



01/10/2026

Investing 101 – Chapter 1

INTRODUCTION – FOCUS ON FUNDAMENTAL ANALYSIS

An analyst for several decades:

Senior Analyst - Value Notes

CFO - CPA firm, business consulting

Analyst - Motley Fool and Seeking Alpha

CFO - L Capital, family office, project analysis and capital allocation

At Fountainhead, we believe that investing in businesses, whether it's a massive Google or a startup with \$200Mn in revenues. Every business must be valued based on their fundamentals, irrespective of their daily price movements over which we have little control. But we do have analytical ability to analyze and value businesses and base our decisions on how well they perform. If you've been familiar with my work in the past year and a half, I really like to go for businesses which are market leaders, and have strong, competitive advantages, very strong balance sheets, and great margins which allows them to price their products or services way higher than the competition. To me the biggest incentive to invest in a company is its "moat" or significant competitive advantages. The term "moat" was coined by the great Warren Buffett signifying an unbreachable competitive advantage, like a deep moat surrounding a castle to keep out intruders. The hugely successful Peter Lynch, also placed a tremendous emphasis on investing only in great businesses and not worrying about the market.

Four examples of companies with great moats are Nvidia with its high-powered GPUs, Google with search, Taiwan Semiconductor with its manufacturing operations, and ASML with its EUV lithography machines, without which you cannot create a high-powered GPU.

INVESTMENT BASICS – BUYING A BUSINESS NOT A SHARE

Suppose 5 of you decided to buy a Thai restaurant for \$500,000, and the restaurant's issued 50,000 shares in total, so as a 20% shareholder you would get 10,000 shares, at \$10 per share for a total of \$100,000. The restaurant earns a net income after all expenses and taxes of \$100,000, thus deriving an Earnings Per Share of \$2 = \$100,000 divided by 50,000 shares. **That is the same method for calculating EPS that we keep talking about and is used consistently in investing.**

The same fundamentals would apply to a public listed company, like Chipotle, for example, which has 1,368 Mn shares outstanding at \$37 per share giving it a total market capitalization of \$48.9Bn. Chipotle earned a net income of \$1,534Mn, which when divided by 1,368Mn shares = an EPS of \$1.12. Therefore, Chipotle's Price to earnings ratio, P/E or PE as it is referred to sometimes is $\$37/1.12 = 33$

INVESTMENT BASICS – BUYING A BUSINESS NOT A SHARE

Suppose, Chipotle increased its earnings by 60% in three years from \$1.12 to \$1.79, and assuming it kept the same P/E of 33 the share price would be \$59, and your investment would have returned 60%.

Coming back to our restaurant's example, the restaurant has done well and increased net income by 60% after three years. You and your partners decide to sell it for \$800,000.

You sell your 10,000 shares for \$16 per share, totaling \$160,000 and your investment has returned 60%

Both investments in the food business turned out equally well, one private and another a stock.

INVESTMENT BASICS – BUYING A BUSINESS NOT A SHARE

You bought the restaurant, because

1. It had a great product --- (served great food by an excellent chef and staff)
 2. It had an excellent location in a good neighborhood, growing with higher incomes, and a younger population willing to spend.
 3. You saw how well other restaurants were doing in the same town.
 4. There were no competing Thai restaurants for several miles.
 5. You could charge decent prices for good margins.
 6. Your managing partners had decades of managing restaurants, and they were trustworthy.
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INVESTMENT BASICS – BUYING A BUSINESS NOT A SHARE

You were aware of the risks and felt that the price offered you enough margin of safety.

You were targeting and eventually satisfied with the investment return of 17% per year (60% in three years).

In other words, you did your business due diligence, research and analysis and you liked the fundamentals, and it appealed to you at a reasonable price, which was commensurate with the risk, and the hope of making a good return on it over the years.

The first rule of investing – Buy the business:

Our approach to Chipotle and other stocks has to be the same way, you're not just buying shares you're buying the business as a passive limited partner with the same and required due diligence and analysis.

INVESTMENT BASICS – BUYING A BUSINESS NOT A SHARE

However, our behavior with the CMG investment would be totally different from our restaurant business and this is what we would do in real life.

We would look at the price of CMG every day for absolutely no reason and think about selling it if:

- a) The USA attacked Libya
 - b) The Feds increased rates
 - c) A Wall Street analyst said the overall markets were overpriced, and a recession was imminent.
 - d) If the overall market was down 3% because, Tesla and Nvidia missed earnings by a penny.
 - e) There was another hot stock being touted by our neighbor or friend.
-

INVESTMENT BASICS – BUYING A BUSINESS NOT A SHARE

But, in those 3 years you would look at your restaurant's valuation only once a year....or if the managing partner sent a quarterly report.

Of course, Yes, you would and should question your partners if

1. The head chef left
 2. Tables were empty on weekends
 3. There was a town permit issue
 4. Staff turnover was high
 5. Input costs rose squeezing margins
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INVESTMENT BASICS – BUYING A BUSINESS NOT A SHARE

As a part owner you have to look out for business challenges, weaknesses – fundamentals which will weaken earnings, sales and so on.

By all means we should worry about deteriorating fundamentals, but we have to ignore the market, because there are 1.3Bn shares of CMG outstanding, which means there are several million shareholders with each one having a different opinion of what the price should be each day.....Why should they tell you when to buy or sell?

