How To Beat The Market

by Grant Gigliotti - Professional Value Investor

This is a practical and proven method which you can use to beat the market consistently.

It focuses on using Warren Buffett's and Benjamin Graham's value investing criteria to evaluate stocks. Over the 43 years, this value investing method has produced a return of 400,863% for Warren Buffett vs. 6,840% for the S&P 500.

That's over 57% greater than the market return.

It's no luck that Buffett has achieved this phenomenal return. He has followed strict rules of value investing and has based his buying and selling decisions on factual data.

Value investing is not a secret. It's been around for a long time and has many followers that consistently beat the market. However, you don't hear much about these value investors because they use a very safe, practical, and non-flashy method of gaining wealth.

If using a simple, low-risk, method of gaining consistent wealth sounds good to you, then keep reading.

The Secret To Beating The Market

The common sense secret that these value investors use to beat the market is to find good companies at bargain prices.

We use this same concept in everyday life. If you go shopping at the supermarket, you obviously would like to buy a good quality product at a bargain price. For example, buying Coca-Cola at a 50% discount makes logical sense.

1. Keep Investing Simple

Stock investing can also be simple, but too many times, we complicate it by filling our heads with the "latest and greatest investing strategies" and trends of money magazines and financial websites.

Many financial advisors also complicate this concept as a way to scare customers into believing that stock investing is some kind of mystery that we couldn't possibly do on our own. Therefore, many people pay very high fees only to have their financial advisor place them into a cookie-cutter mutual fund.

Fact: "Out of more than 7,000 mutual funds, eight have bested the S&P 500 every year for the past decade. Seriously. *Eight." (The Motley Fool: Housel, 2012)*

Fact: Over 79% of Fund Managers fail to beat the S&P 500 consistently. (CNN Money: Braverman, 2012)

2. Buy and Sell Based On Factual Data

The numbers do not lie, but people do. Do not base your buying and selling decisions on analysts who easily change their minds from one minute to the next. Also, don't rely on financial advisers to have some kind of fortune-telling ability to predict the daily ups and downs of the market.

In reality, nobody knows what will happen in the short-term fluctuations of the market. If anyone tells you otherwise, they're lying.

A proven method that makes logical sense is to base your buying and selling decisions on factual data. Buffett and Graham followed this same advice and would look at a company's long-term historical data of 5-10 years.

Doing this eliminates the short-term speculation and reduces your risk.

3. Find Good Companies To Invest In

(The following info may contain some weird terminology which you’re unfamiliar with. Don’t worry, just keep reading through it and later I’ll make this info more simple and clear.)

After many years of experience, Buffett and Graham were able to select the most essential criteria to evaluate companies in order to find "Good Companies" to invest in.

Some of these criteria include 5-10 year: EPS, ROE, ROIC, GPM, Dividends Yield, Price Growth, Earnings Growth, PEG Ratio, and the Ability To Recover from an Economic Downturn.

After running hundreds of companies through the strict requirements of these essential criteria, you may only have a small handful of companies that meet the qualification of a "Good Company".

4. Find Out If These "Good Companies" are at a Bargain Price

Next, you could use Benjamin Graham's widely-accepted Intrinsic Value Formula in order to find the estimated value of a stock based on factual data.

After calculating the Intrinsic Value of a stock, you can see if it is at a bargain price by using a Margin of Safety.

The Margin of Safety is used to reduce our risk even more by providing a maximum amount in which we should pay for a stock.

Investing in "Good Companies" at "Bargain Prices" means lowered risks with higher returns.

This is the principle of Value Investing and it works. It is a proven method that consistently beats the market year after year.

5. How to Start Using This Method Today

You can use these exact same steps to analyze stocks manually. The general information of how to apply these steps can be found in the following books: The Warren Buffett Way, The Buffettology Series, and The Intelligent Investor.

Or if you want to save time and get started right away, GO HERE to see how to *AUTOMATICALLY* analyze stocks to find "Good Companies" at "Bargain Prices".

If the link above doesn't work, then copy and paste this website address into the URL of your internet browser…

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