

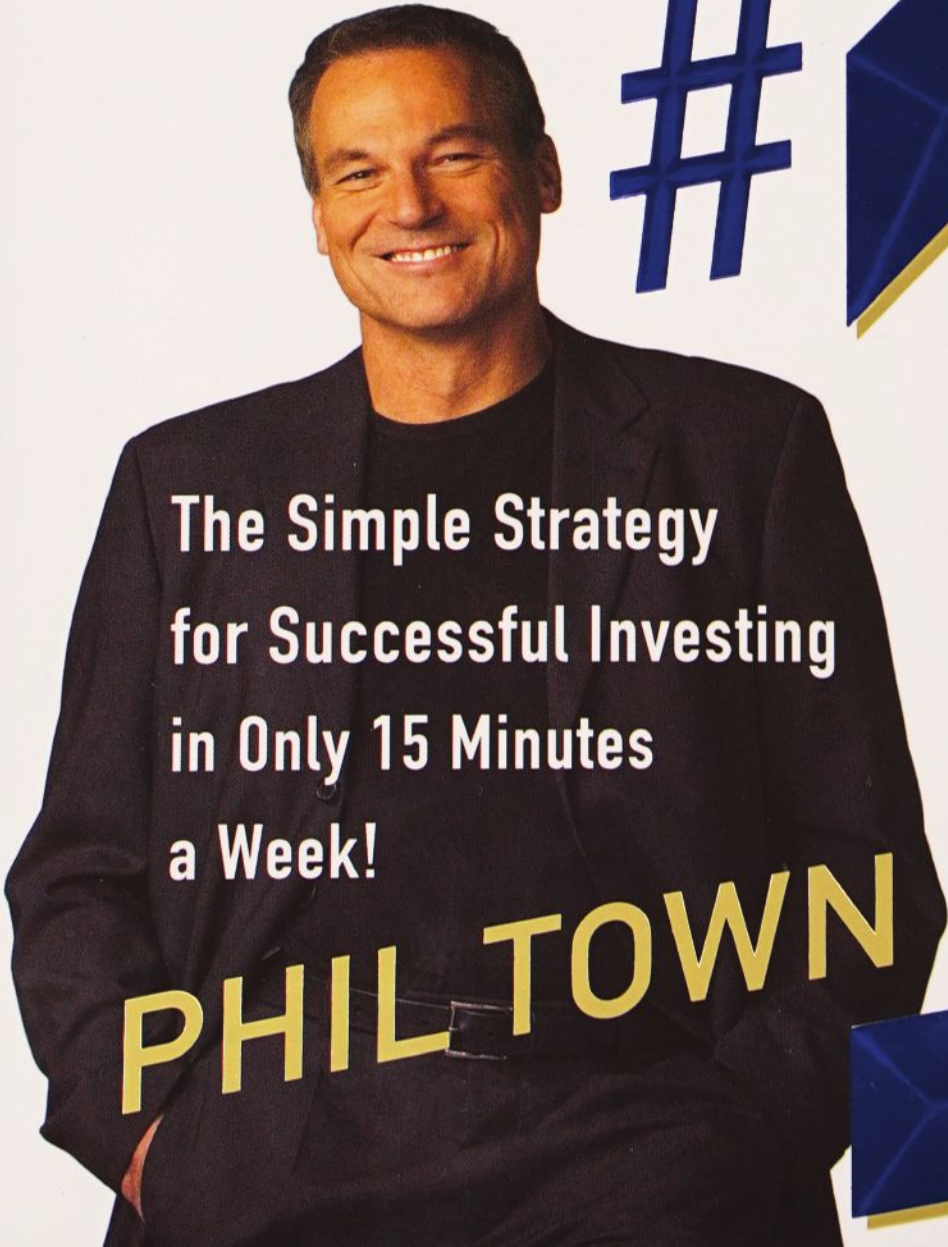
"The clearest and best book out there
to get you on the path to riches. This one's special!"

—James J. Cramer, host of CNBC's *Mad Money*

RULE

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The Simple Strategy
for Successful Investing
in Only 15 Minutes
a Week!

