



## Investing Essentials Series

### Part 5

# Watch List

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### Part 5: Watch List

**If you ever hope to become a wealthy investor, then this Special Report**, along with the accompanying 4 parts to follow, are essential reading.

It takes years to build a solid skyscraper and only takes a couple of days to furnish it. The message here is that the foundation of success is far more demanding and lengthy than picking the select few stocks that will eventually be your greatest winners and account for the majority of your wealth.

This 5-part series isn't meant for "dabblers," or people who have heard that you can "make money" in stocks by picking the next breakthrough technological advancement and then live on a private island in the Caribbean.

My sincere hope is that if you are reading this now, you are already convinced that the surest way to become wealthier in the stock market every single day is to figure out how to own a bigger part of the best publicly-traded companies. In all of history, there hasn't been a safer way to get richer than by compounded interest. It's a process that takes time and patience. The beauty about it is that the result is certain.

The concept of a Watch List is absolutely essential. One of the ways WRG verifies that the content we publish is valuable and applicable is to learn from investors that have mastered the art of wealth.

The most resounding proof of the Watch List essentialness came to me by surprise when a number of years ago, Warren Buffett was asked about Heinz. He said that in his office he kept a file on Heinz dating back to 1980 – 3 decades before purchasing it. This was an astounding statement coming from an investing legend.



If you are a longtime reader, you know my wife and I travel quite extensively. We love open air, nature, new adventures, and mostly just being with each other and enjoying life. In order to get on board cheap flights, I set an email alert from a number of airfare, hotel, and car rental watchdog websites. Whenever a price meets my demands of destination, date, and, of course, price, an email alert is generated and I can make the booking. It's an efficient strategy for making educated purchases at the right price – that's exactly how we want to approach investing. By listening to logic, rather than emotions, we are able to become wealthy.

When we choose a destination, I spend hours exploring the Web to know everything I can about the place. It's a process that entails learning about attractions, local food, great adventures to take, shows, hotels, and just about anything I can learn to make the trip unforgettable. Then, once I know the fundamentals, I create the budget and the email alerts. The destination is now on my Watch List. Investing is the same



way. At WRG, we focus on research. Once we know the fundamental story of a company, we decide what we are willing to pay for the business according to its current valuation, and the business is added to the Watch List if the price is higher than our limit. As long as the story doesn't change, our decision remains intact. That makes investing very systematic. It becomes a matter of how good the research is and how many companies can be researched that determines how exceptional the returns will be.

## The power of the Watch List is immense.

The clearest advantages are:

1. Making sure the price we pay for the business allows a margin of safety. This fact alone could save you millions of dollars over a lifetime. The concept is simple: by making sure the entry price is low, it allows you TO BE WRONG and still make money. To give an example, Microsoft is one of the few companies to have a AAA credit rating. It generates an insane amount of cash, dominates its industry, and has raised its dividend at an amazing pace for over a decade. In fact, Ray Dalio, one of the best investors alive, is buying shares in 2016. If you bought the business in 2000 when it was selling for a massive premium price, your investment would be mediocre, at best. The message here is that a fantastic business is only a fantastic investment at a fantastic price. Ray probably had Microsoft on this "radar" (Watch List) for a number of years before purchasing an ownership stake. Remember, stocks represent a stake in a business.

In the last 100 years, more than 50% of the profits in the stock market have come from dividends. It isn't necessary to own companies that see major price increases over time, but rather to own companies that earn more money, and the share price will follow. They correlate. Peter Lynch says he missed the Cisco story back in the 90s. The world-dominating router company was a 400-bagger. That means that after it gained 500%, you still had an 80-bagger potential. It took a full decade to transpire, so there were plenty of buying opportunities.

YOU HAVE TIME is the point we are making. Warren Buffett's 4 biggest positions in public companies are Wells Fargo, IBM, Coca-Cola, and American Express. All of them are more than 100 years old. Great companies keep earning more and more and offer buying opportunities once in a while. Don't overpay; simply wait.

2. The Watch List keeps you from venturing out and purchasing more stocks than you can manage. As a part-time investor, you can't possibly follow the story of more than 20 companies. That's about all you need anyway. A study conducted by a research firm found that Buffett can attribute the bulk of his wealth to 15 companies, and the rest have mediocre performance.

I would say that by subscribing to newsletters and reading WRG content as part of your routine, you can increase the number of businesses you follow, because you outsourced a lot of the work to the analysts

3. Lastly, the Watch List keeps you organized. I personally have a Watch List of 90 companies, and I am lowering that number by the day. Be a professional and make sure you stay on top of the list.

You are now absolutely equipped with the essential knowledge to build a portfolio that generates massive long-term wealth. It will take 20-30 years to achieve substantial amounts if you are earning less than \$200,000 a year.

For most people, myself included, this seems like forever. That's why we not only invest in long-term dividend growth, but we also allocate a portion of the portfolio to smaller companies with enormous upside potential. We call them "Steroid Stocks." These companies can realistically return 200%-1,000% in a matter of 1-5 years. Those are incredible results, and the only way to earn them is by knowing EXACTLY which companies are the smartest speculations to buy a stake in. This is the Wealth Research Group philosophy. Invest safely for the long-term, and strategically align yourself with the right people in explosive industries to make extraordinary returns by making smart and calculated speculations.

Make sure you pay close attention to our Email Blaster Alerts. They have the potential to catapult your returns. We find them by scanning hundreds of companies and sticking only to the ones that pass our rigorous research process.

Start your Watch List today, and stick to it.