

# THE STOIC INVESTORS

## INVESTMENT THESIS

"KNOW WHAT YOU OWN AND KNOW WHY YOU OWN IT"

PETER LYNCH



## INVESTMENT THESIS GUIDE

**YOUR THESIS IS THE PRODUCT OF YOUR INVESTMENT PROCESS AND CHECKLIST, WHICH IS SHAPED BY YOUR INVESTMENT PHILOSOPHY.**

### **KEY REASONS FOR A WRITTEN THESIS:**

1. AFTER WORKING THROUGH YOUR CHECKLIST ON AN IDEA THE THESIS SUMMARISES IT.
2. IF YOU KNOW WHAT YOU OWN AND THE THESIS IS VALID, VOLATILITY DOES NOT MATTER.
3. IF THE THESIS IS AT RISK, NOTHING MATTERS MORE.
4. FORCES DEEP RESEARCH BEYOND BUYING A TICKER SYMBOL, KNOW WHAT YOU OWN.
5. STRESS-TEST YOUR THESIS AND IDEAS TO AVOID BIASES AND EMOTIONAL INVESTING.
6. KNOW WHAT YOU WANT OUT OF A STOCK, IF UNCERTAIN DON'T INVEST IN IT.
7. AN INVESTMENT SYSTEM IS WHAT SEPARATES THE SPECULATORS FROM THE PROS.
8. IDENTIFY RISKS AND POKE HOLES IN YOUR KNOWLEDGE ABOUT A BUSINESS.
9. A GOOD INDICATOR TO KNOW WHEN THE 'THESIS IS BROKEN' AND TO SELL.
10. PUTTING IN THE WORK TO RESEARCH A COMPANY HELPS TO HAVE A LONG-TERM VIEW.

**A GUIDE TO SEE IF THE INVESTMENT THESIS IS STILL INTACT.**

**THE POWER OF A THESIS GIVES YOU THE KNOWLEDGE TO STAND FIRM WHEN MARKET VOLATILITY STRIKES.**

# INVESTMENT THESIS

## BRIEF BUSINESS OVERVIEW

COMPANY NAME:  MARKET CAP:   
STOCK CODE:  CAP GROUP:   
EXCHANGE:  INDUSTRY:   
VALUE/GROWTH:  DATE:

## WHAT DOES THE COMPANY DO?

SIMPLIFY HOW THE COMPANY MAKES MONEY? WHAT ARE ITS PRODUCTS AND SERVICES?

## WITHIN MY CIRCLE OF COMPETENCE, EASY TO UNDERSTAND?

IS THE BUSINESS MODEL SIMPLE TO UNDERSTAND? DO I UNDERSTAND THE INDUSTRY? CAN I VALUE THIS COMPANY?

## WHAT INTERESTS ME ABOUT THE COMPANY?

WHAT DREW ME TO THIS COMPANY? THIS INDUSTRY? THE GEOGRAPHY? AM I A USER OR FAMILIAR WITH THE BRAND?

## WHAT IS THE KEY OPPORTUNITY THAT I SEE?

WHAT IS THE UNDERLYING CATALYST AT PLAY? THE FUTURE OUTLOOK? WHY DO I SEE UPSIDE POTENTIAL?

# INVESTMENT THESIS

## BRIEF BUSINESS OVERVIEW CONTINUED...



### WHO LEADS THE COMPANY?

DO I TRUST THE MANAGEMENT, ARE THEY ALIGNED? FOUNDERS/ OWNER OPERATOR? SKIN IN THE GAME?



### IS THERE A COMPETITIVE ADVANTAGE?

DOES THE COMPANY HAVE A MOAT? CAN IT PROTECT ITSELF AGAINST COMPETITORS? IS IT SUSTAINABLE?



### IS THE BUSINESS FINANCIALLY HEALTHY?

HOW DOES THE COMPANY'S BALANCE SHEET LOOK? DO THEY MAKE A PROFIT? IS IT INCREASING? ANYTHING UNUSUAL?



### HAS THE COMPANY BEEN CONSISTENT?

CONSISTENCY OF, EARNINGS, GROWTH, AND SHARES ISSUED. ANYTHING ABNORMAL, ANY ALARMING SIGNALS?



