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THE LITTLE BOOK



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5 Steps for Picking Stocks



JOSHUA PEARL

JOSHUA ROSENBAUM

FOREWORD BY HOWARD MARKS

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FOREWORD BY HOWARD MARKS

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*To the memory of my grandfather, Joseph Pearl, a
Holocaust survivor, for his inspiration to persevere and
succeed.*

—J.P.

*In loving memory of Ronie Rosenbaum, an inspiration
for strength and selflessness.*

—J.R.

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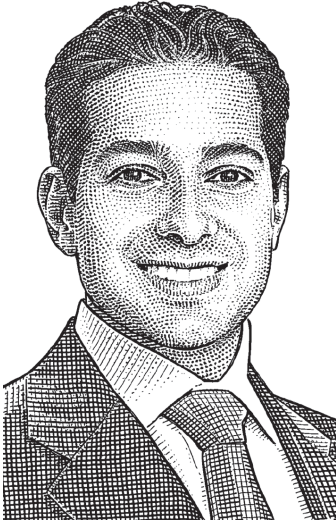
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Foreword



Howard Marks

Co-Chairman and Co-Founder, Oaktree Capital Management

In 2011, I wrote a book called *The Most Important Thing: Uncommon Sense for the Thoughtful Investor*. I intended the title to be somewhat ironic, since in investing there is no single most important thing. A huge number of elements have to be taken into account in every investment decision, and the process has to be broad and yet detailed, both methodical and creative.

How can would-be investors or those on the way up learn about all of these elements and how to incorporate them into their methodology? *The Little Book of Investing Like the Pros* by Joshua Pearl and Joshua Rosenbaum is a terrific source of help in this regard. It will quickly get the would-be stock market investor started up the learning curve.

Simply put, I have never before seen a book that provides the same complete and thoughtful orientation to the process of investing. *The Little Book* is clear, logical and well-organized, a concise survey course in what investors need to know. It starts at the beginning, with identifying candidates for investment and screening them for potential. Then it progresses to studying the subject companies' finances as well as gauging the potential of their businesses. It moves on to the essential element of gauging whether the attributes that have been identified are highly valued at the stock's price or a bargain. And it concludes with thoughts on how to determine the role the stock can play in an investor's portfolio. It illustrates these lessons by way of the example of companies that are followed throughout the book.

The bottom line for me is that *The Little Book of Investing Like the Pros* provides a simple introduction to a far-from-simple field. Superior performance in the competitive field of investing requires both covering the nuts-and-bolts elements that most experienced investors are

familiar with, and mastery of nuanced considerations that will lead to success only if the investor understands them better than others.

Identifying and learning to grapple with the former will free the reader to turn to a meditation on the latter. I'm glad *The Little Book of Investing Like the Pros* is at hand to accelerate the reader's progress. It does an excellent job of introducing the decisions that have to be made. You'll find learning to make them well to be a fascinating lifetime's work.

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Introduction

Why is this book different from all other investing books?

As you have probably noticed, there are quite a few investing books out there. Many of them were written by some of the world's greatest investors. So, why should you read *our* book?

Stock investing is more prevalent than ever, whether directly or indirectly through brokerage accounts, exchange-traded funds (ETFs), mutual funds, or retirement plans. Despite this, the vast majority of individual investors have no training on how to pick stocks, let alone basic financial literacy. And, until now, there hasn't been a truly accessible, easy-to-understand resource available to help them. ***The Little Book of Investing Like the Pros: 5 Steps for Picking Stocks*** was written to fill this void.

We believe the simplicity and accessibility of our stock picking framework is truly unique. Using real-world examples and actual Wall Street models used by the pros, we teach you how to pick stocks in a highly logical, step-by-step manner. Our goal is straightforward—to impart the skills necessary for finding high-quality stocks while protecting your portfolio with risk management best practices.

Our practical approach is designed to help demystify the investing process, which can be intimidating. This training will help set you apart from others who are largely flying blind.

Pilots require extensive training before receiving a license. Doctors must graduate medical school, followed by a multi-year residency. Even those providing professional investment advice require certification. But, anyone can buy a stock without any training whatsoever. While buying stocks on a hunch and a prayer may not endanger your life, it can certainly put your finances at risk.

In our original best-selling book, ***Investment Banking: Valuation, Leveraged Buyouts, and Mergers & Acquisitions***, we developed a highly practical guide on valuation and corporate finance. Our step-by-step, how-to approach resonated with a broad audience, selling over 200,000 copies and still going strong. While our first book was designed largely for investment bankers, it attracted attention from professional investors.