Chapter 1 – Answer Sheet

1. **What is the key to knowing when to sell?**

    s Constantly monitoring the companies you own, rather than the stocks you own.

2. **What doesn't matter when it comes to deciding whether to sell a stock?**

    q What a stock price has done since you bought it.

3. **Sometimes the market provides you with this reason to sell.**

    p It offers to pay you a price far in excess of what your investment is really worth.

4. **If you see this after several years of success, it's a reason it might be time to sell.**

    m Fundamentals have deteriorated.

5. **What is the key to identifying wide economic moats?**

    b Figure out how a company manages to keep competitors at bay and earn consistently fat profits?

6. **What are the 5 rules for successful investing?**

    j 1. Do your homework. 2. Find economic moats. 3. Have a margin of safety. 4. Hold for the long haul. 5. Know when to sell.

7. **When might you decide early on to sell a stock?**

    a If you find you missed something when you first evaluated the company.

8. **What is the most common mistake investors make?**

    l Failing to thoroughly investigate the stocks they purchase. Unless you know the business inside and out, you shouldn't buy the stock.

9. **Why should investing be a long term commitment to a stock?**

    i Because the taxes and the brokerage costs associated with short term trading add up. This creates an almost insurmountable hurdle to good performance.

10. **Successful investing is based on this .... Not on this ....**

    r Personal discipline, not on whether the crowd agrees or disagrees with you

11. **What is the "Best reason of all to sell"?**

h You have too much money in one stock.

12. **Most of us would be better investors if....?**

c We could just block out all those graphs of past stock performance. They convey no useful information about the future.

13. **What is one simple way to get a feel for a stocks valuation?**

f Look at its historical price/earnings ratios.

14. **Finding great companies is only half of the investment process. What is the other half?**

e Assessing what a company is worth.

15. **Why are economic moats important?**

d Companies that have them are often the most superior long-term investments

16. **What do economic moats provide for a company?**

n It allows them to achieve above-average levels of profitability for many years.

17. **When should you consider selling a stock?**

g 1. You made a mistake buying it in the first place
2. The fundamentals have deteriorated
3. The stock has risen well above its intrinsic value
4. You can find better opportunities
5. It takes up too much space in your portfolio.

18. **What is an economic moat?**

k A firm's competitive advantage

19. **As an investor, what should you always be striving to?**

o Allocate your money to the assets that are likely to generate the highest return relative to their risk.