### WHAT IS THE MACROECONOMIC FACTOR, TREND OR THEME?

CURRENT SITUATION OF THE INDUSTRY? IS IT PLAYING TO A THEME? WILL A MACROECONOMIC FACTOR IMPACT IT?

# INVESTMENT THESIS

## WHY INVEST IN THIS COMPANY?

WHAT DO I SEE THAT THE MARKET DOES NOT GIVE THE COMPANY CREDIT FOR? WHAT DO I BELIEVE THE COMPANY CAN DO?

**REASON 1:**

DESCRIBE THE REASON IN DETAIL:

**REASON 2:**

DESCRIBE THE REASON IN DETAIL:

**REASON 3:**

DESCRIBE THE REASON IN DETAIL:

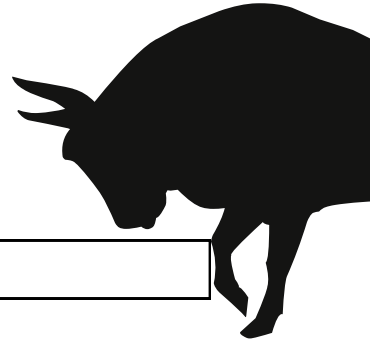
**REASON 4:**

DESCRIBE THE REASON IN DETAIL:

# INVESTMENT THESIS

## WHAT IS THE BULLISH OUTLOOK?

WHAT ARE THE KEY DRIVERS FOR THIS BUSINESS? WHAT ARE THE OPTIMISTS SAYING?



**KEY 1:**

DESCRIBE THE KEY DRIVER IN DETAIL:

**KEY 2:**

DESCRIBE THE KEY DRIVER IN DETAIL:

**KEY 3:**

DESCRIBE THE KEY DRIVER IN DETAIL:

**KEY 4:**

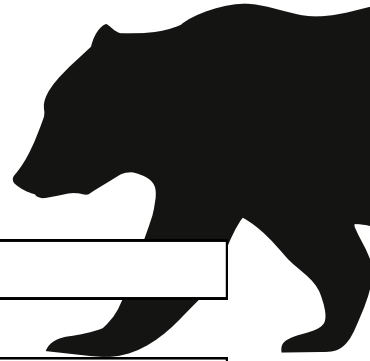
DESCRIBE THE KEY DRIVER IN DETAIL:



# INVESTMENT THESIS

## WHAT IS THE BEARISH OUTLOOK?

WHAT ARE THE KEY RISKS FOR THIS BUSINESS? WHAT ARE THE PESSIMISTS SAYING?



**RISK 1:**

DESCRIBE THE RISK IN DETAIL:

**RISK 2:**

DESCRIBE THE RISK IN DETAIL:

**RISK 3:**

DESCRIBE THE RISK IN DETAIL:

**RISK 4:**

DESCRIBE THE RISK IN DETAIL:



# INVESTMENT THESIS

## WHAT WOULD TRIGGER A SELL?

THESIS CRACK: KEY MANAGEMENT LEAVING? DEBT? SHAREHOLDER DILUTION? MOAT THREATENED? DECLINING GROWTH?



### SELL TRIGGER 1:

DESCRIBE THE SELL TRIGGER IN DETAIL:



### SELL TRIGGER 2:

DESCRIBE THE SELL TRIGGER IN DETAIL:



### SELL TRIGGER 3:

DESCRIBE THE SELL TRIGGER IN DETAIL:



### SELL TRIGGER 4:

DESCRIBE THE SELL TRIGGER IN DETAIL:



# INVESTMENT THESIS

## METRICS TO MEASURE PERFORMANCE?

MILESTONES OF WHAT I WANT TO SEE ACHIEVED IN THE NEXT 1-3-5-10 YEARS? HOW AND WHAT TO MEASURE?



