




The 3 essential styles of stock investment

STRATEGIES

STYLE	VALUE	GROWTH	QUALITY
 Idea	Buy undervalued stocks	Buy stocks with high growth potential	Buy stocks with strong market positions
 When to Sell	When the undervaluation has been caught up	When growth slows down	In the best case never
 Well-known Representatives of the Investment Style	 Benjamin Graham  Warren Buffett <small>before Charlie Munger</small>	 Peter Lynch  Cathie Wood	 Warren Buffett <small>with Charlie Munger</small>  Terry Smith
 Advantages	<ul style="list-style-type: none">➡ The stocks appear cheap➡ The status quo often only has to be maintained for a profitable investment➡ Shares often benefit above average in good economic phases	<ul style="list-style-type: none">➡ Share price development is more dependent on company performance than economic cycles➡ Often active in promising business areas	<ul style="list-style-type: none">➡ The companies have a strong competitive position➡ High margins and healthy balance sheets➡ The business models are generally less cyclical
 Disadvantages	<ul style="list-style-type: none">➡ There is often a good reason for discounts (lack of quality, lack of growth, no pricing power)➡ The shares lose more in weak economic phases and are subject to external influences	<ul style="list-style-type: none">➡ The companies are often still unprofitable➡ Danger of confusing short-term trends with long-term growth➡ Stocks are often more volatile	<ul style="list-style-type: none">➡ Stocks from quality companies often appear highly valued➡ True quality could be confused with randomness (reversion to the mean)
 Important Metrics	<ul style="list-style-type: none">■ Free cash flow yield Consider values as high as possible and over time■ Free cash flow margin Is the company burning money?■ Net Debt / Equity Are there opportunities or risks in the balance sheet?	<ul style="list-style-type: none">■ Sales and profit growth The company grows into the higher valuation■ Gross margin How well can the business model be scaled?■ Free cash flow yield As high as possible, consider in relation to growth	<ul style="list-style-type: none">■ Gross and Free Cash Flow Margin How good and resistant is the business model■ ROCE How much capital is required and what is the interest on it■ Net Debt / Free Cash Flow The company should have no debt or debt that can be paid off in a few years
 Typical Industries	<ul style="list-style-type: none">➡ Oil exploration➡ Aviation	<ul style="list-style-type: none">➡ Technology➡ Biotechnology	<ul style="list-style-type: none">➡ Consumer Staples➡ Technology
 Sample Stocks	   	   	    