

Chapter 2 – Answers

1. **What are the four most expensive words on Wall Street?**

g "It's different this time."

2. **What does it take to make up for just a few big investing errors?**

k Many great stock picks

3. **Great products don't necessarily translate into this.**

j Great profits

4. **What is one of the all-time great myths of investing?**

e Market timing

5. **Buying a stock on the expectation of these two things is asking for trouble.**

i Positive news flow or strong relative strength

6. **Instead of shooting for big gains by trying to find the next Microsoft, what should you look for?**

d Finding solid companies with shares selling at low valuations.

7. **What is the worst returning equity category over the long haul?**

b Small growth stocks

8. **At the end of the day, what matters more than earnings?**

l Cash flow

9. **What should you ask when you are considering a stock?**

m "Is this an attractive business? Would I buy the whole company if I could?"

10. **When is the best time to buy?**

a When everyone else is running away from a given asset class.

11. **What is the only reason you should ever buy a stock?**

f You think the business is worth more than it's selling for.

12. What is it very tempting to look for when you are investing?

c Validation—or other people doing the same thing

13. How can you spot a lot of blowups before they happen?

h By simply watching the trend of operating cash flow relative to earnings.