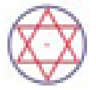
Empower India Movement

Investing in Winning High Tech Stocks

David Cameron

A Positive Publication of
Empower India Movement

Empower India Movement



Investing In Winning High-Tech Stocks Using Spirit-Matter Fundamentals

David Cameron

A Postive Publication of

Empower India Movement

Introduction

What this book is

This book will show you all you need to know to find and profitably invest in the next

Microsoft. It will show you how to find such winning and dominant businesses way before everyone else does. It will show you how to act as an investor. It will show you how to keep things simple. It will show you all this by example. It will show you why certain high tech stocks win based on the fundamentals of Logic, Matter and most importantly Spirit. Finally, it will show you in a simple, step-by-step, yet highly effective manner. It is a book written for novices and professionals – anyone can understand it quickly and easily.

What this book isn't

It is not a complicated book. It isn't a study of the stock market. It will not dwell into any complicated and confusing formulas. It is not a technical book. High-tech investing is very simple, and you do not need anything complicated to get into it, as you will soon see. High-tech markets are chaotic on the short term. This book is not chaotic; it raises you above that confusion and chaos in a most simple yet effective way.

Why read this book

We are in an exciting time. Fortunes are being built at ever-increasing rates. The average person, you and I, can now create wealth if we choose to, in an unprecedented short time. In this book, you learn how to create such wealth through the biggest and fastest industry of all time: the high-tech industry. You can truly be a millionaire through high-tech stocks, no matter who you are today. Welcome to winning high-tech investments, the easy and effective way !

Part 1

Stock Selection Through Fundamentals Of Matter

Overview: The Big Picture In A Nutshell

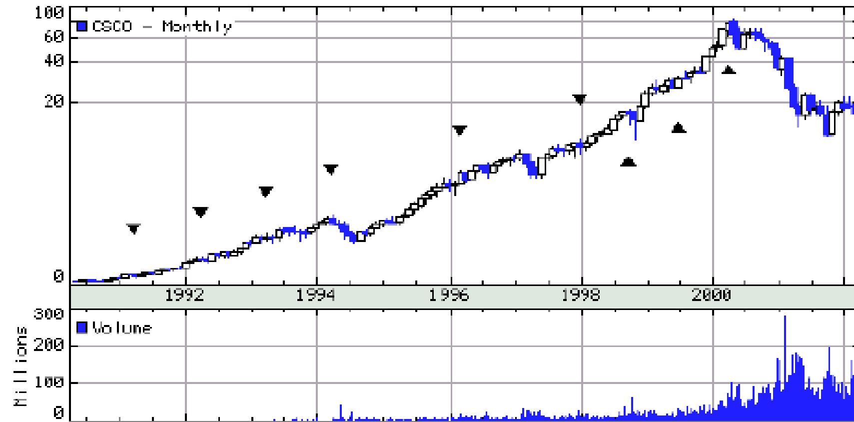
Wall Street is the only place that people ride to in a Rolls Royce to get advice from those who take the subway.

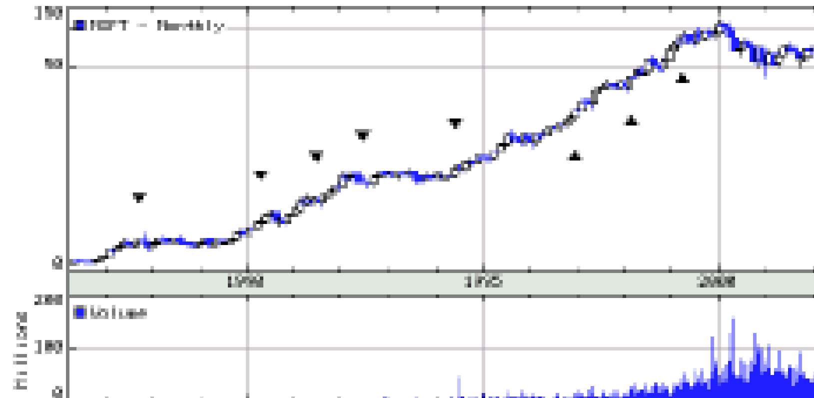
Those are the words of Warren Buffet, arguably one of the most successful investors ever. You are about to begin a journey that will show you how easy it is to find great investments yourself and invest in them. You will also learn to ignore most of the worthless and harmful noise you hear from and about the stock market. The truth is, you can be your own best investment advisor, giving yourself far better investment advice than anyone else can. Just like Warren. Once you learn the simple rules and strategy in this book, you will be able to select and manage your investments far better than anyone else can for you. The stock market can be extremely simple to understand, work with, and profit through. Generally, the simpler you make it, the easier, less risky, and more profitable it becomes. You will learn very simple lessons that will empower you to become a sophisticated investor in a matter of days. And like Warren Buffet, you will learn to ignore most of the stuff your hear from brokers, the market, your neighbor with a hot stock tip, the state of the economy, and all those countless and confusing numbers, formulas and statistics. You will start focusing only on a few simple things that matter. Like him, your wealth will surely grow.

Absolutely anybody can make substantial wealth on the stock market with very little effort and education, taking action as little as four times a year. You will learn how to do that by buying into the fastest growing companies of all time: good high-tech companies.

The Wealth Creation Possibilities Available To You

Over last two centuries, stocks have proved to be excellent long-term investments. However, nothing so far has been as good as the returns offered by high-tech companies. These high-tech companies are referred to as the New Economy companies. In the last decade, over 200 stocks rose by 1,000% or more. Several of them grew by over 20,000%! Look at these price and volume charts:





Source : Yahoo! Finance

For example, a $10,000 investment in Cisco shares at the beginning of 1990 would have grown to about $6,800,000 towards the end of the decade. That is over $6 million! You would have made that much just by putting in $10,000 once and waiting. How simple is that ?

Well, it gets better. The New Economy has made more millionaires and billionaires in a shorter period than anything else has ever. The New Economy made up about 20 percent of the U. S. economy in 1999, but accounted for about half its profits. According to the University of Texas Center for Research in Electronic Commerce, the Internet economy has taken just five years to rival the airline and telecom industries. Picking the next high-tech winners is not as difficult or elusive as it may appear to be. Many have done it before using a variety of ways, some easy and some complex, and they have profited greatly from that. This book and its companion site www. ImagesOfOne. com and other products will tech you, step-by-step, exactly how to do that in a relatively easy manner.

You do not need to be a financial wizard or a technology geek to invest in high-tech winners and profit from them immensely. Anyone can do it. All you need is a desire to do so, at least $2,000 to start with, and a couple of spare hours a week or less. If you do not have $2,000 right now, start putting some money aside until you do. Learn to take out a percentage of your paycheck immediately after you get it, before spending any money or paying any bills. Invest 10% of your income or maybe more if you earn a high income. Eventually, you will learn to live without that 10%.

By learning to intelligently find and invest in the next Microsoft, Cisco, Intel or Oracle using an easy but disciplined methodology, you not only eliminate speculation and reduce your risks, but you also guarantee yourself a staggering increase in your wealth.

Why High-Tech Creates Wealth Fast and Why This Will Get Even Better

High-tech companies have created more wealth faster, for higher percentages of their investors and workers, than any other industry in history. In the past, it would have taken generations to achieve billionaire status. It can now take a few years. In the past, the employees of a company would never dream of getting rich from the company they work for. Now high-tech companies are creating

millionaires out of their employees seemingly overnight. Investors would previously wait for decades to truly become super-wealthy from investing in companies. Now, it is not unheard of for a million dollars to turn into a billion in a few years. Forbes 14th annual list of world billionaires shows that there is a surge in wealth creation all across the world. Additionally, people are getting richer earlier than ever. The good news is that this wealth machine, available to you and everyone else, is not only here to stay but it will only get better. Here are some facts that should make you smile:

Revolutions make things happen faster

Ever since the agrarian revolution, wealth has been growing faster and faster. In 1800, very few people had stone houses and any significant material wealth. At that time, to end up with anything significant to your name, you would have had to work very hard for several generations and fight a few battles to get one small house and a piece of land. Then came the agrarian revolution, and people found it easier to own land and therefore wealth. That was followed by the industrial revolution, which saw the launch of several comforts and even faster rates of gaining wealth for everyone. Now the average Joe had a chance, too, to gain wealth through industry. The information revolutions came next, and people are now able to make wealth from anything. Even sports and acting, professions that previously would not get you any wealth, now result in wealth. People can now start businesses on their own at home and succeed wildly. Moreover, as you will see later, this is only the beginning. To wrap this up, while in the past it was inconceivable for the average person to live in a stone house, it is now the norm; you do not eve n think about it, you just know it will happen. Not only has wealth creation increased, it is becoming more of a standard, faster and easier. In addition, the individual is gaining more power than was ever available in the past, all because of technology. Yes, we will continue to see people making untold fortunes faster and faster, not slower. History says so, and increasing abilities make it so.

