

Basic of Stock Investment

Content

1. Basic Concepts of Stock Investment
2. Stock Investment Analysis
3. Investment Psychology
4. Case Studies



1. Basic of Stock Investment

- Saving:
 - Short-term
 - Indirect investment to a company through a bank
- Investment:
 - Long-term
 - Direct investment to a company with the future expectation of receiving a company's business profit
 - Returns are changeable (Risk)
- Speculation:
 - Short-term or very short-term
 - No Safety Guarantee in Return



“I made my first investment at age eleven. I was wasting my life up until then.”

— Warren Buffett



1. Basic of Stock Investment



- **4 factors** to determine your success or failure in stock investment:
 - 1. Psychological Quality; Self-Confidence
 - 2. Ability of Fundamental and Technical Analysis
 - 3. Habit of Doing Research, Doing Hard, and Being Diligence
 - 4. Luck
- អ្នកខ្លះបានតែថា, អ្នកខ្លះបានតែធ្វើ, អ្នកខ្លះមិនថាក៏មិនធ្វើ

1. Basic of Stock Investment

- **Stock Investment Tips:**

- Know your personality
 - How much risk can you tolerate?
 - How long do you plan to invest for?
 - Do you need quick access to your money?
 - How much do you expect to make on your investments?
- Understand clearly the type of business the company is involved before you invest.
- Long-term average return is about the GDP growth rate.
- Know your expected return rate and risk tolerance.
- Understand all of transaction costs.
- Always maintain an adequate cash reserve to cover unexpected expenditure, emergencies and new investment opportunities.
- Conducting Portfolio Investment

2. Stock Investment Analysis

❖ Methods of Investment Analysis:

➤ Fundamental Analysis

- ❖ Would like to know that the price is undervalued or overvalued.
- ❖ Use concept/theories of Economics, Financial Management, Industrial Economics, etc..

➤ Technical Analysis:

- ❖ Observe behaviors of Mr. Market, and predict the future trend.
- ❖ We observe the price movement, trading volume, time, etc..

2. Stock Investment Analysis

- ❑ Technical Analysis answer the questions:
What to buy? When to buy? When to sell?

- ❑ 3 assumptions of technical analysis:
 1. The market discount everything
 2. History tends to repeat itself
 3. Price moves in trends

- ❑ Why stock prices go up and down?

2. Stock Investment Analysis

Technical Vs. Fundamental Analysis

- Short term or Speculation: Fundamental and Technical are used at the same time
- Middle-Long-term: Fundamental Analysis
- Technical: to observe the feeling of Mr. Market
- Fundamental: to find the intrinsic value
- Which analysis method is more important? For the current situation of Cambodia stock market, what kind of analysis should we learn/use?

2. Stock Investment Analysis

Understanding the value of stock

The Generalized Dividend Valuation Model

$$P_0 = \frac{D_1}{(1 + Ke)^1} + \frac{D_2}{(1 + Ke)^2} + \dots + \frac{D_n}{(1 + Ke)^n} + \frac{P_n}{(1 + Ke)^n}$$

Where we assume the investor will hold the stock for n periods, receiving the stream of dividends D_1, D_2, \dots, D_n and sell the stock for price P_n .

2. Stock Investment Analysis

Ratio Analysis



- Price/Earnings ratio

$$\text{Price/Earnings} = \frac{\text{Market price per share}}{\text{EPS(Earnings/Share)}}$$

- Price/Book value ratio

$$\text{Price/Book Value} = \frac{\text{Market price per share}}{\text{Book value (Tangible Assets-Liabilities) per share}}$$

The lower PBR or PER, the more undervalued the company.

“ Buy Recommendation ”