That is our objective with investment 101- Buying a business

WHAT DO I OWN? AN INTRODUCTION TO CATEGORIES

Overview for the introductory class						
Category	Industries	Companies	Characteristics	Valuations/Multiples	Rewards	Risks
Tech Fast growers	Semi conductors, SaaS, Social Media, Ad Tech, Cyber security	Nvidia, Reddit, Rubrik	Secular growth Spurt of 15-20 years growth	Premium, drops fast when growth sputters	High	OBSOLENCE High in the beginning and end
Stalwart	Blue-Chip Consumer staples, Big Pharma,	Proctor and Gamble, Apple, Coke, Moody's, American Express	Compounding machine, Wide moat, Strong Operating Leverage, strong pricing power, low incremental capital needs, reliable free-cash-flow, recession proof, defensives	Premium	Medium	Low
Sweet Spot - Tech Fast Grower/Stalwart	Semiconductors, SaaS, Social Media, Ad Tech, Cyber security	Apple, TSM, ASML, Alphabet, Microsoft	Stalwart+Tech Fast growth	Premium	High	Low
Other Fast growers	Restaurant chains, Fast scaling businesses	Cava, Dutch Bros, Shake Shak	Secular Spurt of 15-20 years growth	Premium	High	High in the beginning and end
Cyclical	Autos, Housing, Banks, Oil & Gas, Semis before AI	Ford, Zillow, Wells Fargo	Tied to economic cycles, demand and supply cycles, over building, excessive capacity or inventory. Wide range of outcomes, with the worst for the 3C - Cutthroat, Commodity, Cyclical	Low to middle	3-4x in a few years MICRON, otherwise stuck for a long time	Medium to high, Timing is crucial
Turnarounds	Industrials	Rolls Royce	Recovering from mismanagement, industry decay, to new uses for the industry's products, new management, cost discipline	Low	High	Turnarounds are extremely difficult especially if it is secular
Slow Growers	Utilities, Telecom Other regulated, Mature Regional Banks	Verizon Communications, Constellation Brands.	Can be value traps, regulated industries, Low single-digit earnings growth, high dividend payout, defensive holdings - Demoted stalwarts	Low	Low but good dividends	Low, unless it is a value trap.

WHAT DO I OWN? AN INTRODUCTION TO CATEGORIES

The Barron's Round Table invites some of the smartest investors each year to discuss their favorite picks and they often do an excellent job, but they make mistakes as well and one of the common mistakes I've seen is mischaracterization.

Several years back, one of the asset managers called Apple a hardware company and refused to pay the premium saying it was overpriced for a hardware company.

Several did not own tech stocks mischaracterizing them as pure tech that would fizzle out forgetting they were in a sweet spot of stalwart/fast grower and that market leadership, superior margins, cash generation, huge competitive advantages would easily overcome obsolescence. Companies transition from fast growth to stalwarts if they're exceptional and some enjoy the sweet spot like some M-7s are doing right now.

It is very important to know what you own investment strategies and valuations differ significantly for each one.

WHAT DO I OWN? AN INTRODUCTION TO CATEGORIES

As much as I follow Warren Buffet and Peter Lynch, readers will know that Buffet and Lynch famously do not invest in tech stocks, and a majority of our successful picks have been fast-growing tech stocks... So how do I reconcile this?

Look at the principles – that is the key, the principles apply to all businesses, Buffet feared obsolescence strongly and felt that tech companies could not survive decades the way Borsheim's, Coke and P&G could, and to a great extent he was right. History is littered with companies that lost to the shiny new product. The dot-com bust decimated half of silicon valley. Apple too was given up for dead and turned itself around as a different company. Tesla survived several near-death experiences as did Nvidia. Amazon pivoted to Amazon Web Services – the retail business makes like 1% margins. So even if these companies don't last forever as Buffet and Lynch expect them to, they do last decades, and my best tool and the place I start is with the Buffet/Lynch roadmap/checklist. And I need to make sure that they fill most of the boxes.

ADOPTING BUFFET/LYNCH'S FUNDAMENTAL PRINCIPLES

The economy has evolved, and if you really understand Buffet's principles it is not the letter, it's the spirit of these principles and how important it is to objectively understand them and therefore apply them, otherwise we are parroting without understanding. (And we would have missed out at least 50% of the brilliant businesses out there)

Consumer staples were the bread and butter/ cornerstone of Buffet's investing style.

Proctor and Gamble – Crest, Tide, Dove were recession proof, you could not do without them. They were fixed items on your household budget. Well, guess what come to the new millenium? – what are the fixed items on your budget / lifestyle? – email, cable TV (two decades), streaming (1 decade old), Amazon Prime, a new cell phone every 4-5 years sold as a low monthly lease, Google search. These are utilities you cannot do without; they have become staples they're not discretionary.

I looked at my daily uses and budget....and followed the same principles – don't miss out on Microsoft, Apple, Amazon, Google because they are "Tech" companies, for the past two decades, they've occupied the Sweet Spot of fast-growing stalwarts an almost unbeatable combination.

THE BUFFET PRINCIPLES

Warren Buffett's investment philosophy is often boiled down to a simple four-filter process. This checklist focuses on business quality, management integrity, financial strength, and price.

The Business Tenet (Circle of Competence)

Before looking at numbers, Buffett asks if he truly understands how the company makes money.

Circle of Competence: Do I understand how this product works and how the company earns its revenue – If so how much of it is sustainable

Simple & Understandable: Could I explain this business model to a child in under two minutes? Important because we can't foresee the challenges otherwise.

Consistent History: Has the company been doing the same thing successfully for 10+ years – (you'll always see me emphasizing sustainable and recurring revenues)

Favorable Long-Term Prospects: Will this product still be in high demand 20 years from now? Very important because of rapid tech advances.

The "Dummy" Test: Is the business so good that even a "dummy" could run it? (Because eventually, one might.) This applies a lot to consumer staples, which should be able to run on its own without management mucking it up.

THE BUFFET PRINCIPLES

The Moat Tenet (Competitive Advantage)

A "moat" protects the company's profits from competitors.

Economic Moat: Does the company have a clear advantage (Brand, Low-Cost Production, High Switching Costs, or Network Effect)? This is perhaps the most important factor, and I can never buy a company without a competitive advantage, you will have noticed that I avoid commodities for the lack of competitive advantages.

The moats can be in several ways. So many analysts suggested that Netflix had completely penetrated the US streaming market, there was no room left, it was saturated. I said that's its moat – It has become the gatekeeper to your house and won't let anyone else inside.

Pricing Power: Can the company raise prices without losing half its customers to a competitor? A major requirement

Substitution Risk: Is there a high risk of a new technology or competitor making this product obsolete? Our biggest risk because of the tech emphasis.

THE BUFFET PRINCIPLES

The Management Tenet (Integrity & Talent)

Buffett looks for managers who act like owners

Rationality: Does management allocate capital wisely? (e.g., Do they buy back shares only when they are cheap, or do they waste money on flashy acquisitions?)

Candor: Is management honest about their mistakes in annual reports, or do they only highlight the wins?

Institutional Imperative: Does management resist the urge to mindlessly follow what every other company in their industry is doing?

Incentives: Is executive compensation tied to long-term performance rather than short-term stock price?

THE BUFFET PRINCIPLES

The Financial Tenet (The "Hard" Numbers)

"Earnings Per Share" (EPS) consistent growth over long periods

Return on Equity (ROE): Is the ROE consistently high without using excessive debt?

