

ADVFN Guide: 101 Ways to Pick Stock Market Winners

by Clem Chambers

Sample Tip: Know Your Company

You can definitely invest in a company and know bugger all about what it does. Many investors will be quite smug in this fact. This is because in a Bull market even a chimp throwing poo at the FT to make its share selections will make money. Nevertheless, it can't hurt to know what the company you are investing in does.

You can actually know a company better than the City if you so choose. How many highly paid fund managers go into a cheap furniture enterprise or drop in to drink at the out of town locations of a pub chain?

You might actually do business with a company and know whether its business is booming or slumping. You are assured to have a much better view on the company than any Oxford grad climbing the slippery pole in some brokerage in the Square Mile.

A chartist will say everyone's opinions are already in the share's chart, so you don't need to know if the CEO is bonkers or a genius, or whether its business is suddenly booming or not, because the market knows all.

This could be right, it may well be right for a BP or Vodafone company, but outside of the top 500 companies, the City is pretty much lost for a clear view of what is going on. The City will tell you with a curl of the lip that anything under £500,000,000 in value is a small company.

This is great news, because while they go off to lunch you can get to know these small companies in detail and get to spot the ones about to rise above the myopic radar of the City.

Remember: the market pays you to make it efficient. Getting to know companies, particularly smaller ones is a place it will pay you to help it.

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Published by ADVFN Books

ADVFN BOOKS

Available for the Amazon **kindle**.