

Forward and Introduction – Answer Sheet

1. **What should be your goal as an investor?**

i To find wonderful businesses and purchase them at reasonable prices.

2. **What has a direct influence on stock prices?**

j Company fundamentals.

3. **What are the basic investing steps Morningstar advocates?**

d

1. Develop a set of investing principles
2. Understand a company's competitive environment
3. Analyze the company
4. Value the stock.

4. **Successful stock picking means having the courage to what?**

l Take a stance that's different from the crowd.

5. **What did Joe Mansueto discover would help him understand a mutual fund managers strategy?**

e Looking carefully at the stocks a fund owned.

6. **What does picking individual stocks require?**

h Hard work, discipline, and an investment of time.

7. **Successful investing is built on what 5 core principles?**

n

1. Doing your homework
2. Finding companies with strong competitive advantages (or economic moats)
3. Having a margin of safety
4. Holding for the long term
5. Knowing when to sell

8. **When you think of your stocks as businesses what do you focus on? What don't you focus on?**

a You'll focus more on the things that matter—such as free cash flow—and less on the things that don't—such as whether the stock went up or down on a given day.

9. **What does Joe Mansueto (who started Morningstar) indicate is a common quality of successful investors?**
- m The steadfast ability to think independently.
10. **An understanding of what concept puts you ahead of most of your peers when it comes to investing?**
- f Don't confuse a great company with a great investment.
11. **Minimizing what are the two most important thing you can do to enhance your long term investment returns?**
- g Taxes and transaction costs.
12. **Over the long haul what do stock prices track?**
- b The value of a business.
13. **Why does Joe Mansueto recommend you read many publications such as Barrons, The Wall Street Journal, Business Week, Forbes, Fortune etc. regularly?**
- c To build a "latticework of mental models for different investing styles.
14. **When you buy a stock what do you become?**
- o Part owner in a business.
15. **When should you change your opinion on the value of a stock?**
- k Only if the facts warrant doing so—not because you read a negative news article or because some pundit mouths off on TV and disagrees with you.