Does the company generate high "Free Cash Flow" after paying for CAPEX. We're seeing that scare with all that AI spending.

Profit Margins: Are profit margins high and stable (or increasing) compared to competitors? Hugely important.

The Valuation Tenet (Margin of Safety)

Even a great company is a bad investment if you pay too much.

Intrinsic Value: Have I calculated the "Intrinsic Value" (the discounted value of all future cash flows)?

Margin of Safety: Is the current stock price at least 20-30% below my calculated intrinsic value?

"Inactivity" Check: Am I comfortable holding this stock if the market closed for the next 5 years?

The "Two Paragraph" Rule

Buffett once said that if you can't write down two paragraphs explaining exactly why you are buying a company at its current price, you shouldn't buy it.

THE POWER OF COMPOUNDING

The Power of Compounding:

There is no greater joy than seeing a stock compound over time, and when you realize how well the stock has performed.

Here's an example of a company Adobe (ADBE) that worked exceptionally well.

	Date	Price	Total Return	CAGR (Compounded Annual Growth Rate)
Purchase	05/24/06	\$ 29.00	23 Times	22%
Sale	12/01/21	\$ 655.00		
Peak	11/19/21	\$ 689.00		

CAGR = Annualized Return

I wrote about Adobe (ADBE) on May 24th, 2006, at a price of \$29 in the Motley Fool, one of the better investing websites that focuses on fundamentals and are huge Buffet and Lynch followers.

Here's the link [The Agile Acrobat](#)

Here's the gist of the article and how it follows the principles.

THE POWER OF COMPOUNDING

The price drop in Adobe's stock represents a flash of opportunity.

“Ever since software giant **Adobe** (NASDAQ:ADBE) warned three weeks ago that unexpectedly soft demand during what it called the "spring holiday periods" would dampen second-quarter earnings, its shares have fallen in value by some 25%. But even though investors aren't quite getting the tearing growth they've been used to, I'm surprised that the disappointment has been so extreme. For longer-term Fools impressed with the ubiquity of Adobe and Flash products in PCs, Flash's potential in mobile phones, and the potential of converting paper documentation to electronic form, today's stock price might be considered a flash of opportunity.”

My reasoning is very simple – there are great products, with a lot of potential new use cases – mobile phones and electronic documentation.

The price has dropped for a non-fundamental reason, which gives us an entry bargain price.

Adobe has cash cows – one of the most enduring reasons and strengths of a good company are cash cows and Adobe has three, Acrobat, Photoshop and Flash. The term “cash cow” is literal, it keeps generating cash, and even better they're a large 75% of revenues.

THE POWER OF COMPOUNDING

Adobe also has another strength – it's using the Gillette model giving the razor for free/almost free but charging you an arm and a leg for the blades – Adobe is giving you the Acrobat free (500Mn pcs worldwide) but charging for the Acrobat writer making it the electronic documentation standard. The same thing with Flash. As with Acrobat, we all get Flash for free and take it for granted, while Adobe sells a more sophisticated version to content developers.

Opportunity – The paper to electronic market is huge in 2006, this is way before DocuSign...people ship cartons to Iron Mountain storage.....

I close the article with this:

“I'd say that in terms of scale, distribution, marketing, and management experience, Adobe can boast of the commercial smarts of Microsoft and the geek credentials of Apple. That's a winning combination.”

THE POWER OF COMPOUNDING

In this investment we have adhered to our principles.

This is my takeaway – I understand this business, and researching it convinces me to buy it for all the right reasons. To be sure, I have done the diligence of studying the financials and as it happens the price is very reasonable for a growth, tech company that is also getting profitable.

The stock gave an annual return of 22% from 2006 to 2021 over 15 years.

The original investment of \$29 was sold for \$655, more than 23x.

These are the kind of home runs that we want. That is the power of compounding.

To be absolutely sure, we're not going to find many but that's the goal.

INTRINSIC VALUE & HOW MUCH AM I MAKING

We try to derive an Intrinsic Value as the sum of future cash flows

Growth Rate	Year	Cash Flow
Investment	Year 0	(1,000,000)
	Year 1	125,000
15%	Year 2	143,750
15%	Year 3	165,313
10%	Year 4	181,844
10%	Year 5	200,028
Exit Multiple	7	1,400,197
	Total	2,216,131
	Total Return %	222%
	Annual Return	17%

INTRINSIC VALUE & HOW MUCH AM I MAKING

Since Intrinsic Value is the sum of future cash flows, investors also like to compare it using a discount rate.

With a discount rate, investors must get a positive net present value.

The discount rate could be rate assigned to the riskiness of the asset, the higher the risk, the higher the rate.

Growth Rate	Year	Cash Flow	Discount Rate	Discounted C/F (Present Value)
Investment	Year 0	(1,000,000)		
	Year 1	125,000	10%	113,636
15%	Year 2	143,750	10%	118,802
15%	Year 3	165,313	10%	124,202
10%	Year 4	181,844	10%	124,202
10%	Year 5	200,028	10%	124,202
Exit Multiple	7	1,400,197	10%	869,412
	Total	2,216,131		1,474,455

FUNDAMENTAL VERSUS TECHNICAL INVESTING

Technical investing is about trading, and finding chart patterns, which help you trade/time the market. To the trader, the fundamentals are of no importance. A chartist/technical analyst/trader will find chart patterns and analytics that are common to currencies, stocks, bonds, crypto and so on.

Chartists will have time horizons, short term could be intra-day (the day trader), swing traders, and long-term traders who follow the Elliot Wave theory or Fibonacci sequences.

Technical analysts can also make money timing the markets, but in my estimate a smaller percentage do well, and within that group an even smaller percentage do it consistently well. I know from experience the hard way.

Technical analysis requires tremendous discipline and adherence to rules – if traders keep a check on their emotions, they will do well.

When you start investing, you must identify what you find interesting in investing, do you want to learn about companies or understand market sentiment, and spot patterns or indicators that make you successful in trading.

FUNDAMENTAL V TECHNICAL INVESTING

One should not combine the two – either you will sell early or worse not do the due diligence required for the stock, while chasing momentum for a quick gain.

The technical analyst relies on momentum and sentiment – the trader will never buy early, he or she looks for a move upwards or downwards. One he sees a stock crossing a resistance level he will start and then increase his trade, or if he sees a key support level break, he will take a stop loss or go short. (The reality is most people don't use their stop loss and lose their shirts).

