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Thoughts on investing from Michael Lewis's *Moneyball*

- Verify with analysis rather than follow the historical folk lore
- Focus on process, not outcomes; the results will follow
- Just as fans want wins, clients want performance – heroes/stars will follow
- Do not be afraid to think for yourself; winners are generally contrarians
- Do not care what others think of the stocks in your portfolio, you are not trying to win a popularity contest
- Pick your investments carefully, you cannot afford to have individual stocks not workout (and there will be a lot of rejects if you are doing it correctly)
- Discipline is critical – at the plate, in scouting and when investing
- Will not get companies that are perfect; there must be something wrong for the stock to be of interest
- The economics of the business are not going to change/improve just because you bought the stock
- Creating shareholder value (capital allocation and ROIC) cannot be taught to corporate managers any more than discipline at the plate can be taught to baseball players
- Know what every stock is worth to you, or at least have a consistent way to determine its worth
- Think long-term, ignore the short-term volatility naturally inherent in both businesses

Direct Parallels:

Both in baseball and when investing, the goal is to “win.” In baseball, everyone knows how to determine the winner. Interestingly, it is just as easy when investing.

MoneyBall

Money Management

How to Win:

- Score more runs
- Highest total return (compounded)

How to Score “Wins”

- On base w/o outs
- Positive returns w/o losses

Most Underated Attribute

- Walks
- Free cash flow

Most Precious Resources

- Outs
- Losing Money

How Come?

- Every “at-bat” has a greater than 0% chance of making a run
- Returns compound (negative and positive)

Under-priced Assets

- On-base percentage w/o looking like a “baseball player”
- High ROIC w/o growth

Over-priced Assets

- Looking too much like a “baseball player”
- High growth w/o high ROIC

Unnecessary Mistake

- High school pitchers
- Concept stocks w/o fundamentals to evaluate