A zebra in lion country pdf

The Book ‘A Zebra in Lion Country’ is written by Ralph Wanger who used to manage the Acorn Fund. Ralph used to specialize in small cap investing and the book captures his experience and wisdom in the investing field. This Book has a cult following amongst investors and its not hard to see why. The title of the Book’s comes from the author’s comparison of fund managers to zebras. Both move in herds.The Zebra who is outside of the herd gets the freshest grass, but when the lions approach he is likely to be eaten first. The inside zebras may not eat well but they remain alive. This explains why fund managers prefer playing it safe rather than investing in stocks that give outsized gains but carry risks as well, including career risk. The author makes a case for investing in small cap stocks-they are easily understandable, the owners are accessible, they can grow more and are under-researched. He also makes a good case of his investing philosophy -GARP-Growth at a Resonable Price.I believe GARP was a concept introduced by the first time in this Book. One aspect of his investing style which I found very interesting was his concept of themes.He would identify a theme (or mega trend) that will play out in the coming years and would buy a basket of stocks in that theme. With hindsight bias,such an approach could have yielded handsome dividends in the Indian chemicals space when China clamped down on it’s own polluting industries. Another interesting insight was that instead of investing in technology companies, invest in companies which can benefit from the technology. Our private banks come to mind here. Another insight was that don’t invest in companies whose competitors are run by geniuses/ferocious folks. Written in a breezy humorous style,this book was published in 1997 around 20 years back.But yet, it still feels fresh and insightful Just goes to show that nothing changes in the markets….the players change, the stocks change but human emotions of greed,fear,despair and hope remain the same. I would strongly recommend this Book for those interested in the markets especially small cap investing. Starting 15:30 UTC, Tuesday, June 15th Open Library will be offline for maintenance November 28, 2020 Edited by Clean Up Bot import existing book July 28, 2010 Edited by IdentifierBot added LibraryThing ID April 14, 2010 Edited by Open Library Bot Linked existing covers to the edition. April 9, 2010 Edited by bgimpertBot Added goodreads ID. April 1, 2008 Created by an anonymous user Imported from Scriblio MARC record. A Zebra in Lion Country is a classic on investing. I recently read this book on my travels to work. I started working at an early stage investment fund in Mumbai, and so it couldn't have been a better time to read the philosophy of a Smallcap investing master, Mr. Ralph Wanger. Mr. Wanger uses Zebras in a herd as a metaphor for Institutional Fund Managers. Zebras typically move in herds. The zebras at the edges of a herd get to eat fresh grass whereas the ones at the centre eat trampled grass. However zebras at the edges are prone to lion attacks whereas the ones at the centre are able to survive (atleast in perception). Similarly fund managers aspire to generate returns but do not want to expose themselves to risk and therefore end up being at the centre of the herd. Mr. Wanger believed that this behavior helps them survive but does not reward in the long term. (Mediocre returns do not create a legacy, do they?) Some of my takeaways from Mr. Wanger's philosophy of investing (Now I only hope to mimic some of his returns): 1. Think Smallcap Small cap stocks are characterized by multi-baggers, high volatility, low liquidity, sometimes undervalued because of not being spotted by Institutional Analysts. Its important to understand the risks involved in smallcap investing and deploy only capital that one does not need soon. One should choose companies that have a specific niche - Product/Service, Technology, Geography, Marketing etc. Look out for good track record, financial strength as small companies are starved for working capital more often than not. And to overcome a stock's liquidity issue, buy stocks that you would hold on to for long. Mr. Wanger was able to generate outsized returns not by avoiding disasters, because that is a given in smallcap investing, but by owning some stocks that became multi-baggers which paid for the disasters and still left behind healthy profits. 'Everything that is large today started small.' 2. Identify your Investment Style One must identify his style / strategy of investing to imbibe discipline. A value investor's passion is to find a 'value gap' between what he thinks a stock is worth and the price in market. He identifies this by using various means of comparing multiples, cash flows, private market values etc. He hypothesizes an exit strategy when the stock would achieve its true value and waits patiently until the gap closes. On the other hand, a growth investor is one who takes comfort in companies that are growing by say 15-20% annually. He is warmed up to a company which has shown growth in the past and is willing to pay a premium for such a stock. Higher multiples do not upset him as long as he foresees future growth. Mr. Wanger followed the GARP strategy i.e. Growth at reasonable price. He avoided super growth stocks because he believed that estimates rarely come true. He also avoided stocks that were value traps because the companies are sick. He looked for companies that had the promise to grow but were undervalued because of some reason. He believed in the 'Reversion to Mean' theory and said that in his experience value investing is more likely to yield multi-bagger returns as one holds on to the stocks for long. 'What is my appetite for risk?' Ask yourself this question everyday. 