I got into Nebius early because I saw the fundamental potential, many traders got in only when they saw momentum. Just two weeks back I got a trade alert from an analyst that stop-lossed a sale in Coreweave in the 70s, because the charts were bleeding. When momentum picked up, three days later I got a buy alert at \$85 from the same analyst. I call him Jumping Jack Jeetendra.

In one example - United Healthcare, I bought early because I could not see the health care industry suffering for too long. From a fundamental perspective, United made several missteps, but got punished to a level where the business with 54Mn insured had very little value. That made no sense, I saw that it had broken the 200 Day moving average, but instead of trying to time it, I bought a few and then added more later. I didn't panic when it dropped 25%. We've also rode out Oscar the same way.

FUNDAMENTAL V TECHNICAL INVESTING

The only time I look at technical analysis is risk mitigation for high-beta tech stocks, because of the massive drawdown – learning from ARK – the Cathy Woods fund, which lost more 70% of its value. That happens to all of us in tech, some of our familiar AI names have also dropped 50%. Market favorite Micron dropped 50% in the previous year!

Richly valued multiples give you cause for caution and there tends to be signs of exhaustion and we've most certainly seen it in AI, and will likely see it in 2026 as well.

The point is - for the fundamental investor it can help as an additional data point to set up a stop loss or other risk management techniques, but heavy chart technical analysis to ride speculative stocks are not good reasons to buy.

Remember the markets are a forward mechanism, the goal of the analyst is to buy early so that he can get a better return than the crowd. More often than not it pays.

TECH STOCKS

A note on investing in tech stocks, and the inherent risk of obsolescence.

I pay a lot of attention to company histories and the technologies these companies seek to develop.

For the most part analysts have to look forward, because of the adage “Past performance is no guarantee of future results”.

However it is also important to being “backward looking” for some key reasons:

My approach to investing is simply to invest in the companies I ascertain as having the greatest *probability* of success. Towards that end, I pay particular attention to the histories of the companies I invest in.

Because the simple fact is that past performance, while not a guarantee of future success, is the best *indicator* of future success. Companies that have done well in the past will *probably* continue to do well. It’s all about probability, not certainty.

And here I’m not talking about market performance. That is much too variable in the near term. However, I do assume that if a company establishes a reliable track record of good financial performance, the market will eventually reward that company appropriately.

And this is particularly true for the Buffet/Lynch rules – they have to see the business perform in the past to have the confidence that they will have the greatest probability of performing well in the future. When we get to valuations segment we will examine the check list WB used for the Apple investment.

BUFFET MUNGER NOTES

Charlie Munger (Warren Buffet's partner and the Vice Chair of Berkshire Hathaway) always says "all we're trying to do, we're not trying to be smarter than everybody we're trying to be more rational than everybody".

The mindset of a fundamental investor is discipline, patience and rationality

Rules based investing is one of the most important principles that you should adopt.

Peter Lynch said that the most important part of investing was having the stomach to not panic on bad news – news is something you cannot control., but your emotions you can

In the journey of buying individual companies you need to figure out the process that works for you.

Learning and adapting is the best way to go, some of us will have a strong feeling for a certain sector and industry, but we're all going to understand different Industries, different sectors and different companies in different ways.

Take my case, I started understanding that I could apply Buffet, Lynch to tech companies, when I saw Apple, Amazon and Google hitting the sweet spots. Apple was always a consumer giant, the number one brand in the world, it was never just a tech/hardware stock. Further, when I was allocating money to consumer staples I realized Apple's revenue growth was 4x the other stalwarts like Coke – why should I spend on them.

BUFFET MUNGER NOTES

Ignore the market - there's a theory out there, that when the stock is climbing you feel a lot smarter, and when the stock is falling you feel a lot dumber.

Watching the market constantly throws people off - because in the short run stocks are a voting machine in the long run they're a weighing machine or what that means is in the short run, what's popular is going to go up and what's not popular is going to go down what's important to understand you have to be able to differentiate is this fundamental of the business doing poorly

That's what we're trying to change here because I used to feel the exact same way.

The stock market is a facilitator of taking money from the impatient to the patient so the people who are trying to get rich quick are going to do poorly but the people who are patient are going to do very well.

BUFFET MUNGER NOTES

Ignore Mr Market - this is an analogy that's brought up in the intelligent investor

Mr Market every single day is going to offer you a price to buy or sell shares of a company.

Your decision is to say yes or no but the difference is some days Mr Market's very enthusiastic about the future other days he is not.

Two examples, In April 2009, after the Great Financial crisis the S&P 500 touched 666, and everyone thought the world was going to come to an end. Literally people thought money was going to be worthless they thought banks are shutting down you're not going to be able to get your money. Around April 2025, post liberation day, no one wanted to touch the index at 4,835....

We all make mistakes Charlie Munger always says apart from a few of our investment ideas we've done about average but a few of them have really, really done well.

ETFs are a must: I love it when people want to buy individual stocks but even, I buy ETFs exchange traded funds that follow an index over a long period, especially when I cannot follow the several stocks in them and there are areas when the ETF is doing a reasonably good job in not adding lousy stocks.

For example, if your strategy is income / dividend generation that is an excellent one, or since I don't follow defense, I'm keen on buying a defense oriented ETF which has 60-70% in good companies since I fear geopolitics in 2026.

PETER LYNCH NOTES

Peter Lynch's core investing principles emphasize understanding what you own, doing the work, and staying patient and rational over long periods. Below is a concise distillation of his most important ideas.

Business understanding

- Know what you own and why you own it; if you can't explain the thesis simply, you shouldn't own the stock.
- Invest in what you know: use your everyday experience as a starting point, then verify with fundamentals rather than stopping at anecdotes.

Research and fundamentals

- Always do your homework: read financials, understand the balance sheet, and avoid weak, over-levered companies.^{[6][2]}
 - Focus on earnings power, growth, and balance-sheet strength; look for undervalued growth where P/E is reasonable relative to growth (PEG logic).
-

PETER LYNCH NOTES

A note on Time horizon and behavior

Invest for the long run and let winners run; compounding and multi-baggers drive overall results more than frequent trading.

Accept that you won't be right all the time; a minority of big winners can more than offset numerous small losers.

Macro, market noise, and timing

Don't try to predict the economy or the market; focus on individual businesses instead of macro forecasts.

Ignore day-to-day market noise; price volatility is an opportunity, not a signal to panic.

