfolio—have been translated into twenty-four foreign languages and are considered 'investment classics' the world over. Ms. Buffett is an international speaker, entrepreneur, political and environmental activist, and has appeared on television as one of the top finance experts worldwide. She has been the principal speaker for prestigious organizations around the world. Ms. Buffett has worked in a wide range of businesses including extensive work as a consultant to several Fortune 500 companies. She is an associate of the top ranked UK Buffettology Fund in the United Kingdom. In 2013 she became a contributing blogger to the Huffington Post. The blogs and information about the UK Buffettology Fund are on her website MaryBuffett.com. David Clark For over twenty years, David Clark has been considered the world's leading authority on the subject of Warren Buffett's investment methods. His international bestselling investment books, co-authored with Mary Buffett—Buffettology, The Buffettology Workbook, The New Buffettology, The Tao of Warren Buffett, Warren Buffett and the Interpretation of Financial Statements, The Management Secrets of Warren

Buffett, Warren Buffett and The Art of Stock Arbitrage, and The Warren Buffett Stock Portfolio—have been translated into more than twenty foreign languages and are considered “investment classics” the world over. He holds a B.S. degree in finance and a law degree from the University of California, Hastings College of the Law. He is presently writing *Berkshire Hathaway: Fortress of Capital*, a corporate biography. When not consumed with matters of finance, he is engaged in the second great passion of his life, which is trial law and maintains an active national practice.

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### Chapter One: Short-Sightedness and the Bad News Phenomenon: The Gifts That Keep On Giving

Short-sightedness and the bad news phenomenon. What are these things and what do they have to do with Warren Buffett? The answer is everything. If the vast majority of the stock market were not short-sighted, Warren Buffett would never have an opportunity to buy some of the world's greatest businesses at discount prices. He could never have bought 1.7 million shares of *The Washington Post* twenty-seven years ago for approximately \$6.14 a share. *The Washington Post* now trades at approximately \$500 a share, which makes his \$10.2 million initial investment worth approximately \$863.8 million today. That equates to a pretax annual compounding rate of return of 17.8%. Without the short-sightedness of the stock market, Warren could not have bought Coca-Cola for \$5.22 a share twelve years ago. It now trades at approximately \$50 a share, which equates to a pretax annual compounding rate of return of approximately 21%.

Warren discovered early on in his career that 95% of the participants in the stock market, from Internet day traders to mutual fund managers who manage billions, are only interested in making a quick buck. Yes, some pay lip service to the importance of long-term investing, but in truth they are stuck on making fast money. Warren found that no matter how intelligent a person is, the nature of the beast controls the investor's actions. Take mutual fund managers. If you talk to any of them, they will tell you that they are under great pressure to produce the highest yearly results possible. This is because mutual funds are marketed to a lay public that is only interested in investing in funds that earn top performance ratings in any given year. Imagine a mutual fund manager telling his or her marketing team that their fund ranked in the bottom 10% for performance out of all the mutual funds in America. Do you think the marketing team would jump up and down with joy and go out and drop a couple of million on advertising to let the world know that their fund ranked in the bottom 10%? No. More likely our underperforming fund manager would lose his or her job and some promising young hot shot would take over the fund's investment allocations. Don't believe it? Ask people you know why they chose to invest in a particular mutual fund and they will more than likely tell you it was because the fund was ranked as a top performer. The nature of the mutual fund beast influences a lot of very smart people into playing a short-term game with enormous amounts of capital. No matter what fund managers' personal convictions may be, producing the best short-term results possible is the way to keep their job.

Warren also discovered that investors who get caught up playing a short-term game have very human reactions whenever they hear bad news about a company in which they own shares -- they sell them. To make the big bucks in the short-term game, the investor has to be one of the first to get in on the stock before it moves up, and one of first to get out before it moves down. Having access to the most up-to-date information available is of utmost importance. A good earnings report and the stock price moves upward. A bad earnings report and it moves downward. It doesn't matter whether earnings will improve in a year or two. All that anybody is interested in is what is going to happen today. If things look great this week, people will buy the stock, and if they look bad next week, they will sell it. This is why mutual funds are notorious for having such high rates of investment turnover. They get in and out of a lot of different stocks in hopes of beating the other guys in the competition for the all-important title Top Fund of the Year.

This "bad news phenomenon" -- the selling of shares on bad news -- is one constant in the ever-changing world of stock market trading. Watch any nightly business report on television and you'll see that after any negative news about a company is announced, the price of its shares drops. If the news is really bad, the shares will drop like a rock. It's the nature of the beast. Bad news means falling share prices; bad news means that Warren's eyes light up. To Warren, the short-sightedness of the stock market, when combined with the bad news phenomenon, is the gift that keeps on giving. This combination of factors has produced for him one great buying opportunity after another, year after year, decade after decade, to the happy tune of \$30 billion.

Before we jump to the next chapter, we'll let you in on one of Warren's best-kept secrets. He figured out that some, but not all, companies have economic engines that are so powerful they can pull themselves out of almost any kind of bad news mud that the short-sightedness of the stock market gets them stuck in. He has developed a specific list of criteria to help him identify those businesses. When these businesses are hit with bad news and the short-sighted stock market hammers their stock prices, he steps in and buys like crazy. He calls these wonderfully resilient businesses "consumer monopolies." Warren made all his big money by investing in consumer monopolies. They are the Holy Grail of his investment philosophy and we predict that they will be the next great love of your investment life as well.

### KEY POINTS FROM THIS CHAPTER

Warren discovered that everyone from mutual fund managers to Internet day traders are stuck playing the short-term game. It is the nature of the stock market. The bad news phenomenon is a constant -- people sell on bad news. Companies that have consumer monopolies have the economic power to pull themselves out of most bad news situations. Warren made all his big money investing in consumer monopolies.

### Study Questions

Why are most mutual funds fixated on short-term results? How does Warren use a long-term perspective to exploit the stock market's short sightedness? True or False Questions

1. T or F Mutual fund managers are short-term motivated because

they market their products to an investment public that is extremely short-sighted.2. T or F The majority of the investing public sells on bad news and buys on good.3. T or F Warren buys on bad news.4. T or F Consumer monopolies have the strong economic engines. Answers: 1. True 2. True 3. True 4. True Copyright copy; 2001 by Mary Buffett and David Clark