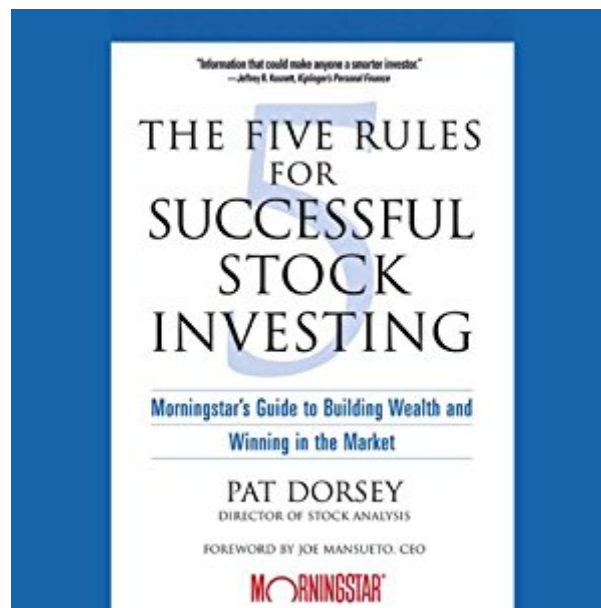


The book was found

The Five Rules For Successful Stock Investing: Morningstar's Guide To Building Wealth And Winning In The Market



Synopsis

Over the years, people from around the world have turned to Morningstar for strong, independent, and reliable advice. The Five Rules for Successful Stock Investing provides the kind of savvy financial guidance only a company like Morningstar could offer. Based on the philosophy that "investing should be fun, but not a game," this comprehensive guide will put even the most cautious investors back on the right track by helping them pick the right stocks, find great companies, and understand the driving forces behind different industries - without paying too much for their investments. Written by Morningstar's Director of Stock Analysis, Pat Dorsey, The Five Rules for Successful Stock Investing includes unparalleled stock research and investment strategies covering a wide range of stock-related topics. Investors will profit from such tips as: How to dig into a financial statement and find hidden gold . . . and deception How to find great companies that will create shareholder wealth How to analyze every corner of the market, from banks to health care Informative and highly accessible, The Five Rules for Successful Stock Investing should be required reading for anyone looking for the right investment opportunities in today's ever-changing market.

Book Information

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Customer Reviews

"The Five Rules for Successful Stock Investing" is a guide to value investing by Morningstar's Director of Stock Analysis Pat Dorsey and the folks at Morningstar, Inc. The book's goal is to educate investors in how to "find wonderful businesses and purchase them at reasonable prices." Its title is a little misleading in that the "Five Rules" are a small part of this book. The five principles

to which the title refers are: 1. Do your homework, 2. Find companies with strong competitive advantages (or economic moats), 3. Have a margin of safety, 4. Hold for the long term, 5. Know when to sell. Those are vague principles, but most of this book is dedicated to telling you just what homework you need to do and exactly how to do it. Pat Dorsey and Morningstar are advocates of long-term investing who are skeptical of trading and portfolio churning, so this book's intended audience is value investors. No technical analysis here. This is all fundamental analysis, but traders may find the advice on analyzing company finances useful as well. "The Five Rules for Successful Stock Investing" has 2 parts: Chapters 1-12 are a "how-to" for analyzing companies, their finances, and determining what their stock should be worth. Key points include how to evaluate a company's competitive advantages, what to look for in financial statements, analyzing a company's management, spotting financial chicanery, and how to determine a company's intrinsic value. This is all fairly complex, and there is math involved, but the book takes you through the process, with examples, explaining why and how every step of the way.

Have been meaning to put in a good word for this book for a long time. It's a gem. I've read an embarrassingly large number of introductions to investing in equities and this is probably the best. Other books purport to tell you how to identify hot stocks; Dorsey shows how to value companies. This isn't just a matter of understanding PE ratios and other traditional metrics, which most books explain more or less adequately. Instead, it means analyzing balance sheets and cash flow and income statements. *Five Rules* provides as reader-friendly an introduction to assessing a company's financial statements as I've come across, with plenty of real-world examples. The object in the end is to determine the present value of a company's future cash flows, and Dorsey's explanation of a simplified version of Fisher's and William's discounted cash flow model is lucid and lively. Clorox is the company evaluated in this chapter, and en route there are instructive comparisons of HP and Dell, Best Buy and Circuit City, and, finally, AMD and Biomet. Chapter 8, *Avoiding Financial Fakery*, is particularly helpful. Obviously, having read this book and nothing else, you're not going to be able to spot something fishy in the footnotes to Microsoft's income statement that has escaped the attention of all the analysts. But for someone without a background in accounting, *Five Rules* is a godsend. Dorsey then conducts a very informative tour d'horizon of 13 industries. It should go without saying that before you invest in a company, you'd want to find out something about the economics of its industry, so you can compare apples with apples. The chapter on health care is especially good, but I found them all excellent.

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