Portfolio construction and selling

Diversify sensibly but avoid "diworsification"; own a manageable number of businesses you can actually follow.

Know when to sell: if the original story breaks, fundamentals deteriorate, or the thesis is no longer valid, exit even if you're emotionally attached.

COMPARISON OF ASSET CLASSES

As we can see below, historically equities have outperformed the other asset classes.

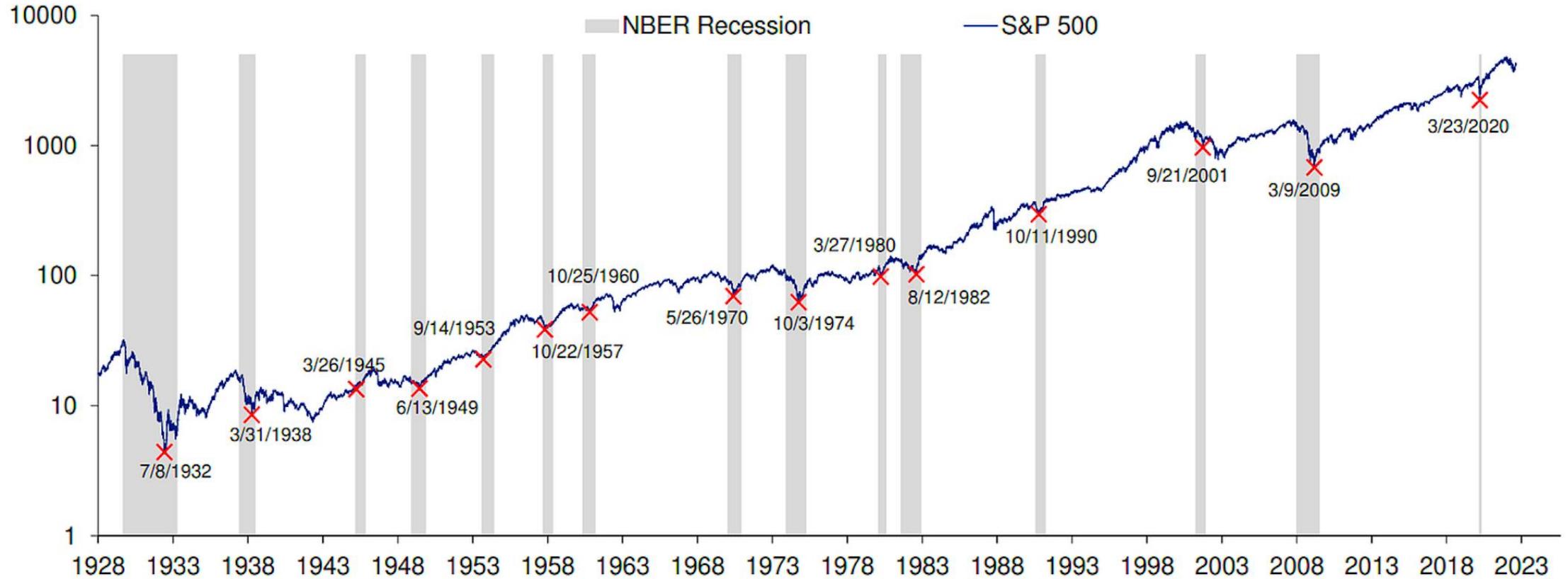
During the great deflationary era bonds did extremely well and we had more than a two decade bull market in bonds.

1928 to 2024 Annual Return	
S&P 500	6.50%
S&P 500 Dividend Adjusted	9.53%
3 Month T Bills	3.27%
US Treasury Bonds	4.92%
Baaa Corp Bond	6.59%
Real Estate	4.21%
Gold	5.12%

Gold usually does well during periods of uncertainty as a hedge against inflation, geopolitics and has had an outstanding past year, given tariff uncertainties, Iran/Israel and other possible flashpoints

100 YEARS - 14 RECESSIONS

Figure 1: Daily S&P 500 Index since 1928 (in log scale), alongside recessions and bottoms (red crosses)



Source : Bloomberg Finance LP, NBER, Deutsche Bank

TIME IN THE MARKET IS BETTER THAN TIMING THE MARKET

At 14 recessions (averaging less than 2 years each) in 100 years we have had a fairly strong economy and markets.

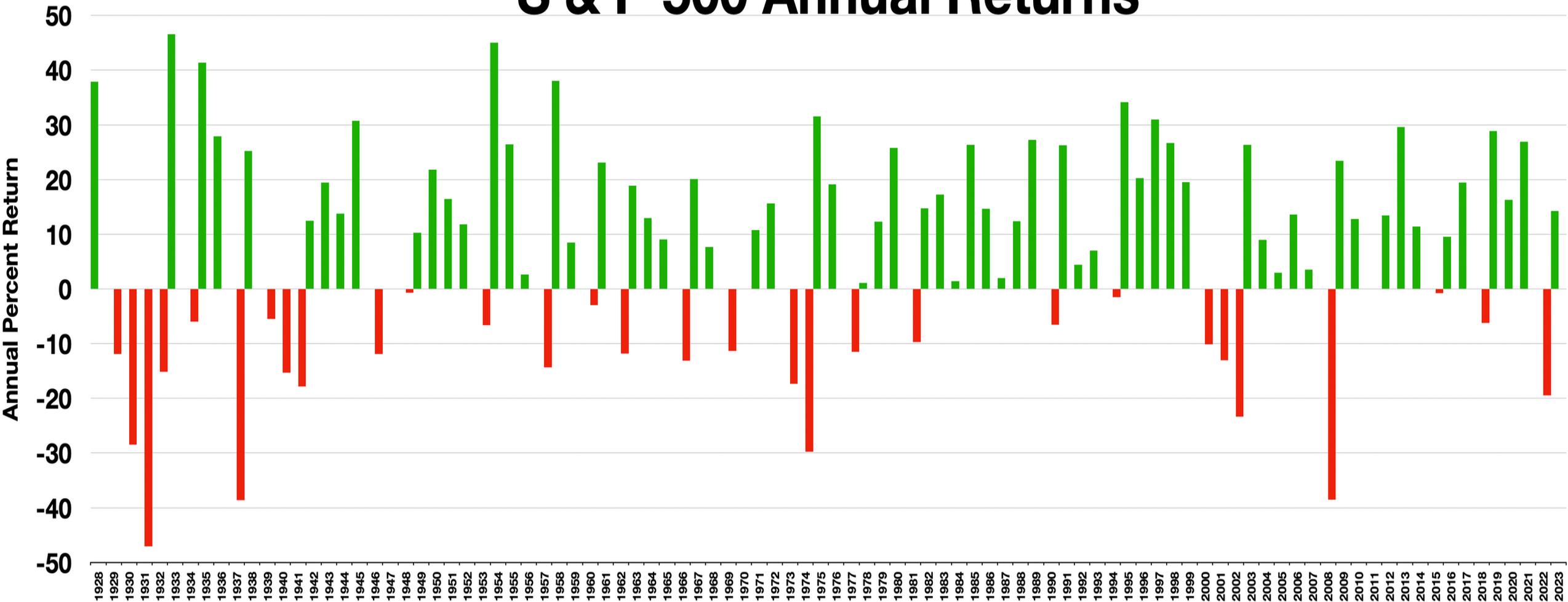
When you have so many good years, why would you be pessimistic, except and for the great recession and the great financial crisis, most of the recessions have not decimated the US economy.

