February 8, 2013


This is my second read of this book. I originally read it on January 15, 2001 and rated it a 10 out 10. My second read was not as revolutionary for me, but still it offered excellent thought in future or continued framework of my strategies for portfolio development and maintenance.

These notes are hardly all inclusive. I merely am identifying several of the sections, which I will perhaps refer to in the future.

1. “You should update your checklist periodically to make sure your target prices are reasonable. If a company’s growth prospects dwindle, the original buying price you set might be too high. Conversely, if the company’s fundamentals improve, the stock may not retreat to your buying level again. In such cases, you must reappraise the company to determine whether it is truly worth a higher share price.”

2. He presents a table as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>Current Price</th>
<th>Buy Price</th>
<th>Comments</th>
</tr>
</thead>
</table>

3. “By averaging past earnings, you obtain a more realistic appraisal and avoid extrapolating unsustainable trends into the future.” Vick explains that Graham taught Buffett the concept of averaging earnings. I think using 10 year average earnings is a worthwhile discussion in any investment thesis.

4. Vick mentions that Buffett requires an expected annualized 15% ROI on any of his portfolio companies.

5. “Extended bull markets, you see, tend to obscure logic.”

6. “Warren Buffett craves consistency because consistency helps remove risk from a stock portfolio.”

7. “Stocks are bonds with less predicable coupons.”

**Vick’s Six Rules for Comparing Stocks to Bonds:**

A. Your overriding goal as a stock investor is to find companies whose returns can beat inflation.

B. Secondary goal is to beat the risk-free rates of returns of government bonds, which are already priced to anticipate inflation.

C. The proper way of comparing a stock’s potential return to a bond’s return is to compare their respective coupons.

D. When possible, you should try to buy a stock whose current earnings yield is near or above yields on a long-term bond.
E. The only time you should accept earnings yields that are lower than bond yields is when the company is growing and is expected to generate an earnings yield that would soon surpass bond yields.

F. Buying growth companies at the cheapest possible price is the best way to ensure that you can beat bond yields by a wide margin.