Transaction and information transfer rates

Transaction and information transfer rates also have a significant effect on wealth increase. Imagine the time when a trader had to walk for half a day to the market, sell one cow, then walk back

half a day home. Next came trucks, and farmers could drive several cows to the market in be back home early enough to do another trip. Then came futures and options exchanges, which enabled people to buy and sell thousands of livestock futures and options in seconds without having to get up or move a single cow! This dramatic increase in transaction and information transfer speed is still going on, ever faster with every passing year. New exchanges are being built globally. People are being connected via the Internet and through simple tools such as instant messengers, email, and mobile phones. The basic rule is that the faster transactions and information is exchanged, the faster money changes hands, and therefore the faster goods and services are moved and wealth is created. The Internet is still in its infancy. The true power to connect people has not even begun to be realized. The building block behind all this is technology, which is why it is the fastest growing industry worldwide.

High-tech also makes markets bigger

High-tech also makes markets bigger. There was a time a small business could only reach customers within its neighborhood. Today, through the web, it can reach the world and grow at an unprecedented rate. Markets are getting bigger. The reach a business has is getting bigger. Which means growth will only get faster. We have never had a situation like this in the past.

Volatility does not mean the end

The 2000 technology stock crash has made some people skeptical of high-tech industries. That was merely a correction, something that must happen in every industry, not just high-tech. In high-tech, the corrections can be more violent, but that’s normal. Amerindo Investments Advisors’ Alberto Vilar in the July 3, 2000, edition of Forbes Global says, ”We’re on the verge of the biggest deployment of technology in 40 years and the biggest structural change in the economy in 50 to 70 years”. He also notes that the Hambrecht & Quist index, which carries plenty of Internet stocks, tends to move in two-and-a-half year cycles, moving up 200% then down 30% on average. Such volatility is to be expected. What you should be more focused on is the fact that when they move up, they move up better than any other sector, and for good reason. This volatility should not concern you as a long-term investor. You will soon see how both the up and down times will be of great benefit to you.

The Best High-Tech Industries and Companies To Invest In : Who They Are And How They Behave

A lot can be said about the high-tech industry. However, for our purposes here, all you need to know are the following:

When old systems give way to new systems

Every so often, old systems give way to new systems. There is often a lot of resistance to this change but once it happens it happens very rapidly. This rapid change causes very rapid growth in the industries that enable this change and the companies in those industries. Whenever possible you should try to invest in industries that are in these hypergrowth periods. Companies in these industries often show revenue and earnings growth as high as 40 percent from one quarter to the next. A quarter is one quarter of a year (three months). All public companies report their performance once a quarter, and a lot of analysis and other stock market reporting are done quarterly also. Now, when old systems give way to new systems, one vendor's products typically emerge as the ind ustry standard. This has to happen for the change over to actually complete, for without standardization there is chaos and no progress. In the past, companies such as Microsoft, Cisco, and Oracle have become industry standards. Those that become industry standards would end up dominating very profitably for many years to come until new systems take over yet again.

Rajiv Chaudhri, the portfolio manager of the Digital Century Fund, said in a recent article "When the dust settles in any information technology based industry, there will be one company with 60 to 70 percent of the market share and the bulk of profits and valuation in that segment. The number two guy will have a 20 percent share".

We shall be looking at how to pick these kind of companies early enough to profit from them.

Fluctuations in stock prices are the norm

Be prepared to see the stocks of high-tech companies fluctuate wildly. That is the nature of these markets. That does not mean that you should be afraid of them or avoid investing in them. All it means is that you should be prepared to buy a stock today at a

certain price and tomorrow see its price drop dramatically. It should not worry you as long as you do not sell. Remember, you never have to sell, so you never have to take the loss. For it will certainly rise in future, if you chose the stock well. All good stocks rise dramatically on the long-term, regardless of short-term drops.

Traditional investment analysis unsuitable for high-tech stocks

Traditional investment analysis often fails when it comes to the valuation of high-tech companies. For example, you often find that the dominant company in any high-tech industry, because it holds the industry standard and therefore continues to hold a dominant position for many years to come, will have a market share and P/E ratio that in no way resembles its competitors. Traditional investment analysis might call its shares too expensive to buy. In reality, that is the only stock that you should buy into because on the long haul its position as an industry standard will create wealth that cannot be forecasted today. If you look at Microsoft for example, or Cisco, there was a time when analysts called its stock excessively expensive to be purchased. But because the market simply had to focus most of its money into these dominant companies as they were highly profitable and had remarkable and consistent growth rates that were fairly secured, their valuation just kept going higher and higher. Those investors that bought back in the days when everyone else considered them too expensive are now the wealthy today. This trend will continue.

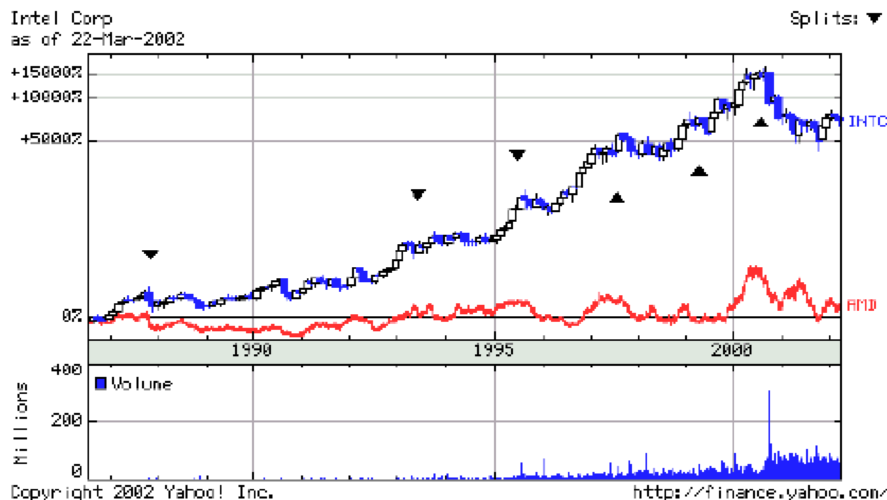
Avoid most traditional investment analysis for high-tech stocks. It was formulated in the industrial era many decades ago. This is the information era where the rules and processes and many other things are very different. Traditional investment analysis was formulated in and after the 1930s. At that time, tangible assets such as buildings and factories were the foundation of valuation. Today intangible assets such as protocols, technology, software and skills are the most important. No good formulas exist yet to value these accurately.