### MILESTONE 1:

DESCRIBE THE MILESTONE IN DETAIL AND WHAT METRIC I CAN USE TO MEASURE THIS:



### MILESTONE 2:

DESCRIBE THE MILESTONE IN DETAIL AND WHAT METRIC I CAN USE TO MEASURE THIS:



### MILESTONE 3:

DESCRIBE THE MILESTONE IN DETAIL AND WHAT METRIC I CAN USE TO MEASURE THIS:



### MILESTONE 4:

DESCRIBE THE MILESTONE IN DETAIL AND WHAT METRIC I CAN USE TO MEASURE THIS:

# INVESTMENT THESIS

## KEY FINANCIAL METRICS:

### IS THE BALANCE SHEET STRONG?

RETURN ON EQUITY:

RETURN ON CAPITAL:

PRICE-TO-SALES:

ENTERPRISE VALUE:

GROSS MARGIN:

OPERATING MARGIN:

OPERATING LEVERAGE:

FREE-CASHFLOW:

DEBT-TO-EQUITY:

RISING EPS:

### HAVE YOU REVIEWED THE FINANCIAL STATEMENTS?

- INTANGIBLE ASSETS? GOODWILL.
- CASH RECEIPTS HEALTHY?
- REVENUE CONVERTING TO CASH?
- WORKING CAPITAL POSITIVE?
- CASH TO COVER LIABILITIES?
- SALES GROWTH?
- TRADES RECEIVABLE IN TROUBLE?
- CUSTOMER CONCENTRATION?
- INVENTORY, OPERATING COSTS RISING?

### IS THERE EVIDENCE OF SMART CAPITAL ALLOCATION?

IS THIS THE COMPANY REINVESTING WELL? ANY POOR ACQUISITIONS? ARE THEY INTELLIGENT WITH CAPITAL?

### CAN IT CONTINUE TO SELF-FUND IT'S GROWTH?

DOES THE COMPANY HAVE SUFFICIENT MEANS TO SELF-FUND GROWTH? WILL IT NEED TO DILUTE? IS IT CASHED UP?

### ARE THERE OPPORTUNITIES TO REINVEST FREE-CASHFLOW?

ARE THERE A LOT OF OPPORTUNITIES AHEAD FOR REINVESTMENT WITH FREE CASH FLOW? WILL IT DECLARE A DIVIDEND?

# INVESTMENT THESIS

## QUESTIONS TO STRESS TEST THE IDEA?

DIFFERENT APPROACHES TO INVERT ALL OF OUR IDEAS TO CREATE UNBIAS OPINIONS.

### ➔ WHY DON'T I INVEST IN THIS COMPANY?

ARE THERE ANY REASONS YOU WOULDN'T OWN THIS BUSINESS? ESG RISK? FOREIGN RISK? IDEA HAS COME AND GONE?

### ➔ IS THERE A COMPETITOR THAT IS BETTER?

IS THIS THE BEST COMPANY IN ITS INDUSTRY? WHY NOT BUY A COMPETITOR?

### ➔ DO I WANT TO RESEARCH AND FOLLOW THIS COMPANY?

DOES THE COMPANY INTEREST ME ENOUGH TO LEARN MORE ABOUT IT? TO MONITOR IT FOR YEARS?

### ➔ DOES IT HAVE A PLACE IN MY PORTFOLIO?

DOES IT DESERVE A POSITION IN MY PORTFOLIO? DO I WANT TO OWN IT? IS IT BETTER THAN CURRENT IDEAS OR HOLDINGS?

# INVESTMENT THESIS

## SUMMARY OF THESIS.

ENTRY PRICE:

VALUATION PRICE DCF:

MARGIN OF SAFETY:

HOLDING PERIOD:

BULLISH PRICE TARGET:

CAPITAL INVESTED:

PORTFOLIO WEIGHTING:

**WHAT IS MY CONVICTION LEVEL ON THIS IDEA?** /10

AM I CONFIDENT WITH MY CONVICTION TO TAKE A CONCENTRATED POSITION? STARTER POSITION? EDGE MY WAY IN?

**WHAT RETURNS DO I EXPECT FROM THIS COMPANY?**

IS IT A 1-10-100 BAGGER? HOW BIG DO I THINK THIS COMPANY CAN BE? HOW LONG DO I THINK IT WILL TAKE?

**SIMPLIFY BY DESCRIBING WHY YOU OWN THIS COMPANY.**

A SHORT "MISSION STATEMENT" OR ELEVATOR PITCH ABOUT THE COMPANY AND WHY YOU WANT TO OWN IT?

# INVESTMENT THESIS

## NOTES:

UPDATES – IS THE THESIS STILL IN TACT? ANY AREAS TO WATCH OUT FOR OR SHOW CONCERN OVER?