PHIL TOWN

Rule #1, Buying Wonderful Businesses (Not Just Stocks), and Betting on the Jockey

It is possible to fail in many ways . . . while to succeed is possible only in one way.
– ARISTOTLE (384–322 B.C.), NICHOMACHEAN ETHICS (AN EARLY RULE #1 INVESTOR)

There are only 2 rules when it comes to investing:

Rule #1: “Don’t Lose Money.”

Rule #2: “Don’t forget Rule #1.”

Some things don’t change. Rule #1 is one of those things. It’s been the basis of excellent investing for the last hundred years and it will be the basis of excellent investing a hundred years from now. A Rule #1 investor looks at stocks as businesses that have a determinable value, and then waits patiently for market fluctuations to bring him or her that business at a great price.

First, understand that Rule #1 literally is “Don’t Lose Money,” but what it means in practical terms is to invest with certainty. Certainty comes from this: buying a wonderful business at an attractive price.

Memorize the following:

Knowing you will make money comes from buying a wonderful business at an attractive price.

Rule #1 investing comes down to four straightforward steps:

- 1. Find a wonderful business.**
- 2. Know what the business is worth.**
- 3. Buy it at 50% off.**
- 4. Repeat until very rich.**

Buying Wonderful Businesses

The word wonderful actually encompasses three simple elements that we'll explore in depth in upcoming chapters. First, wonderful implies that the business has Meaning to you—that you understand it enough to want to own the whole thing if you could, that you'd be proud to own it, and that the business reflects your values.

I use the 10-10 Rule: I won't own this business for ten minutes unless I'm willing to own it for ten years.

On a second level, wonderful means that the business meets certain criteria in terms of financial strength and predictability; in particular, it must have a so-called Moat. And, third, it must have good Management.

Rule #1 demands that the business has a wide Moat, that the business be able to defend itself against attacks by competitors, as if they were attacking armies trying to sack the castle. In other words, you'd better be able to accurately predict this business's long-term future.

Finding a business with a wide Moat is key to finding a successful business to own, because a business with a wide Moat is much more predictable for the next 20 years than a business with no Moat.

If an industry looks as if it might be very easy to get into, there probably isn't a Moat. On the other hand, if it looks as though it might be really hard to get into and be successful, you'll probably find some wide-Moat businesses.

We also want to make sure the management team knows what they are doing. When I look at companies, I want to make sure the leader has the same views as I have. I call this:

Betting on the Jockey

In horse racing, there's a theory that you bet on the jockey and not the horse. When it comes to investing, we take a similar approach, because the leader or CEO is in control of the business and if you invest in it, they control your money, too.

What we're looking for is a leader. Someone who is going to take our company to the moon. Someone who lives and breathes this company. Someone who has a Big Audacious Goal that he wants to drive the business to achieve. If we get someone like that, who's honest with you about what's going on, we can sit back and watch miracles happen. If we get the wrong guy, we can easily get Enron'd or WorldCon'd. The good news is the clues are easy to spot—and if we're not sure, we don't invest. Same as always.

Attend my Transformational Investing Workshop for free

I teach a FREE live 3-Day Transformational Investing Workshop that I'd like you to come to and you can also bring a guest at no charge. If you've enjoyed learning about buying wonderful businesses and getting them at attractive prices, then you're going to want to come check this out. I'll go into that in detail, plus dive a lot deeper into how to analyze a business, so you know it's wonderful, and also what it's worth. This is the secret to getting rich... buying \$10 bills for \$5.

I'll be there teaching you the entire time... no guest speakers and no selling. That's my promise to you. And one more thing, before I forget, you'll have a chance to come out to our farm, where we'll have some amazing BBQ, do a few horse-jumping demos (one of my passions), and get to know each other a little better.

For more information on this once-in-a-lifetime opportunity, **please click below.**

[**Click Here To Sign Up To My Free Workshop!**](#) 

P.S. We regularly get 9.8 out of 10 on an anonymous survey we send out asking if people would recommend this workshop to their friends and family. The results speak for themselves. Hope to see you at the workshop!