Another reason why traditional analysis does not work is that it is based on scarcity. When you sell oil, metal, or cars, you no longer ha ve what you sold. In other words, you have scarce resources that diminish as you sell them. Technology does not diminish as you sell it; in fact, it grows as you sell it. When you sell information, for example, you do not lose it or have less of it (think of an MP3

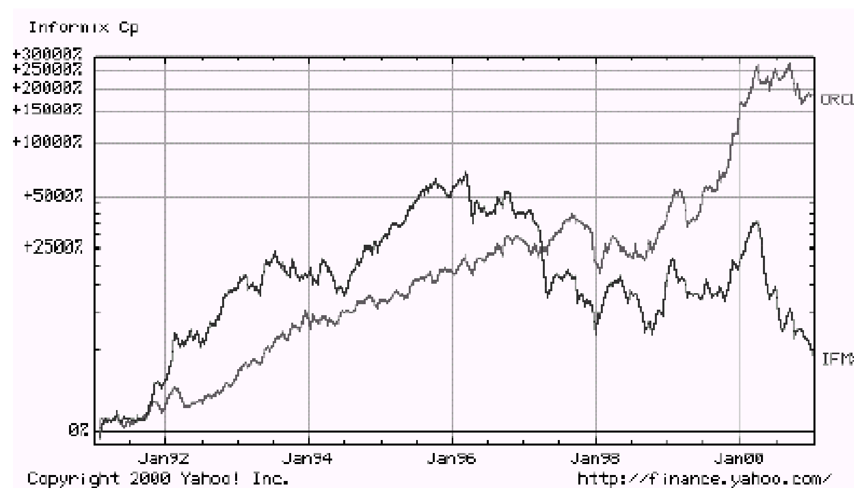
track download, web page, online magazine, or data transmission). Today, there are no systematic ways of valuing these intangibles and business models. They may be formulated in future, but they do not exist today. In their absence, some people try to use the traditional financial formulas, most of which do not work well at all on high-tech companies. Traditional analysis is still relevant, very much so, but only for traditional businesses.

Great high-tech businesses are unlike any other business

Great high-tech businesses, the types you will soon learn to identify, consistently earn high rates of return and are often a bargain long-term buys even at prices that seem to be very high. They enjoy almost monopoly status that increases over time due to their status as owners of protocols and architectures that are the industry standard. Because the market often values companies relative to other companies in the same industry, it has a tendency to initially undervalue these top high-tech businesses and overvalue the rest, making them all roughly equal in price. When the leader finally separates from the pack and the market realizes this (although it never fully and accurately does), the leader will shoot up in price. In the early stages of an industry's growth, you can almost be pretty sure you would be getting a great deal on its leading company's stock no matter what it's price would be. Have a look at the following chart with two competing companies together:



Intel vs. AMD. Source: Yahoo! Finance



Oracle vs. Informix. Source: Yahoo! Finance

Simple Rules to Invest By

Everything in the universe that produces predictable results has rules by which it operates by to get that predictability. You need predictability when you invest so that you can be confident that your investments will result in high profits and wealth accumulation. Hence, you need rules by which you invest. The most important thing to understand at this point is that the market will always offer you a price for your stocks, or stocks for your money. You do not have to take any of those two. Sometimes you will get into situations when you think that you have the opportunity to make a large profit. Or you may feel that your stocks are loosing too much money and you are tempted to sell and cut your loses. Read this aloud several times: *you should never act on anything else other than your rules and your pre-determined strategy!* No matter how bad your emotions take a hold of you, or how wild the markets act, if it is not right by your rules and predetermined strategy, you should do absolutely nothing! Failure to do this will turn you into a speculator, and very few speculators ever create wealth and profits on the long term. To create wealth and profits on the long term, these are the simple few rules you need to live by:

Aim to invest in as few companies as possible

Aim to invest in as few companies as possible. This will focus you on the winners if you apply the strategy, and minimize your risks

and maximize your gains. Many investors believe in investing in many companies to spread their risk, a strategy Warren Buffet and many other highly successful investors never use. Think about it. If yo u had just $10,000 to invest, why would you spread it into 100 different companies instead of putting it all into Microsoft, Oracle, and Cisco, the companies that beat everyone else hands down? Spreading it would give you measly returns compared to focusing it on these winners. High-tech winners grow at outstanding rates, faster than any other companies, for reasons you will see later.

Listen only to the strategy

Understand the simple strategy in this book. Use it in all your decisions to buy and sell. It will help you understand the industry and the companies in a very easy manner, which is the single most important thing you can do to buy high-tech winners. Do not listen to the market. Listen to your strategy.

Never speculate or trade for the short-term

Never speculate. Never act on a hunch, rumors, tips, or anything else other than your pre-defined rules and strategy. Generally, such actions, especially speculation and short term trading, have hardly ever created the world's wealthiest people, and only a small percentage of people ever get rich on the long term through these ways. Speculation is tempting, because it promises huge short-term gains, but the reality is that this promise hardly ever delivers, and almost never does so for the long haul. On the other hand, long-term strategic investments have made most of such investors wealthy; some of them even become the world's wealthiest people. Granted, you will miss many short-term profit opportunities if you do not speculate. However, always remember that in history long-term investment strategies have always outperformed short-term investment strategies. In addition, you are statistically more likely to lose on the stock market the shorter you hold your investments. Do not day trade, speculate or short-term trade.

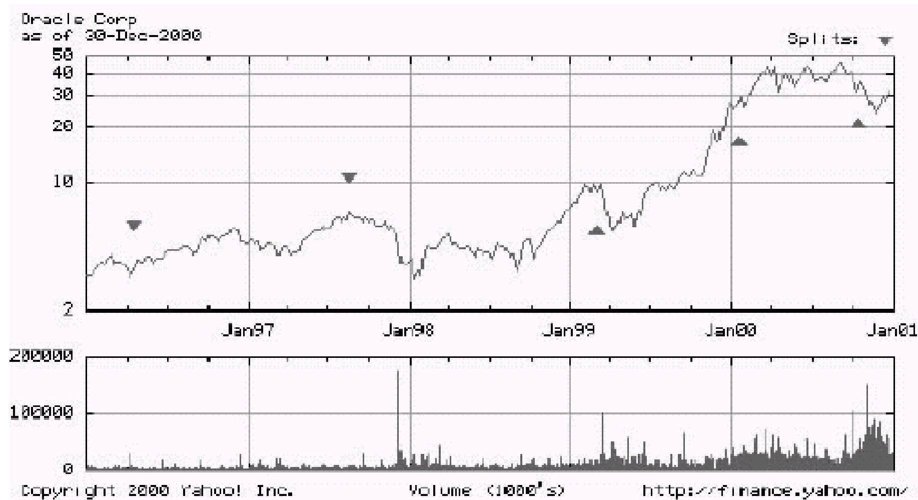
Patience pays

For any buying or selling decision, be very patient! This is a long-term investment strategy and waiting a little would not harm you significantly. Making hasty decisions can harm you very much

though. Something in the market may happen today that gets everyone in frenzy and you all worried about your positions. This is normal in the high-tech world, and you will soon discover that some seemingly very important news can turn out to be insignificant a few weeks or months later. Therefore, before deciding to buy or sell based on some news, it is a good idea to first wait a couple of months or more to see what happens. On a long-term scale, especially if you have been in a habit of doing good research, as you will soon see how to, waiting a few months won't harm you significantly; it will usually save you more often than not.

Look at the charts below. It shows Oracle moving in price from about $31 a share to about $25 three days later, and back up to $32 two days later. In the last one year, it has fluctuated between $21 and $46. In the last 5 years, it has fluctuated between $3 and $46 a share. Yet it still is considered a great stock to own by most people, especially if you had bought into it earlier, say a few years ago. It has made many people wealthy, too. However, if you tried to time the market, react to its every move, and get cold feet every time some news is announced, you would most likely have missed on all that wealth.

5-day chart. Source: Yahoo! Finance



5-year chart. Source: Yahoo! Finance

Be wary of IPOs

An initial public offering (IPO) refers to the first time a company issues stock and places it on the stock exchange. IPOs usually create a lot of excitement. You might be tempted to buy into one because of the idea that yo u will make a lot of money when the rest of the world catches on. You should generally avoid IPOs, but watch them anyway. As you will see later, our strategy requires analysis of historical public financial records before you make a buying decision. It isn't much analysis work; in fact, it is very simple. Nevertheless, it is still necessary. Companies making an initial public offering do not have significant and reliable historical data available. Only public companies are required by law to give complete financial records to the public. That means you cannot make as intelligent a decision on buying into IPOs as you would with companies that have been listed on the stock exchange for at least several quarters. Additionally, IPOs as a group have statistically had poor returns compared to other listed companies, despite the common belief that they are high profit making opportunities. Except for large institutional investors with short-term trading periods and access to IPOs at their offer price, individual investors usually either lose money on them or lose the opportunity to have invested in a better, more established company. Various studies have shown that IPOs typically under perform the market by as much as 50% below comparable companies over a three to five year period.