3. Investment Psychology



3. Investment Psychology



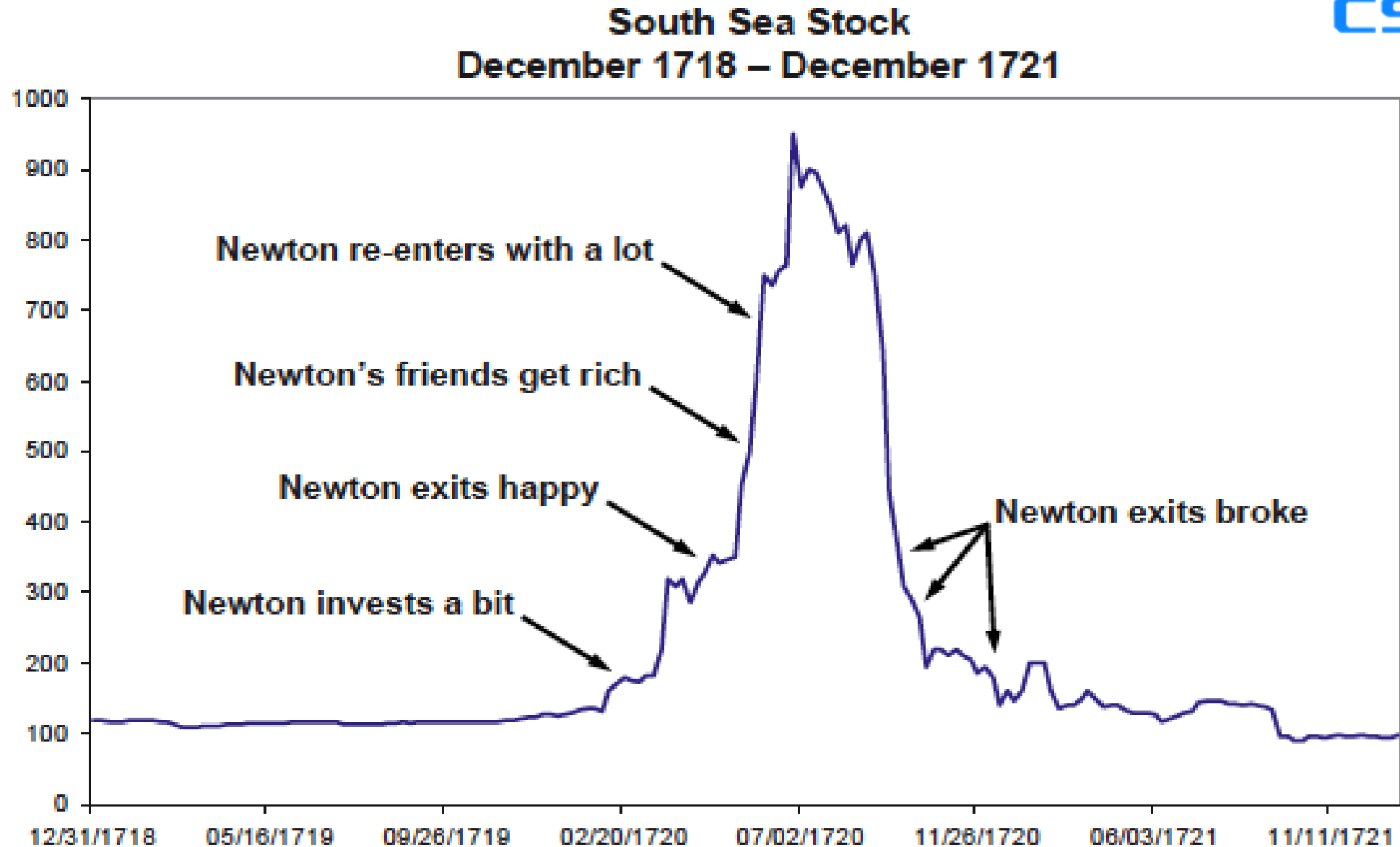
- Investment Technique:
 - Individual critical thinking (Don't listen to rumor)
 - If the stock price increases so much, what will you do?
 - If the stock price decreases so much, what will you do?
 - Adopt information widely, analyze carefully
 - Country economy, listed companies, stock trading
 - Buy low, Sell high; in a suitable range
 - (លោភៈ) ទោសៈ មោហៈ
 - Make a prompt decision, without panic

3. Investment Psychology



- Positive mindset is the essential factor of success in stock investment.
- <
- Some bad habits in stock investment៖
 - Like cheap price stock
 - too stubborn
 - **Not greedy or too greedy**
 - over self-confident

Case Study1: Isaac Newton



Case Study 2: Warren Buffett



- Chairman & CEO of [Berkshire Hathaway](#)
- Net worth: US\$66.4 billion (May 2016), started from around \$6000 at the age 15.
- He is the most successful investor in the world.
- He likes undervalued growth stocks (Value Investing).
- “Be Fearful When Others Are Greedy and Greedy When Others Are Fearful”, he said.