

# **THE BIG SECRET FOR THE SMALL INVESTOR**

## **A New Route to Long-Term Investment Success**

**JOEL GREENBLATT**

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The Web site for this book is at [www.ValueWeightedIndex.com](http://www.ValueWeightedIndex.com)

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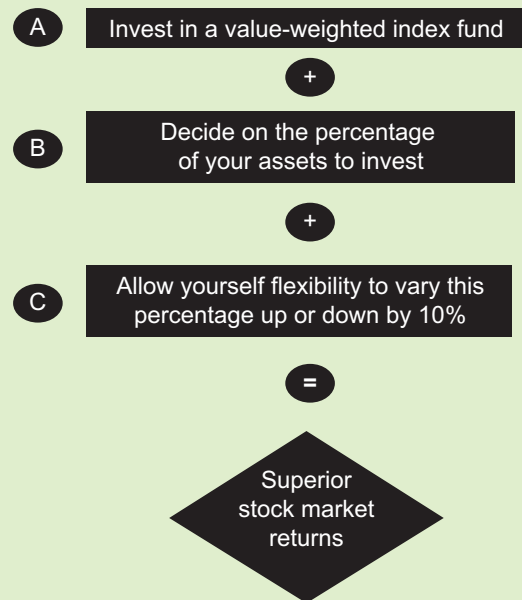
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**MAIN IDEA**

Statistics show clearly and definitively investing in the stock market will generate the biggest long-term returns. So what's the best way to invest in the stock market? There are plenty of options:

- *You can do-it-yourself* – trillions of dollars are invested this way each year but most investors don't know what they're doing and therefore end up with mediocre results.
- *You can give your money to professionals to invest* – trillions flow into managed funds each year but these funds always underperform the market sooner or later (and usually sooner).
- *You can invest in index funds* – which also attract trillions each year but these funds are guaranteed to underperform over time because of the way they are constructed.

Each of those approaches have their pros and cons but if you genuinely want to maximize your returns, the "Big Secret Investment Strategy" is disarmingly simple yet is guaranteed to generate superior long-term returns. The Big Secret investment strategy has three parts:



**1. The factual assumptions behind the Big Secret Investment Strategy . . . . . Pages 2 - 6**

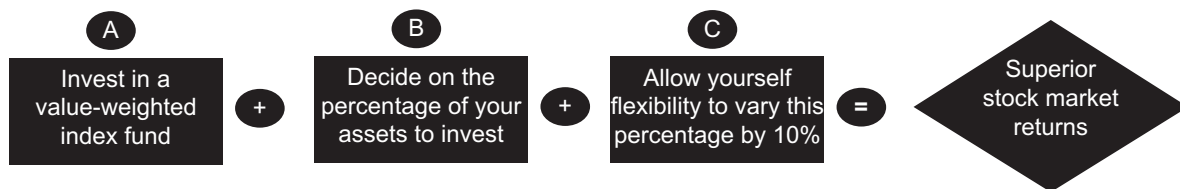
Making money over the long haul by investing in the stock market isn't exactly rocket science. In fact, if you understand seven basic assumptions, you're ready to put the Big Secret Investment Strategy to work. The seven factual assumptions you need to understand are:

- Seven assumptions about stock market investment

- 1 The markets are full of intelligent, knowledgeable people
  - 2 The key to investing is obvious --- Figure out value and pay less
  - 3 Understand the five methodologies used to value a business
  - 4 Make purchase decisions with your brain, not with your heart
  - 5 Watch for legitimate (and legal) ways to gain an edge
  - 6 Never forget small investors have the edge over institutions
  - 7 Learn about the four types of index funds you can use

**2. The Big Secret Investment Strategy . . . . . Pages 7 - 8**

Once you understand the seven assumptions, you're in position to take full advantage of the Big Secret Investment Strategy. This strategy has three conceptual building blocks:



*"For years individual investors have asked me how they should go about investing their savings in the stock market. After all, I'm a longtime business school professor and institutional money manager, and they figure I should know. Yet for years I haven't had a good answer. You see, Wall Street isn't very kind to small investors. While it's true that individual investors have many options, for one reason or another (and usually for one reason and another) most choices aren't very good. Well, with The Big Secret for the Small Investor, I finally have what I think is a good answer to that very important question. And it's an answer that should work well for investors both big and small."*

– Joel Greenblatt

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