When you become large enough as an investor, and develop a special relationship with a broker who can get you into IPOs at offer price, you may start thinking about investing in IPOs. In the meantime, do not invest in them as soon as they are issued, but definitely start watching them if they are in the industry you are tracking. After they have been on the stock exchange for two, preferably three quarters, you may invest in them if they pass your analysis. When it comes to buying into an IPO, it is very important that you read the prospectus very carefully, paying more attention on what risk factors are listed. Pay careful attention to who the managers, venture capitalists, and underwriters supporting it are. All that is in the prospectus, which is available free on the company's web site, and the SEC filings available free at FreeEDGAR. com and Edgaronline. com. The best IPOs so far have been underwritten by BancBoston Robert Stephens, CS First Boston, Hambrecht & Quist, and B. T. Alex Brown. The management should be composed primarily of executives with a long record of accomplishment. The venture capitalists listed should include names such as Sequoia Capital, Hummer Winblad, Mohr Davidow, Benchmark Capital, Kleiner Perkins, and Benchmark Capital. If it all looks good, call your broker and ask them whether you could possibly be allotted some shares at the issue price or close to it. If you don't get a chance to buy at that low price and they finally hit the market, usually at a much higher price, wait a while. Most IPOs shoot up in price on issue, come back down dramatically a week to a few months later, then move on up again if the company is good. So wait for the price to come down, re-do your analysis relative to all the other shares you wish to hold in that industry, and then buy if it is a good idea.

Use Dollar Cost Averaging

Trying to time the market is usually a very bad idea. Do not try to hold money so that you can buy at "just the right time", hoping for better conditions. Even the best investors such as Warren Buffet and Peter Lynch advise against market timing. They themselves cannot do it. The best thing to do is invest a certain amount of money at set time intervals, such as every month or whenever you get your paycheck. This is also known as Dollar Cost Averaging. The best way to do it is to deduct a percentage of your paycheck as soon as you get it and buy stocks with it immediately. A good percentage would be about 10% of your paycheck. This approach

ensures that you will not put all your money at one go into stocks during a time when stocks are overpriced, only to see your entire investment fall later. It also ensures that you keep buying stocks when the prices fall down, guaranteeing that you will buying low and to sell high one day in future. In addition, it ensures that you averaged out the few stocks that you'll buy at overpriced prices because you will also have a chance to buy some at very good prices when the market is down. That is why it is called Dollar Cost Averaging. It automatically averages the price you bought your stocks at to a level that is acceptable and keeps you away from mistakes you can make when you try market timing.

The most important thing to remember about dollar cost averaging is that you must consistently put money into your stocks. You do not stop when prices fall or when prices rise. You do not try to time the market. You just faithfully and consistently put money on a regular basis regardless of what the market is doing. So, whenever you think about buying stocks, think about doing it using Dollar Cost Averaging.

Before we wrap up on Dollar Cost Averaging, it is important to remember one important thing. Dollar Cost Averaging works great, but it only works if you use it consistently, no matter what the market is doing. Even when the market is going through a downturn, with values dropping rapidly and everyone selling, you should go on buying as planned. When everyone else is selling in panic and complaining, you should faithfully go on buying as usual, as if nothing happened. This is your opportunity to get more shares for your money, and get them very cheap. Hard market times will also weed out weaker companies, leaving only the strong ones standing, ready to come back with fewer competitors when the market rebounds. Additionally, when the market rebounds, and it historically always rebounds over the long term to even greater heights than it was at before the fall, you will see the fruits of your faithful buying! What about when the market seems overpriced? Do you still buy? Yes. Remember, you only think the shares are overpriced, you do not know for sure. Over the long term, and you are a long-term investor, it will go even higher. Anyway, the shares you buy at bad times will average out the price you pay for shares in overpriced times, putting you ahead of everyone else. Never try to time the market, simply buy regularly and consistently no matter what the market is doing.

Let's try it hypothetically. I will simplify this just for illustration purposes. Say you wanted to buy Cisco shares. Assume also that you usually buy shares worth $1,000 at a time. At its low ($ 21 a share), you would have bought $1,000/$ 21 = 47 shares. At its high ($ 46 a share), you would have bought $1,000/$ 46 = 21 shares. That adds up to 68 shares for $2,000, which equates to about $29 a share ($ 2,000/ 68). That is a lot better than trying to time the market, only to spend all $2,000 at a time when the market is higher than $29. Mathematically and statistically, Dollar Cost Averaging is one of the most sophisticated investment techniques available, no matter how boring or silly it may sound.

Pay your self first

This is probably the most important rule. What it means is that before you pay your bills, taxes, mortgage payments, credit cards, or anything else, put 10% or more into your stocks. Initially, this may be hard to do. You already have a structure of expenses that most likely wipe out your total paycheck when you are done with it. If you do not break this habit and start paying yourself first, you will very likely never be able to accumulate wealth. Start paying yourself first. As soon as you get your paycheck, take 10% of it and put it into your stocks. Then pay your bills. At first, you may run short of money to pay your bills after you pay yourself first. Regardless, pay yourself first. Your creditors may start screaming when you are late on a payment because you paid yourself first. The taxman may start screaming, but pay yourself first. Even your accountant may tell you that you should first pay your bills. Don't listen. Don't cave into the pressure. Use the pressure to make you more financially creative, to find ways to make more money to cover those bills after you have paid yourself, and to adjust your expense structure. Eventually, it will become habitual and you will find it easy to pay yourself first. Your lifestyle and bills will re-adjust so that it is no longer hard to pay yourself first.

This is how you start to attain financial freedom. By paying yourself first you ensure that for every paycheck you have a percentage of it that goes into your stocks and grows forever, working diligently for you. That is money working for you instead of you working for the money. Part of every paycheck that you get should go into working back for you forever. Don't be like most people who have their entire paycheck going off to other people's pockets. By the way, even paying off a mortgage is paying other people, not

yourself. A house under mortgage is actually the bank's asset and your liability. Before you even pay your mortgage, pay yourself first and put money into stocks, for they are fully your assets and no one else's. Remember, that the 10% you are paying yourself first with is not a savings pool that you can dip into every now and then to cover your expenses. Never do that. Doing so is simply destroying the hard work you have put in to get it there in the first place. Again, it is not a savings pool to dip into every now and then to cover your expenses. You may dip into it to buy other assets and investments, but not to pay off your credit card, taxes or bills. If you want to know more about the habits and ways that make people financially independent, go get yourself a copy of the books *A Happy Pocket Full of Money* by David Cameron Gikandi and *Rich Dad, Poor Dad* by Robert Kiyosaki. They are excellent books.

Use the greatest mathematical discovery of all time

Albert Einstein once said that the greatest mathematical discovery of all time is compound interest. Compound interest and time increases your investment at an ever-increasing rate, faster and faster as time goes by. By putting in an amount of money regularly into your investment account over time, you will be building for yourself one of the most powerful wealth creation machines available. You would be pleasantly surprised to know that a single dollar placed into an investment that grows at 20% a year will become $1 million in 75 years. That is just one dollar! All you would need to do is leave it alone, go away, go to sleep for 75 years, just leave it alone. When you return it will be $1 million without any effort from you, other than your placing that single dollar at the beginning! Now, if instead you put in a dollar every day into the same 20% a year growth investment, you would end up with $1 million in 32 years instead of 75. In fact, a dollar a 20 day would become $1 billion in 66 years. A higher interest rate would dramatically shorten that time. The good news is that good high-tech investments grow at rates way higher than 20%, which means you will make your wealth in way shorter time. In the last decade, over 200 stocks rose by 1000% or more. Several grew by over 20,000%! The coming years promise even better returns that the past has ever provided.

What all this teaches you is one simple lesson, which may sound boring, but it does work perfectly. The lesson is: time works wonders on money that is invested. Start investing now, not later.

