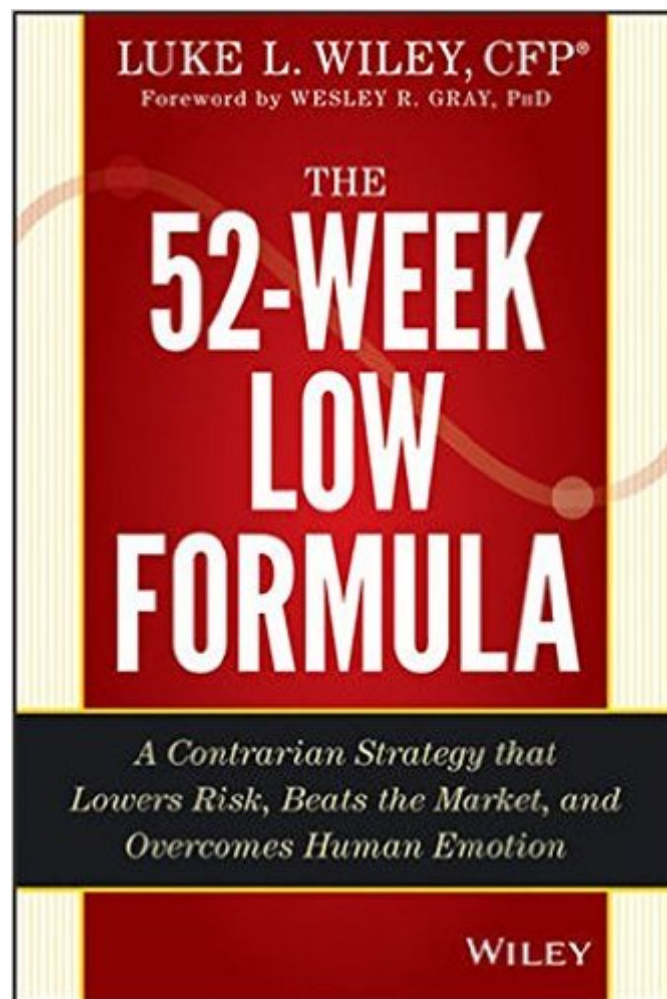


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The 52-Week Low Formula: A Contrarian Strategy That Lowers Risk, Beats The Market, And Overcomes Human Emotion



Synopsis

A new but timeless strategy and mindset that should greatly help investors lower downside risk while achieving market outperformance In *The 52-Week Low Formula: A Contrarian Strategy that Lowers Risk, Beats the Market, and Overcomes Human Emotion*, wealth manager Luke L. Wiley, CFP examines the principles behind selecting the outstanding companies and great investment opportunities that are being overlooked. Along the way, Wiley offers a melding of the strategies used by such investment giants as Warren Buffett, Howard Marks, Michael Porter, Seth Klarman, and Pat Dorsey. His proven formula helps investors get the upper hand by identifying solid companies that are poised for growth but have fallen out of the spotlight. Shows you how to investigate companies and identify opportunities Includes detailed discussions of competitive advantage, purchase value, return on invested capital, and debt levels Presents several case studies to examine companies that have overcome obstacles by trading around their 52-week lows

Â The 52-Week Low Formula is a must-read for investors and financial advisors who want to break through conventional strategies and avoid common mistakes.

Book Information

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Customer Reviews

I was a hedge fund manager for years, before that a pit trader on the CBOE. Now I am retired and trade my own account. Over the years, I have accumulated a large library of investment books, and I am always on the lookout for new ideas that are clearly presented and can hold up against intense scrutiny. While not exactly "new", *The 52-Week Low Formula* is rock solid in presenting and defending its thesis, which is to buy fundamentally solid stocks that are temporarily out of favor. The

comparisons would be the Dogs of the Dow strategy (much too limited, and without the proper filters), and Joel Greenblatt's Magic Formula (probably the closest comparison). Where Greenblatt's strategy is basically a two-factor model, Luke Wiley uses a five-factor strategy. One of the factors isn't really a quantitative factor at all--the company should have a sustainable competitive advantage or what Buffett calls "a moat." The investor needs to do an intuitive screening here--it's really a yes or no filter. I suppose one could use Morningstar's determination of whether the stock has a moat (it can be screened for), but I don't think that's necessary. There are several good books on what it takes for a company to have a sustainable competitive advantage--Morningstar's *Why Moats Matter*, by Heather Brilliant and Elizabeth Collins, is one, but if you really want the bible, read *Competition Demystified* by Bruce Greenwald and Judd Kahn. The other filters Wiley uses are quantitative and look into the company's profitability and financial health (primarily free cash flow and debt). And then, of course, there is the price. At or near its 52-week-low. The good news is that every company trades at its 52-week-low at least once a year.

I usually don't like reviewing books that say, "Follow this formula, and you will make lotsa money. Thus it was with some hesitance that I requested this book. I did it partly off of Tweedy, Browne's study, which is aptly titled, "What Has Worked in Investing." • For those reading at , Google "Tweedy Browne What has Worked" • for the link. Stocks that hit new 52-week lows on average are ready to rebound. So why don't people buy them? Are you kidding? Look at that chart! Do you really want to catch a falling knife?! You want to throw good money after bad!? Why do you want to buy that dog, anyway? Shhh. The competition is gone. There are no friends of failure. But made some companies get unfairly tarred as losers, when it is simply a good company that made a few mistakes. That is the idea behind this book. Analyze companies from which most market players have fled. Look for those with the following characteristics: They must have a durable competitive advantage. They must have a strong free cash flow yield. They must have a return on invested capital that exceeds the cost of that capital. They must not have too much debt relative to free cash flow. I Had Troubles Getting to Solla Sollew But here's the big problem, and advantage, of the book. He does not give you the "secret sauce." • He gives you the principles. Indeed he can't give a formula, because many of his criteria don't admit an easy formula. You can't calculate free cash flow from looking at GAAP accounting • you would need to know what portion of capital expenditure is to maintain existing assets, and that is nowhere disclosed.

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