Also have a look at the up years and the down years, there is a sea of green and some shoots of red, which clearly show you 70 up years and 30 down years.

To me it makes little sense to chase the 30% - we should go with the higher percentage and focus on fundamentals instead of trying to time the markets.

TIME IN THE MARKET IS BETTER THAN TIMING THE MARKET

S & P 500 Annual Returns



Advanced Chart

Chart navigation and settings toolbar including icons for zoom, pan, and indicators. On the right, it shows '1M' for the time frame, 'Views', 'Indicators', and a settings gear icon.

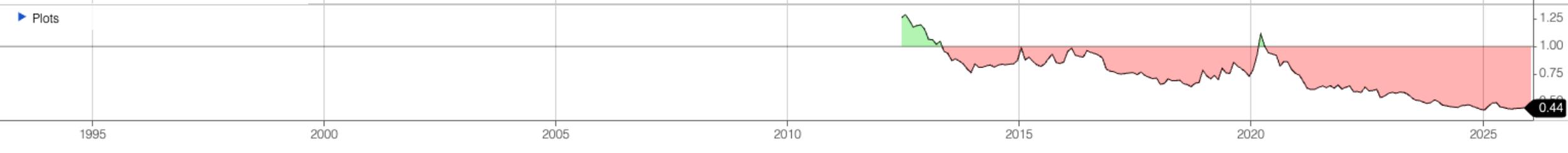
TLT 87.35
↓ 0.44 (-0.50%)

Minimal Tooltip

Seeking Alpha α



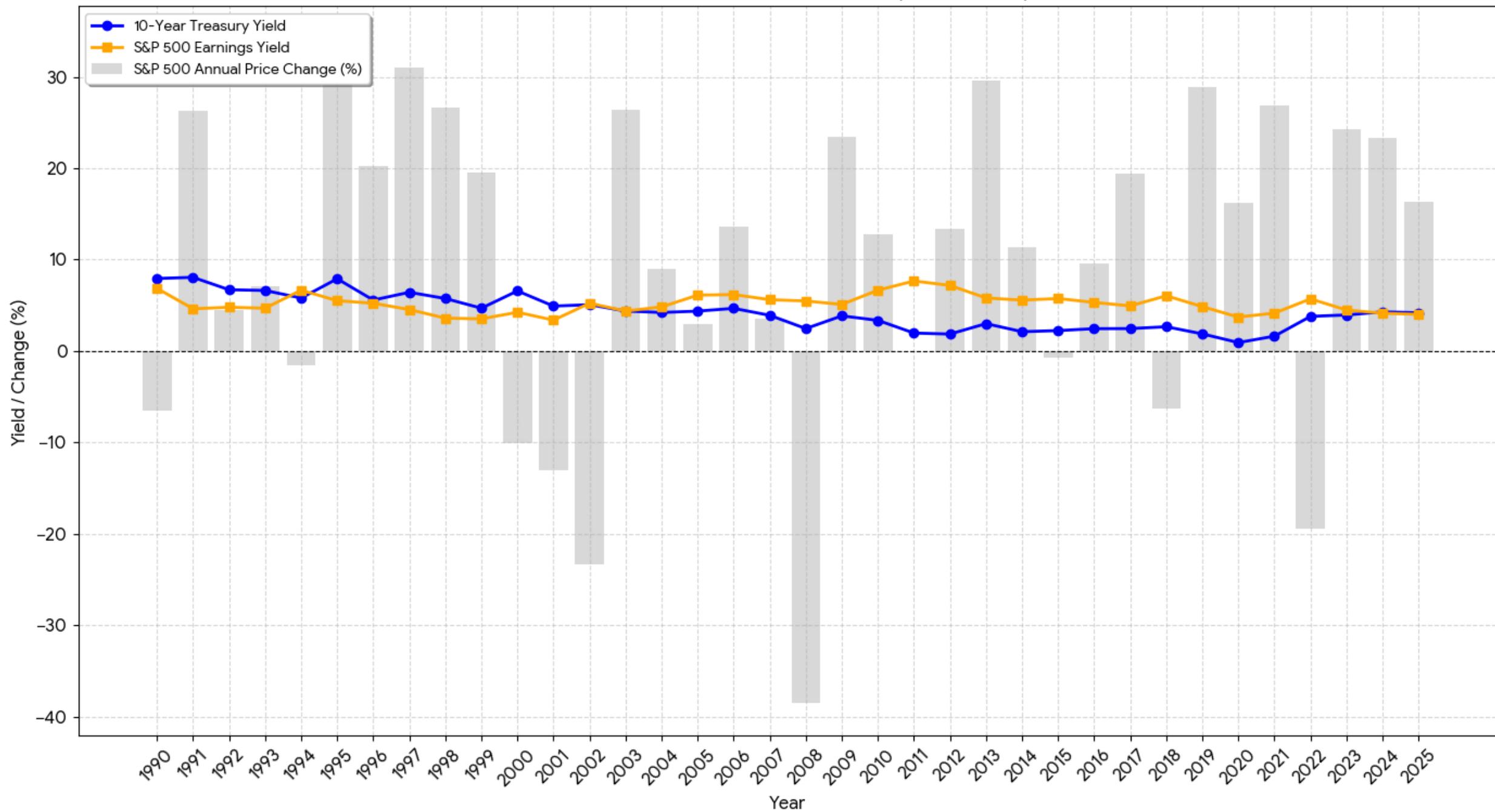
Chart navigation controls: minus (-), plus (+), and refresh (circular arrow) icons.