Invest for the long haul – when you buy shares be prepared to hold them for about 3 years, for any less than that and you will have destroyed the power of compound interest. Consistently put money into your investment account. Do this every week or every month, whichever is more convenient, for the rest of your life. The more money you can put in the faster you will get wealthy, but even a small amount of money is still very powerful, as you saw with the dollar example. Ideally, it is recommended that you put in 10% of your weekly paycheck, doing so as soon as you are paid so that you do not spend the money. If you earn a lot of money, you may place more than 10% of course. Whatever amount of money you earn, it may be hard to do this at first but you will soon learn to live well without the 10%. Generally, people spend what they have, and once you start not having the 10% at your disposal, because it is in the stock market, you will soon learn not to miss spending it.

Avoid Stock Options

Don't buy stock options. With stock options, time works against you instead of for you. It's a simple rule.

Avoid buying on margin

Avoid buying on margin. Buying on margin is buying on credit backed by your portfolio. When you buy on margin and the market drops, you will be forced to pay back the margin or sell your stocks to cover the margin. If you don't have the cash to cover the margin, having your stocks sold to cover it means you are being forced to take a loss, a large one usually. Therefore, unless you are well off enough to pay for margin calls in cash if you have to, do not buy on margin.

Learn the fears so that they no longer have a hold on you

In stock markets, more than in most other fields, fear is rampant. Fear rules the market. Many investors are fearful. But you never have to be fearful. In fact, never fear.

One of the most common fears is what is called buyer's remorse (it is so common, it actually has a name!). When you buy shares, you may start feeling as if you made an error in judgment, especially if the stock you bought has just gone down, or the one you didn't

has just gone up. It works the other way, too. You may avoid selling a stock that has just gone down to avoid the regret of having made a loss or to avoid having to tell your friends you made a loss. It may also make you want to go with the crowd, because when you go with the crowd you find it easier to rationalize your remorse or your loss or your buying decision (you just say everyone else did it).

The other fear is called loss aversion. People are willing to take more risks to avoid losses than to realize gains. When faced with a sure gain, most people are still risk averse, but when faced with sure loss they become risk-takers, trying to avoid that loss. It makes more sense to take the risk to get the sure gain, and be risk averse and get rid of the loss, doesn't it? That is not what most people do, however. That is another reason why people set a higher price on things they own than they would be prepared to pay to acquire it. As you can see, it's all very silly when you read it. It seems illogical. Beware of it, though, so that when it's your turn, you don't get into the same trap.

Another result of fear, but not a fear in itself, is anchoring. Because the future is unknown, people tend to anchor on to the present, giving too much weight on the present. They disregard the past, and make projections into the future that are at odds with probabilities and long run averages. Often, even when a stock is definitely a great buy, the market will under-price it because it feels safer putting it at a price zone that isn't too far away from what it's competitors are priced at. If you look at some of today's top performing stocks such as Microsoft, Cisco, and Oracle, people all along always said they were too expensive and should not be bought. They said that because they compared them with other companies in the present time and feared that too much of a divergence was, well, not comfortable! Nevertheless, their price just went higher year after year. So what price should you pay? Don't worry about that, you will soon see how and when to buy. The point is, recognize that the anchoring phenomenon exists, and know it is human nature, and know that you don't have to follow the cries of the market, for it is an anchored cry.

Finally, there is over-and under-reaction. People get too confident when good news is around the market, and get too pessimistic when they hear bad news. They over-react and under-react, putting too much significance on a small piece of current news, ignoring

facts, other data, and history. That is why prices fall too much when there is bad news, and rise too much on good news. Again, don't worry about this and its effect on prices. With the strategy you are about to learn, this should not concern you. Moreover, don't react to it or try to time markets based on it. Just be aware that it happens.

Your Pre-Determined Simple Strategy

You need to have a strategy before you start trading. By having one before you are emotionally attached to any stocks that you own or don't own, you will be using logic and facts to predetermine your future decisions. That is how you ensure profitability and wealth and, most importantly, prevent yourself from making bad decisions. Again, repeat this aloud several times: *you should never act on anything else other than your rules and your pre-determined strategy!* The rest of this book will show you the strategy to follow. Each of the steps in the strategy is easily determined and executed. In summary, all you will need to do is find the right high-tech industries to invest in. Then find the top three to four leading companies in those industries and buy into them. When the time is right you narrow your holding down to the leader in each industry, and hold that leader until it is time to sell (usually after very many years if you pick well).

You may have noticed by now that this is a long-term investment strategy whereby you will hold most of your stocks for one to three or more years before selling them. When the dominant company emerges, the leader in the industry, it is held for much longer than that. Contrary to what many people believe, long term investments not only reduce your risks greatly and eliminate cyclic losses, but they also result in the highest profitability and wealth. A quick look at the profiles of the most successful investors on the Forbes ric hest people list will prove that to you. In any case, if you really need to use the money when it is tied up in stocks you can always borrow against it in a variety of ways, as you will see later.

The Most Important Lessons So Far

Lesson 1: You should never act on anything else other than your rules and your pre-determined strategy!

This is what will get you the winners and save you from losing your money or your mind. Remember, there are many times when the entire stock market, or even the economy, will go too high or

low for extended periods. At these times, if you buy and sell out of fear, greed, or the idea that you can time the markets, the chances are that you will get hurt. But if you act rationally using only your rules and strategy that have been created based on fundamental truths, you will do very well because you will weather those extreme times and come out the winner when the markets finally correct themselves as they always eventually do.

Lesson 2: Invest for the long term according to the stra tegy

Long-term investments not only reduce your risks greatly and eliminate cyclic losses, but they also result in the highest profitability and wealth. Exactly how long to hold and when to sell depends on the industry and stock. The strategy will show you how to easily determine that.

Lesson 3: Pay your self first

Pay yourself first. Before paying any bills, mortgage payments or taxes, put a percentage of your paycheck, preferably 10% or more, into your stocks.

A Quick Lesson on Stock Markets and Investing

What Are Stocks And Shares ? How to Buy Shares

Stocks are shares of ownership in a company. When you buy shares, you buy a percentage of the company that issued that share. This means you share in its successes. Shares are traded in a stock exchange, a marketplace for shares, and you need to go through a stockbroker to buy and sell shares. Public companies, which are companies listed on the stock exchange, are required by law to report their performance to the public every quarter (which is three months, one quarter of a year) and make an annual report.

For this strategy, you will be buying shares in selected companies. This will require an investment of at least $2,000 to start with, although you can possibly start with less than that. The reason it is recommended that you start with at least $2,000 is that brokerage commissions can eat into your profits unless you are buying a good amount of shares at a time. Once you start trading and you have your $2,000 trading account, you can keep adding even small amo unts of money every week or fortnight or month to it. For example, you can add 10% of your paycheck to your trading

account every week. This could be $20, $200, $2,000 or whatever. Just make it a habit to add a percentage of every paycheck to your trading account. That is how you build wealth, by consistently paying yourself before you pay other people. When you spend your money, you are paying other people. Pay yourself first.

The only way to buy shares, for the common person, is through a broker. Try to avoid going through a commission-based broker. Obviously, they make a living based on how often and how much you spend buying and selling, which can introduce biases when they advise you. Besides, you don't need the advice because you will have already done your research, as you will see here. These brokerages not only cost you more but also are likely to give you advice or pressure that you don't need. The best way to buy shares is through discount and online brokers. They get you the same stocks and charge a flat fee or a lower commission.

Choosing Your Structure

You can buy your stocks in a variety of ways:

1. You can buy them in your own name. This is the simplest way to do it.

2. Trading through a partnership. This allows you to pool larger amounts of money together and therefore allows you to buy and sell shares that would otherwise be out of your trading budget if you were acting alone. Sometimes some of the best stocks can cost several hundred dollars or even a few thousand dollars a share.

3. You can set up a company and buy them in that company's name. Various countries have various company structures that offer different advantages and disadvantages. Depending on your situation, trading through a company can save you a lot on taxes. This would be an advantageous vehicle to use, mainly because (1) a corporation can pay for expenses before paying for taxes, while a person can only do the reverse (2) you can move a corporation from one owner to another without having to sell the shares it holds. However, if you use the corporation in a wrong way, you will find yourself paying double taxes, once at corporate level and again personally, on the income the corporation pays you. Nevertheless, it is a great investment vehicle used by many of the world's wealthiest investors and many smaller ones, too.

