



LATEST NEWS

FINANCIAL

PROFESSIONAL

LIFESTYLE

THE SOAPBOX

SEARCH THIS SITE



LOG IN

Username

.....

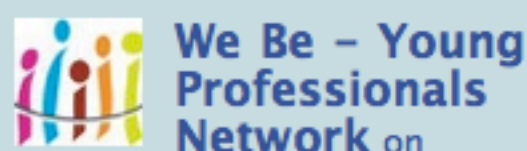


- [Login](#) or [Register](#)
- [Request New Password](#)

## ALSO CHECK OUT...

- [Top Five Blogger Series - Financial](#)
- [Is Australia Running Out Of Luck?](#)
- [Putting The Value Into Valuable Investing](#)

## FROM FACEBOOK



Facebook

Like 581

## WE TWEET

#Property: What will #Australia's housing crash be like? Consider some hypotheticals based on what happened elsewhere  
<http://bit.ly/mzxzzf>

22 hours 46 min ago

Bollocks to wading thru newspapers for your #Budget fix. Barefoot Investor @scottpape has condensed it into 3.5min vid  
<http://bit.ly/iloY4w>

22 hours 50 min ago

.@WeMoneyNews is a free weekly newsletter. Register now for a chance to win pre-launch prizes  
<http://wemoney.com.au/yeo0j>  
#Money #Australia

1 day 21 hours ago

[See More](#)

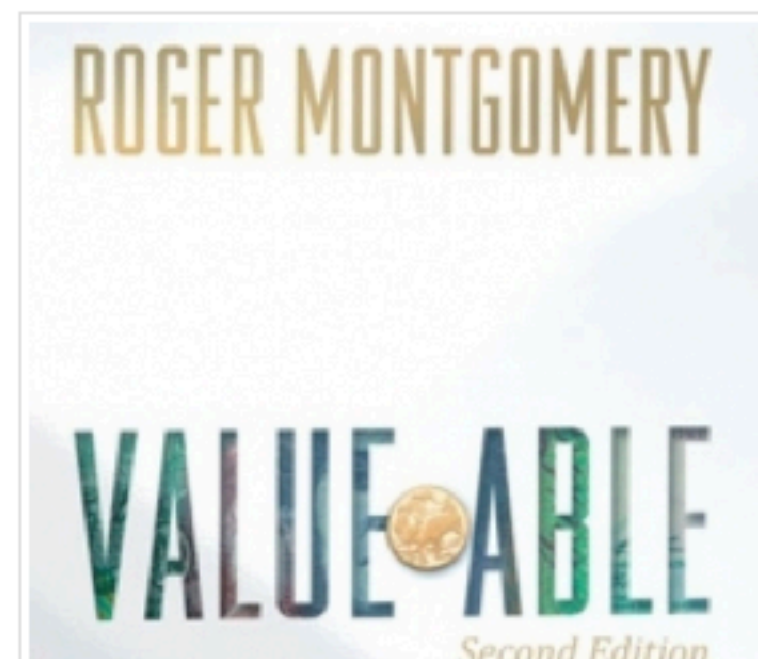
## RSS FEEDS

[Latest Stories](#)[Financial](#)[Professional](#)[Lifestyle](#)[The Soapbox](#)[Build Your Own Feed](#)[Home](#) > [Financial](#) > [Investing 101](#) > [How Valuable Is "Value.Able"?](#)

We Be building a network for Young Professionals  
...And we would like you to join us!

## HOW VALUABLE IS "VALUE.ABLE"?

May 10, 2011 - 14:45 — Sam Birmingham



In the words of leading finance journalist Alan Kohler, Roger Montgomery is "one of the nation's smartest and most successful value investors".

So, with the world's best known (and wealthiest!) value investor wrapping up his annual "Woodstock For Capitalists" event (otherwise known as the Berkshire Hathaway AGM) in Nebraska last week, it seemed like the perfect time to review Roger Montgomery's book *Value.able*...

As its sub-title makes clear, *Value.able* explains "how to value the best stocks and buy them for less than they're worth". That is obviously a lesson which is well worth learning, but if you ask me, the best thing about *Value.able* is that Roger Montgomery confronts concepts which are complex and abstract to most people, yet he manages to explain them in a reader-friendly manner, using lots of practical examples - from Wesfarmers takeover of Coles, to the rise and fall of ABC Learning - to help readers apply the value investing wisdom that he imparts.

As well as the case studies, Roger sprinkles numerous quotes throughout the book, including classics from the likes of Warren Buffett, his Berkshire offside, Charlie Munger, and Ben Graham, such as:

*"Stock speculation is largely a matter of A trying to decide what B, C and D are likely to think - with B, C and D trying to do the same."*

And:

*"To invest successfully over a lifetime does not require a stratospheric IQ, unusual business insights or inside information. What's needed is a sound intellectual framework for making decisions and the ability to keep emotions from corroding that framework."*

*Value.able* is divided in three sections: firstly, teaching you to think like an investor; then helping you to identify extraordinary businesses; before ultimately explaining how to value such businesses. This systematic approach ensures that the book flows and that the reader builds on their knowledge; slowly-but-surely, brick-by-brick.

For a sneak peak at what I learned by reading *Value.able*, here are four of my key takeouts:

1. *"Price and value are entirely different things"*: Whilst the vast majority of financial news and commentary focuses on prices, this is essentially short-term noise; value is what matters in the long-run. As the book explains: "An exclusive focus on prices leads to speculation. A focus on value leads to investing."
2. *"Pick extraordinary prospects"*: The first step to out-performing the market is to avoid bad businesses. Once you've ruled out the weak links, you can focus your attention on finding the best businesses, with "high rates of return on equity, driven by sustainable competitive advantages, solid cash flow and little or no debt."
3. *"Shareholders are the true owners of a business"*: This is something that too many managers seem to forget, leading them to focus on growth for growth's sake rather than optimising return on equity, which is a measure of "the returns that management is generating" for the company's shareholders.
4. *"Be patient"*: Once you have determined the intrinsic value of a business, you must play the waiting game to ensure you buy it at an appropriately discounted price. After all, "You won't run out of opportunities. But if you swing too often and miss, you will run out of money."

You can purchase *Value.able* via [Roger Montgomery's website](#). The \$49.95 price tag includes GST and free postage anywhere in Australia. As Roger explains in the preface: "This book is for you and for your future. Think of it as an investment in yourself". If you ask me, fifty bucks (that's less than two trades with your online broker!) for a life-long investing lesson is an absolute bargain!