3. Look out for Bad News The efficient market hypothesis is based on the thesis that investors react to all information in a rational way. However reality is that human emotions overpower rationality creating price distortions which the astute investor can exploit. When something bad happens a stock might go down more than what the information warrants leading to over discounting of bad news. Also many a times a whole sector is beaten down due to exaggerated concerns. This leads to many bargain buy opportunities of good companies with little risk that would bounce back swiftly. Therefore one should calculate return probabilities considering every piece of new information rationally. 'It pays to carry a rational head on your shoulders.' 4. Back Themes Identify broad long term trends that are expected to play out. Identify economic, social and technological changes that will direct the trends. Once themes are identified, boil down to stocks that reflect those themes and are expected to execute the themes to a tee. Mr. Wanger did not get excited or bogged down by quarterly earnings estimate beats or misses because he constantly looked at reasons to hold a stock for the long run. This aided him to stick with stocks in times of short term pressures. To identify whether a theme has played its course, he would look out for cues from the market i.e. when the herd started flocking for this centre grass, when companies started diversifying into such verticals it was generally a good time to move on from such a theme. 'Keep your eyes and ears open to what's happening in the world.' 5. Embrace the Dull & Hard, Unglamorous, Disciplined Path to Security Analysis Identifying broad trends and themes may be intellectually stimulating however the crux is in the nitty-gritty of finding companies that are best positioned to exploit that theme. That means getting a grip on business, financials, management and valuation. Security Analysis is a dull process of checking on companies, making phone calls, channel checks and trying to figure out what's happening. The challenge lies not just in identifying companies but also in semantics of investing, of deciding which stock to discard and which stock to buy, how long to hold on to one etc. Mr. Wanger's boring process included identifying growth potential, financial strength and fundamental value. He looked for dull v/s exciting stories because he believed that the market paid an entertainment tax (premium) for hot stories. He exercised a 'Quit Test' while evaluating companies i.e. Whether he would be willing to give up his job to run that company. Management plays a key role in smallcap companies and therefore judging their competence is atmost important. Judging them solely on financial numbers would mean what Mr. Wanger called double-counting of cards. Therefore he believed in meeting managements, questioning them, understanding their plans and philosophy and then judging them. As far as sell decisions are concerned, Mr. Wanger advices to have a reason to hold every stock and if that reason is falsified then taking a call to sell. He also explains what he and his team did on a day to day basis. They kept a watchlist of stocks that attracted them in some way, estimated a price range for these stocks based on internal analyses. If there was a variance in actuals they analysed the anomalies and took requisite actions. He says that intuition plays its role in investing however there is no substitute to careful analysis. 'No substitute to plain vanilla hardwork.' 6. No Time to Time the Market It is not possible to predict the market moves accurately and consistently so as to make money out of the process. One should stay away from reading into data to identify patterns. The pace of change is quite accelerated and therefore future is not a very good extrapolation of the past any more. A timer of the market may sell his holding based on expectations of a downfall, however he has to also time his entry back again. This requires him to be correct twice which makes the odds for timing unfavourable. Mr. Wanger therefore suggests that one should spend time in finding good stocks and mutual funds and hold on to them for the long pull. 'Spend time studying companies rather than studying patterns because you might guess what is straight ahead but you may not know what's around the corner.' 7. Have an Optimistic World View Mr. Wanger explains that natural disasters, tragedies and wars get disproportionate share in an investor's head. Whereas the boring stuff of building companies, earnings growth is often overlooked. In a bear market investor concerns are exaggerated whereas in a bull market investors pay less attention to problems and more attention to opportunities. Hence it is important for investors to have a balanced view during all times. Bad things happen to companies, industries and economies but everything moves forward eventually. Problems get solved, recessions end and companies turnaround and so it pays to stay in stocks for a few years. 'Optimism not only gets a smile to your face but also rewards in the long run.' 8. Golden Rules: - Power of compounding creates wealth by exercising patience. - Reversion to the mean holds true as stocks are linked to the real world companies and in disparities on both upside and downside do not last forever. - Every stock has multiple option components that can be attributed different values. Look out for stocks which have positive option value embedded. "Maintain independence of thought and a healthy degree of skepticism to stay away from the herd. Don't overpay for any stock how much ever you may like it. Invest in themes for long lasting franchisees. Think and invest globally. Stick to common sense and patience to become a successful investor." a zebra in lion country pdf. a zebra in lion country book pdf download. a zebra in lion country pdf download. a zebra in lion country summary. a zebra in lion country ralph wanger pdf. a zebra in lion country epub. a zebra in lion country kindle. a zebra in lion country ralph wanger pdf free download