4. You can have a trust set up and buy through that. This is the most complicated way to do it. It is also usually the most advantageous way to do it, especially when combined with a company (a trust/ company hybrid). It may offer you immense tax saving and asset protection capabilities. A trust can give you maximum protection from a lawsuit that would otherwise leave you broke.
5. You can use various other structures available in your country. For example, some countries allow individuals to set up and manage their own retirement funds at great tax savings. Ask your accountant about such structures.
6. You can mix one or all of the above for the best result.

No structure can be universally recommended for all situations. It depends on your country of residence, the country where you buy your stocks (the US stock market is the best to invest in but other countries also have good high-tech stocks), your income bracket, and your affairs in general. The best way to figure out what structure to use is to consult with a qualified tax or trust accountant. This is one area where you get what you pay for. A good accountant will create an excellent vehicle for you to use when you trade and this will save you thousands or millions of dollars in taxes over the years. However, a good accountant won't come cheap. Be prepared to pay good money for quality. Please note that you don't have to see an accountant or set up any complicated structures before you trade in stocks. Most people simply trade in their own name, at least at the beginning. However, if you can afford it, or when you can afford it, it is a very good idea to see a good tax accountant and set yourself up for maximum tax savings and asset protection.

About Countries and the Examples in This Book

The U.S. stock markets hold the largest number of high-tech companies in the world. The U.S. also has the highest reporting requirements imposed on public companies. This means that there is a flood of information available to investors on companies and industries, most of it free. The technology in place in the U.S. also means that it is the easiest place for anyone to invest. The competition between brokers also means that it has, generally, the lowest commissions charged for buying and selling shares. This does not mean that the other countries do not have any good investments available. They

do. It just means that it is easier to research and trade in the U. S. stock markets. This makes it a great place to start as an investor. Fortunately, through the Internet, anyone on this planet can buy and sell U. S. stocks. As of this writing, the online broker that makes it easiest for foreigners to trade U. S. stocks is E* Trade.

The availability of plenty of company and industry information, and the strict regulations imposed on companies, also adds to the relative safety of U. S. stock market investing. When you feel you are ready to, you may however wish to explore other markets around the world. Investments in non-U. S. markets can provide you with spectacular results, but they usually do carry more risk, and fewer companies of the type you are looking for using this strategy.

All of the examples in this book are based on U. S. stock markets and data sources. Anyone on this planet can, using the Internet, trade in U. S. stocks and use all the available information resources. Living in or being a U. S. citizen does not offer any significant advantage here.

You can also use this strategy to invest in any other country. All you would have to do is more research since information in other markets is not always as readily available as it is in the U. S. You should also be more careful with some emerging countries. In some countries, extra risks such as political and economic risks are high. Fortunately, there are places where you can have a good head start on your research.

Before We Begin

Like most things in life, all the knowledge contained in this book can be improved upon. In addition, the world changes all the time. That is why I invite you to visit our web site regularly at www. ImagesOfOne. com. See whatever updates we may have for you there. You can also discuss with other readers and investors, learn from others, and teach anything new you may have uncovered that could help us all. The best thing about the stock market is that it does not punish you for sharing your secrets (well, not unless you are planning a corporate takeover). By sharing your knowledge and experiences, you not only refine your ideas, but you also get a chance to have them improved upon and critiqued by other investors. Surely, it pays to ignore the market noise. However, it is a good idea to get together with other investors that also follow the same

strategy as you do. By discussing with them and sharing ideas, you sharpen your own thinking, get to do less work and research as it will now be shared among many, find more opportunities in less time, and also help others.

Collective thought along a similar strategy multiplies efforts, thoughts, and results greatly. It is also the best way to work less for more results. The more people that get into this game, the better it is for each player. It is actually also better for the companies the players are investing in, as well, because it gives them a higher market capitalization to work with and get better.

Step 1 : Finding the Right High Tech Industries

Not All High-Tech Industries Are Created Equal

Your goal is to invest in companies that are or will become dominant in selected high-tech industries that offer a combination of the highest growth possibilities, relative certainty, and safety. By locking in on the right industries and companies, you guarantee yourself an investment that is virtually guaranteed to grow tremendously over a long period. You will soon see why you get this guarantee.

This section may leave yo u with many unanswered questions. I suggest you read through it all first, go through the full example provided for you at the end of this section, and you will find that everything will make sense once you have the whole picture.

You first have to find the right high-tech industry to invest in. They are many industries in the high-tech world. However, not all are good for investment. You can however invest in more than one suitable industry, if you like. The following is what you should keep in mind when finding suitable industries to invest in:

Look for hypergrowth industries

As you saw earlier, every so often old systems give way to new systems. There is often a lot of resistance to this change but once it happens it happens very rapidly. This rapid change causes very rapid growth in the industries that enable this change and the companies in those industries. Companies in these industries often show revenue and earnings growth as high as 40 percent. Whenever possible you should try to invest in industries that are in these hypergrowth periods. If you buy into an industry that has already finished its hypergrowth period, you may still earn good results, but usually not spectacular results. There is a formula developed by Paul Johnson, coauthor of *The Gorilla Game,* to see whether an industry has gotten into hypergrowth. It says that when an industry's year-to-year growth approaches or exceeds 100%, and when quarter-to-quarter growth is at the same time accelerating, the industry has started to go mainstream. You piece together the data

for the industry's year-to-year and quarter-to-quarter growth from browsing through various documents such as SEC filings of the respective companies in that industry (FreeEDGAR. com and Edgar-online. com), the company prospectuses, and industry reports from analysts (some free and some for sale).

Architectures

You now need to know what architecture is. In terms of technology, architecture can simply be explained as the way systems are designed or the way they integrate with each other. For example, microprocessors have their own architecture. So do operating systems, hard disk drives, browsers and just about everything else. What happens is that the industry agrees on certain architecture and everybody else in that industry follows the guidelines of that architecture to design their hardware or software. If they do not follow it then their systems will not work with the rest of the world's systems. However, the industry does not always agree on a single architecture. Therefore, not all architectures are the industry standard.

Some architecture are proprietary, which means that they are owned by a particular company and everybody else pays that company a fee to use them or sometimes the company does not allow anyone else to use them or modify them. For example, only Microsoft can build the Windows operating system. Other architectures are nonproprietary, which means that they do not belong to anybody and anyone can use them free. An example of a nonproprietary architecture is HTML, the language that web pages are built using.

Architectures can be closed or open. An open architecture allows anyone to build products based on it. An example of this is Windows products; anyone can design a product or software program that works with Windows (but they cannot build their own variation of the Windows operating system itself). A closed architecture is one whereby the company does not allow anyone to build products based on it.

An industry can have any combination of these (open/ closed, proprietary/ nonproprietary) and individual companies in the industry can have any combination as well. For example, within the same industry, one company can have a proprietary architecture, while another doesn't. As an investor, you do not need to know anything

about how these architectures work. All you need to know is that they exist, who owns them (proprietary or non-proprietary and if proprietary then who owns them), who controls them, whether they are open or closed, and if they are the industry standard. All this information can be easily found out in simple magazine articles and company prospectuses, which are available from the company's web site. You will soon see how to use this information to your advantage.

The most important thing to know and remember at all times is that you should, whenever possible, invest in industries where companies have proprietary control of open architectures. If a company has proprietary control of an architecture, that company is virtually guaranteed high profit margins and good growth when that architecture becomes the industry standard. Because it is proprietary, other companies have to pay to use it or build products based on it and the company itself has full control over the direction of that architecture. The reason you need architecture to be open is that open architectures have always won over closed ones. A very simplified example of this is the IBM PC versus the Macintosh. The IBM PC is an open architecture. The Macintosh is closed (Apple chose to have it that way). Apple was arguably a much better computer than IBM compatibles. However, only Apple could make Macintosh computers, yet anyone in this planet could make IBM-compatible computers. Therefore, the IBM compatibles won the market share war primarily because of this. Whenever possible, invest in industries where companies have proprietary control of open architectures. You will soon see how to easily do that.