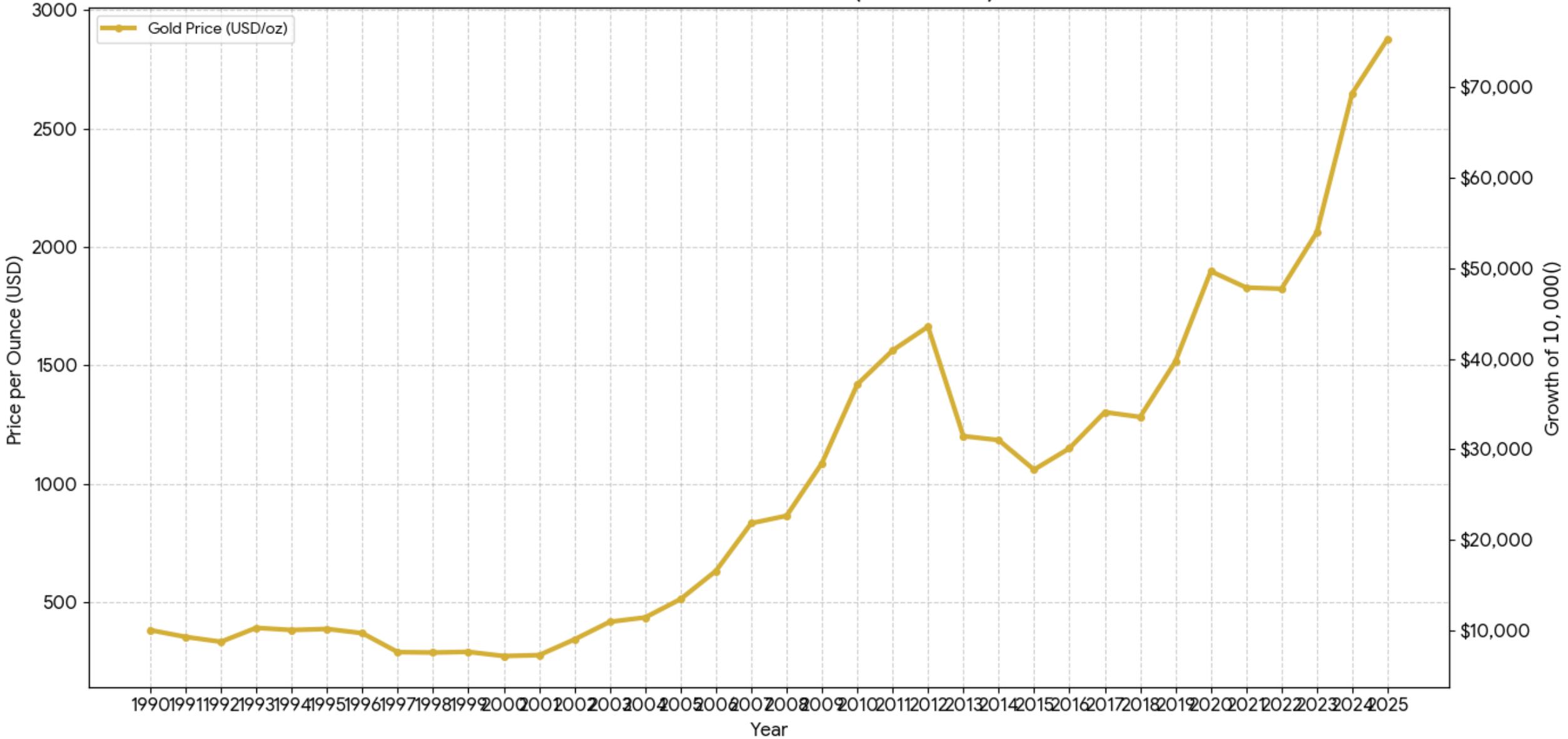
TREASURY AND EARNINGS YIELDS MATTER

Year	10-Year Treasury	Earnings Yield (%)	S&P Change	Treasury Curr	S&P 500 EPS	S&P 500 Clos
1990	7.94%	6.86%		\$10,794.00	\$22.65	330.22
1991	8.07%	4.63%	26.31%	\$11,665.08	\$19.30	417.09
1992	6.71%	4.79%	4.46%	\$12,447.80	\$20.87	435.71
1993	6.63%	4.69%	7.06%	\$13,273.09	\$21.89	466.45
1994	5.80%	6.66%	-1.54%	\$14,042.93	\$30.60	459.27
1995	7.91%	5.51%	34.11%	\$15,153.73	\$33.96	615.93
1996	5.58%	5.23%	20.26%	\$15,999.30	\$38.73	740.74
1997	6.43%	4.54%	31.01%	\$17,028.06	\$44.09	970.43
1998	5.75%	3.60%	26.67%	\$18,007.17	\$44.27	1,229.23
1999	4.69%	3.52%	19.53%	\$18,851.71	\$51.68	1,469.25
2000	6.58%	4.25%	-10.14%	\$20,092.15	\$56.13	1,320.28
2001	4.92%	3.38%	-13.04%	\$21,080.69	\$38.85	1,148.08
2002	5.07%	5.23%	-23.37%	\$22,149.48	\$46.04	879.82
2003	4.38%	4.38%	26.38%	\$23,119.62	\$48.74	1,111.92
2004	4.22%	4.83%	8.99%	\$24,095.27	\$58.55	1,211.92
2005	4.37%	6.12%	3.00%	\$25,148.24	\$76.45	1,248.29
2006	4.67%	6.18%	13.62%	\$26,322.66	\$87.72	1,418.30
2007	3.91%	5.62%	3.53%	\$27,351.87	\$82.54	1,468.36
2008	2.46%	5.48%	-38.49%	\$28,024.73	\$49.51	903.25
2009	3.85%	5.10%	23.45%	\$29,103.68	\$56.86	1,115.10
2010	3.36%	6.66%	12.78%	\$30,081.57	\$83.77	1,257.64
2011	1.97%	7.67%	0.00%	\$30,674.17	\$96.44	1,257.60
2012	1.86%	7.18%	13.41%	\$31,244.71	\$102.47	1,426.19
2013	3.00%	5.81%	29.60%	\$32,182.05	\$107.30	1,848.36
2014	2.12%	5.57%	11.39%	\$32,864.31	\$114.74	2,058.90
2015	2.24%	5.75%	-0.73%	\$33,600.47	\$117.46	2,043.94
2016	2.45%	5.32%	9.54%	\$34,423.69	\$119.10	2,238.83
2017	2.46%	4.94%	19.42%	\$35,270.51	\$132.00	2,673.61
2018	2.66%	6.05%	-6.24%	\$36,208.70	\$151.60	2,506.85
2019	1.88%	4.86%	28.88%	\$36,889.43	\$157.12	3,230.78
2020	0.93%	3.72%	16.26%	\$37,232.50	\$139.76	3,756.07
2021	1.63%	4.15%	26.89%	\$37,839.39	\$197.87	4,766.18
2022	3.79%	5.71%	-19.44%	\$39,273.50	\$219.22	3,839.50
2023	3.95%	4.49%	24.23%	\$40,824.81	\$214.26	4,769.83
2024	4.29%	4.14%	23.31%	\$42,576.19	\$243.32	5,881.63
2025	4.19%	4.02%	16.39%	\$44,360.13	\$274.95	6,845.50

