

Posted to the Gilder forum - May 10, 2000

How It's Done

>>>Excepting the amazing run up last fall into this winter, and assuming that bumps your year over year up a bit,

Calendar year 1999 was about 140% year over year. By February it was almost 220% Year over year. This correction has brought it down to 85% from May 31, 1999 to today.

>>>how have you done this?

1.- The conventional wisdom is wrong. Don't diworsify into gold, bonds, cash, money market accounts or funds of any kind. Buy and hold stocks. From "[Stocks for the Long Run.](#)"

2.- Picking good stocks is very difficult. There are about 8,000 stocks vying for your attention. You need an effective filter and that is what GG does best, he identifies the Telecosmic technology and its companies. Pick from there and similar Telecosmic companies. Avoid Bulletin Board stocks, penny stocks, very low volume (illiquid - less that 50K shares a day) stocks.

3.- The valuation of a stock is the discounted present value of all future cash flows. Buy companies that are growing revenues and earnings as fast as possible. From Warren Buffett.

4.- Don't procrastinate and don't fret about your mistakes, correct them. If you have a stock and its story changes for the worse, sell.

5.- Writers are paid to be witty and to fill pages, not to be right. Most so called news is noise, ignore it.

6.- Analysts and pundits (GG excepted) are paid to fill newspapers and move stocks, not to be right. Most so called anal-ysis is noise, ignore it.

7.- "It is very difficult to make predictions, specially about the future," Mark Twain. Don't try to time the market.

8.- Reduce risk. The best strategy is plain vanilla, "Buy and Hold on tight." Don't do derivatives, options, leaps, short sales, IPOs or hedges of any type. Use margin sparingly (20% max) and mostly as a money management tool.

9.- Concentrate on your winners. Sell the losers and accumulate the winners. Don't "balance your portfolio." "From The Gorilla Game."

10.- Read investment books written by people who have made money in the market. My favorites:

- "[Reminiscences of a Stock Operator](#)" by Edwin Lefevre
- "[One Up on Wall Street](#)" by Peter Lynch
- "[Stocks for the Long Run](#)" by Jeremy J. Siegel
- "[The Gorilla Game](#)" by Geoffrey A. Moore, Paul Johnson and Tom Kipola
- "[The Roaring 2000's](#)" by Harry S. Dent - mostly for the "S" curve concepts
- "Money, Whence it Came, Where it Went" by John Kenneth Galbraith
- "[The Money Game](#)" by Adam Smith

Of these, probably The Gorilla Game is the most important one, but don't read it first. The list is the order in which I would read them.

Read all the old GTRs several times over until you become familiar with Gilder-speak. Get the full version of Adobe Acrobat so you can index and search your collection of GTR .pdf files.

Denny