Expenses determine switchover decisions. Use it to your advantage

You should also ask yourself how expensive these products or services are. For example, a disk drive or browser is very cheap compared to a router or a microprocessor. If you had to pick between two companies you wanted to invest in, in two different industries, it might be a good idea to choose the one with the more expensive products. For instance, if you were deciding whether to invest in a company that makes a browser versus one that makes a network router or microprocessor, you may want to go with the one that makes the router or microprocessor. That is because it is very easy and cheap for browser users to switch from one browser to another, say from Netscape to Internet Explorer. However,

it is much harder and more expensive to switch your microprocessor in your computer from an Intel chip to an AMD chip. So the industry that makes the more expensive products has relatively more secure companies in this world, simply because people will find it an expensive hassle to move from one company's products to another.

Two classes of high-tech companies

There are two major classes of high-tech companies. The first and best one to invest in is the foundation or enabling technology class. This encompasses the hardware and the systems software that make up the systems themselves. For example, in the PC industry, Intel processors and Microsoft Windows operating system are the leading hardware and software enabling technologies respectively. Foundation/enabling technology products make up the ground-level of systems, what everything else runs on. Because of their position, this class needs standards more than anything else does; otherwise, communication between systems would not be possible. This means that once a standard is set it is very hard for the market to change it because of the costs and effort it would require. The company that ends up being the standard is guaranteed a leadership position for many years to come without much threat. However, the one that loses this war loses it in a big way. This makes this class the more risky but by far the most profitable to invest in because of its winner-takes-all nature.

The other class is the application software class. This comprises the software that is used on the front end for various tasks, such as word processors, spreadsheets, browsers and enterprise software. This class also needs standards but it is obviously much easier and usually cheaper for a user to change from one application to a competing one than to change from one operating system or hardware component to another. In addition, two applicatio n software giants can exist, selling the same product. For example, while Microsoft Word is the best selling word processor package, there are still many other successful word processing packages out there. To you as an investor, it means that investing in the application class is less risky but less profitable than in the enabling technology class. It also means that enabling technology companies, once they become dominant, are more secure investments than application technology companies.

How to Find the Right Industries

There is no single way or formula that exists to find the right industries to invest in. This step requires observation and following some simple guidelines. Here are five ways you can use to find your industries. None of them is complete individually and you may want to combine these ways for the best results. Again, this one step requires the most observation and an amount of work researching.

Method 1: Fortunately, there are easy ways to do this if you are not up to doing the analysis yo urself. The easiest way to find good industries is to let other people good at this job find them for you! There are investments professionals who do nothing all day but analyze high-tech markets. Some of them make their analysis available to the public free, some charge for it. One good source to follow is the Robertson Stephens Investment Bankers site. Paul Johnson, who is the co-author of *The Gorilla Game,* works at this firm along with other brilliant analysts. At the time of this book's writing, they are featuring Next Generation Networks as the industry that will create immense wealth in the future. See their Next Generation Networks web site for a transcript of an interview with Paul Johnson on this new industry. What are Next Generation Networks ? You fist need to understand what today's Internet is. Today, we run the Internet over old telephone wires that were designed for voice. One of the biggest problems that presents is, among other things, limited bandwidth – you can only transmit small amounts of data at a time. Huge businesses have better enterprise networks of their own which makes their data transmission speeds faster. Next Generation Networks will bring in a completely new Internet, one that makes even today's fastest enterprise networks look like child's play. Next Generation Networks is a term that refers to the deployment of a public, broadband (high bandwidth) network. They say that Next Generation Networks have the potential to create more wealth than the PC industry. When you put together the information in the Paul Johnson interview and on the Robert Stephens Investment Bankers site, you get a list of Next Generation Networks industries that include:

1. Companies that supply the Next Generation Internet protocol, the leading ones being:
   - Cisco Systems (CSCO)
   - Juniper Networks (JNPR)
   - CoSine Communications (COSN)
   - Packeteer (PKTR)
   - RedBack Networks (RBAK)
2. Companies that supply the Next Generation voice, the leading ones being:
   - Sonus Networks (SONS)
   - Clarent (CLRN)
   - Ditech (DITC)
   - MCKC (MCKC)
3. Companies that supply optics, the leading ones being:
   - Avanex (AVNX)
   - Corvis (CORV)
   - ONI Systems (ONIS)
   - Sycamore Networks (SCMR)
   - Ciena (CIEN)
   - Nortel (NT)
4. Companies that supply the Next Generation access/ DSL, the leading ones being:
   - ASC (ASCX)
   - Aware (AWRE) 30
   - Copper Mountain Networks (CMTN)
   - Efficient Networks (EFNT)
   - Elastic Networks (ELAS)
   - Paradyne (PDYN)
   - Ramp Networks (RAMP)
   - Turnstone (TSTN)
   - Tut Systems (TUTS)
5. Companies that supply gigabit switching, the leading ones being:
   - Extreme Networks (EXTR)
   - Foundry Networks (FDRY)

6. Companies that supply the networking infrastructure, the leading ones being:
   - 3com (COMS)
   - Cabletron Systems (CS)

7. Companies that supply storage area networking, the leading ones being:
   - Brocade (BRCD)
   - Emulex (EMLX)
   - JNI (JNIC)
   - Qlogic (QLGC)
   - Vixel (VIXL)
   - Gadzoox (ZOOX)

Robertson Stephens also has a protected section in their site for their clients, which gives more access to their research.

Method 2: Another source for new ideas on what industries to invest in is the National Institute of Standards and Technology's Advanced Technology Program news (www. nist. gov). Simply keep track of whatever news they have on new technologies. When you find one you believe is promising, based on what the news article says, see what companies own it and what they are doing about it by reading the news and company profiles on the financial portals such as Yahoo! Finance and MSN Investor.

Method 3: You can also look at the main financial portals such as MSN Investor or Yahoo! Finance. Obviously, these sources will only group companies in broad categories, but that is a start. What you are interested in is the smaller categories that have the potential to become massive down the road. They may not be listed in these portals as they may not yet have become mainstream. Nevertheless, using this category list, plus what you see in IT publications, plus research on stock screens on Microsoft Investor and Yahoo! Finance, you will quickly be able to spot the sub-categories and industries that are worth your investment. This is the most time consuming way to spot these industries and is best left to someone with time and willingness to understand the high-tech sector in more detail.

Method 4: See what investors with similar strategies are investing in. The best way to do that is go to the Silicon Investor web site and go into the message boards for Gorilla Game investors. Here you will find dozens of investors discussing stocks that should fit with your strategy. Be careful here, though. These are investors just like you. They may have the same resources you have, but they

may also just have hit on a nugget of information somewhere that you may have missed. It is an excellent way to get started on finding new industries quickly without doing much work. What you would need to do is read the postings on those message boards and pick out industries or stocks they talk about. Then go back to the financial portals and search engines. See what you can uncover about those industries and portals. If they pass all the tests for a good industry to invest in, then you are on your way.

Method 5: This works once you have the name of the industry to invest in after going through the other methods. It is so simple you may wonder why many people don't try it. All you need to do is go to Google. com, arguably the most accurate search engine, and enter the name of your industry as the search term. Google will return some very impressive results, many of which will be very useful to your search.

Qualify the Industry

Remember, whatever method you use to find your industries, once you believe you have located one, look at it and see how good it passes the test for a good investment. Is it one where companies have proprietary control of open architectures? Is it just entering hypergrowth? How relatively expensive are its products? Is it a foundation or an application industry? Use the following table to help you decide whether to invest in it or not. This table does not tell you definitively whether to go ahead with your investment or not, but it does help your decision.