S&P 500 Performance vs. Yields (1990–2025)

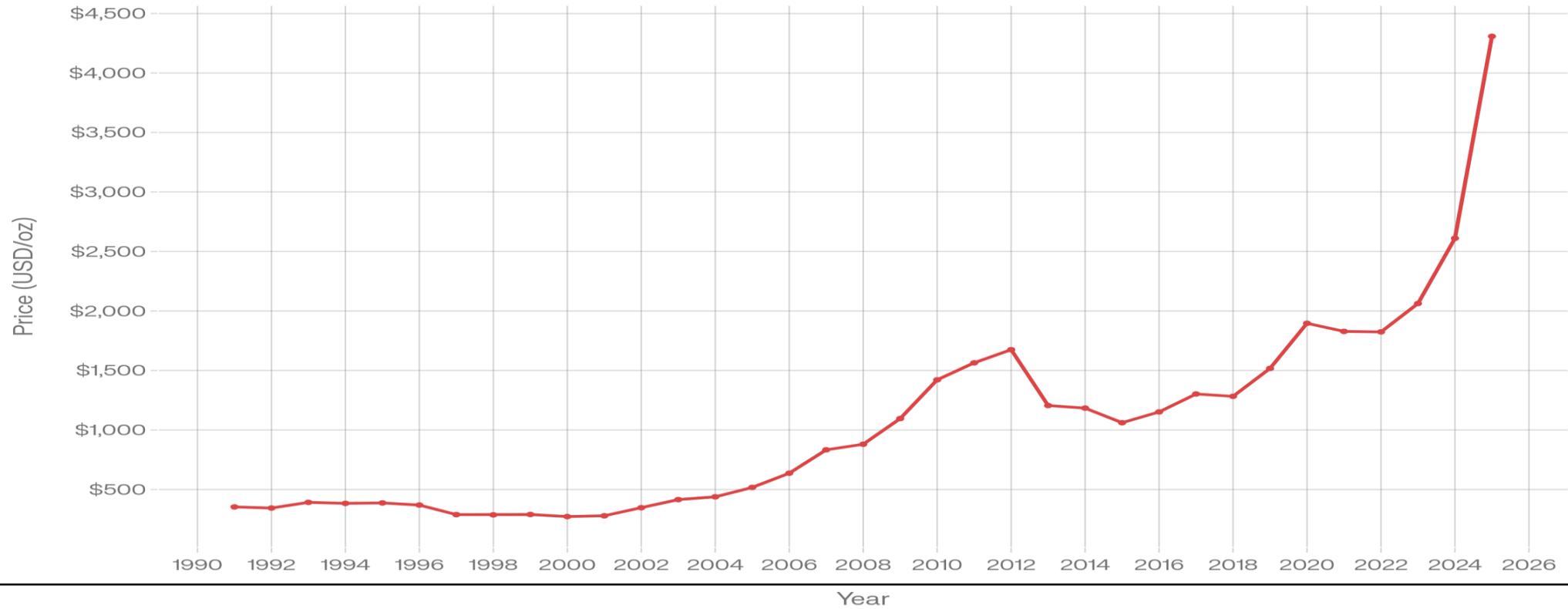


Performance of Gold Price (1990–2025)



GOLD HAS SHOT UP IN THE LAST TWO YEARS

353toover



WHAT IS THE INDEX

The S&P 500, which is the most widely used index is composed of 500 stocks as the name suggests and covers 89.5% of the total market capitalization of all US companies.

This ensures that larger companies—specifically those with shares actually available to the public—have a greater influence on the index's value.

The foundation of the index is the market value of its member companies.

Market Cap = Share Price times Total Shares Outstanding

This represents the total dollar value of all a company's shares.

A company's "weight" is its relative importance within the index.

Weight = Company's Market Cap / Total Market Cap of all 500 companies

Because of this, a 1% price move in a giant like NVIDIA has a much larger impact on the S&P 500 than a 1% move in a smaller constituent like Campbell Soup.

PASSIVE V ACTIVE INVESTING

Passive Investing is not as passive as it seems – the top 38% of the index is dominated by the M-7, most of whom have significant exposure to AI

#	Rank	Company	Ticker	% Index Weight	#	Market Cap
	1	Nvidia Corp	NVDA	7.61%		4.50
	2	Apple Inc.	AAPL	6.48%		3.84
	3	Microsoft Corp	MSFT	6.01%		3.57
	4	Amazon.com Inc	AMZN	4.06%		2.64
	5	Alphabet Inc. (Class A)	GOOGL	3.20%		1.99
	6	Broadcom Inc	AVGO	2.66%		1.63
	7	Alphabet Inc. (Class C)	GOOG	2.57%		1.99
	8	Meta Platforms Inc	META	2.38%		1.64
	9	Tesla, Inc.	TSLA	2.07%		1.43
	10	Berkshire Hathaway (B)	BRK.B	1.55%		1.08
				38.59%		24.31

PERSONAL QUALITIES

These are really essential qualities needed to be a successful investor.

Humility

The ability to acknowledge your mistakes, I always tell myself, for every 10 bagger you've made, there are 10 you missed.

Patience

There can be a long time before your investment pays off, investors should not lose faith in their convictions.

Rationality

We don't need to be MBAs but we must be rational, (don't chase meme stocks.)

Common Sense

The ability to understand that our investments are businesses, the numbers should match what management is proclaiming

Discipline

Not chasing speculative investments, taking your stop loss and moving on.