Industry	**Score**
Has companies with proprietary architecture (1 for Yes, 0 for No)	
Has companies with open architecture (1 for Yes, 0 for No)	
Hypergrowth Stage (0 for Not Yet, 3 for Entered, 1 for Finished)	
Relatively expensive products (1 for Yes, 0 for No)	
Foundation or an application (2 for foundation, 1 for application)	
Total Points (Out of 8 Maximum)	

An Example

Here is a very simple example to show you how to go about finding industries to invest in. It is perfect for someone starting out with this high-tech investment strategy, yet gives you a perfect starting point. First, choose a method or methods you will use to find your industry. I personally favor going to the investment bankers' sites and seeing what they are doing, since they have already done all the research work. I also like going to appropriate message boards like the Silicon Investor Gorilla Game message boards to see what others have uncovered. For this example, to keep it simple, let us use the Robertson Stephens Investment Bankers and their Next Generation Networks web sites. As you saw earlier, they have listed a few industries within the Next Generation Networks framework. For this example, let us select to first invest in the Next Generation Internet protocol industry. I just chose it because this is the most basic one in this group, without which not all the others would really be very useful. It is the very foundation that holds all the rest, meaning it can produce the biggest companies and opportunities down the road. That was easy, wasn't it? By the way, you can invest in all of the Next Generation industries as they are different and will produce several dominant companies in each industry.

Ok, we now use a couple more methods and go to the Silicon Investor Gorilla Game message boards and search. We also go to Google and search. You can search by stock symbol and by keywords. You will be amazed at how much information you uncover. For example, searching at how much information you uncover. For example, searching on JNPR (the stock symbol for Juniper Networks) gets you three message threads with over 2000 postings on Silicon Investor. The same search on Google gets you 20,000 results, the top ones being very good information resources. That was a simple search. You can have a more detailed search to narrow the results. Next, you should fill in the table we talked about earlier, just to have a visual guide on whether your industry is good for investment or not. For the Next Generation Internet protocol industry, it looks something like this:

Industry: Next Generation Internet Protocol	**Score**
Has companies with proprietary architecture (1 for Yes, 0 for No)	1
Has companies with open architecture (1 for Yes, 0 for No)	1
Hypergrowth Stage (0 for Not Yet, 3 for Entered, 1 for Finished)	3
Relatively expensive products (1 for Yes, 0 for No)	1
Foundation or an application (2 for foundation, 1 for application)	2
Total Points (Out of 8 Maximum)	**8**

It scores the maximum! It is an excellent industry to invest. By the way, all you needed o do to know what kind of architecture and product costs this industry has was to look at the profiles of these companies in Yahoo! Finance and have a look at their web sites. It takes a few minutes.

At this point, it might be a good idea to quickly illustrate how some other industry may have turned out on this table. For example, suppose you wanted to invest in the online toy retail industry. Say you just read an article that says the toy companies are about to have a bumper season. Do you invest ? If you were to make a table for the online toy retail industry, you would get 0 for proprietary architecture; probably 1 for open; it would be hard to assign a figure for hypergrowth (it is not really the type of industry for this type of analysis); 0 for product expense (it costs nothing for you to switch from the etoys. com site to the toysrus. com site); and probably 1 for application (it isn't even an application). It would be a very low total score of about 2 or 3 out of 8. The reason is that anyone with a good amount of money, not even that much, can start a toy shop online. It is too easy for competitors to get in. There is a risk of too many competitors causing a price war and eroding profits for all the players, and no one site has to

emerge as a winner. In fact, it isn't even a necessary industry. If you took out all the online toy stores from the Internet, you would still have an Internet. However, if you took out the routers that Cisco makes, you wouldn't have much of an Internet le ft. Everyone, from the little kid on the Disney. com site, to the big banks, needs those routers to be in place. Some may want a toy store to exist online, but they don't need one. The ability to distinguish between investments in this fundamental way is what will make you a highly successful investor. Simply follow the simple tools and steps in this book and you will be fine. It is the easiest, most effective investment strategy for New Economy stocks. That is it for our industry selection. We shall continue with this example in the next section and chapter, looking in detail at the companies to buy within the industry and when to buy them. We already have a list of the leading companies in this industry. This time around, we got it from the Robertson Stephe ns Investment Bankers site. However, if it hadn't been available, it would have been easy for you to construct a list of companies in that industry, as you will see in the next chapter.

Step 2 : Finding a Group of Leading Companies in Those Industries

Once you have found an industry that should be invested in, its time to find what to invest in within it. Because you cannot predict which company will become the dominant industry standard and leader in each industry, you need to buy a group of companies that have a good chance of becoming that leader. Finding the top three, four, or more companies in each industry is a very easy thing to do.

When old systems finally do give way to new systems and the industry that enables this goes into hypergrowth, there is no clear leader at the outset. However, there are a few companies, perhaps three or so, which are clearly in the lead. The amount of news coverage they get is higher than that given to the rest of the companies in that industry. The three or four most commonly mentioned companies are what you should be after. All you need to do is count the total number of headlines a company makes in the right leading IT publications. The easiest way to do that is sign up for a news clipping service that will automatically do that for you.

You should also look at the order that companies are listed in whenever a list of companies in that industry is given in an article. That order usually gives you a clue as to who is ahead of whom in market share. Reporters often mention the leading company first whenever they talk about a group of companies in an industry.

Here is a list of publications to scan. You can scan them manually if you feel like it and have the time, or you can use an automated scanning service. Obviously, the most powerful clipping services cost some money, but they save you a lot more time and scan more publications. The free ones sometimes do not scan all the magazines you wish to have scanned, or are not as flexible. A few free ones to try are Strategy and Exc ite's NewsTracker. They all work differently and combining them might work out better. You can also go to the publication's web site and do a search using the industry name and see what companies are mentioned most in the articles you will get in your search results. These magazines are all you need:

- Business 2.0
- Investor's Business Daily
- CMP
- Computerworld
- Fortune
- InfoWorld
- News. com
- Red Herring
- TechWeb
- Upside
- ZDNet
- Business Week
- CIO
- ComputerLetter
- Forbes
- InformationWeek
- Investools. com
- PCWeek
- TechStocks. com
- The Wall Street Journal
- Wired

EXAMPLE We have already decided from the last chapter to start by investing in Next Generation Networks. Got to RedHerring. com. In the search box, type in "next generation network". A simple search for that term, as of January 7, 2001, gets you 4285 results. You can use the advanced search feature to narrow down those results. Anyway, from the simple search, looking at just the headlines of articles returned in that search, you get the following names:

- Cisco
- RedBack

If you click through and take a look at some of those articles, you get even more names, adding:

- Sycamore Networks
- Copper Mountain
- Nortel Networks
- Juniper Networks
- Foundry Networks
- Lucent Technologies

Keep doing variations of the search until you are satisfied that you have a full list of companies in that industry. You may try a search for "next generation protocol" and then "next generation router". You should search through a few magazines just to make sure you don't miss anything. It will take you just a few minutes to have a list of all the companies in the industry you are interested in.

Another way of finding the market leaders is by using the price/sales ratio. This is a company's market capitalization divided by its revenues in its last four quarters. It is a ratio that is readily available and already calculated for you in most financial sources and publications and is a great indicator of market share. In a given industry, you should pick the top three, four, or so companies that have the highest price/sales ratio.

EXAMPLE Go to MSN Money Central Investor at www. investor. com. On the menu, click on 'Stocks', then 'Stock Screener', then 'Custom Search'. In the Custom Search screen, select the Advanced Deluxe version. You will get to a very powerful free stock-screening tool (you need Internet Explorer for it to work). Click on an empty cell in the 'Field Name' field and select 'Company Basics | Industry Name'. In the 'Operator' field, select the equals sign (=). In the 'Value' field, select 'Computer Hardware' and in that category select 'Networking and Communication Devices'. Then click on the next empty cell in the 'Field Name' field, select 'Price Ratios', and under that category select 'Price/ Sales Ratio'. In the 'Operator' field, select 'High as Possible'. Then run the search by clicking on the 'Run Search' button. You will get these results (as at March 26, 2002):

Symbol	Company Name	Rank	Price/Sales Ratio
TRCD	Tricord Systems, Inc.	1	63.00
FNSR	Finisar Corporation	2	9.61
SCMR	Sycamore Networks, Inc.	3	7.04
CSCO	Cisco Systems, Inc.	4	6.63
RSTN	Riverstone Networks, Inc.	5	6.31
PSEM	Pericom Semiconductor Corp.	6	5.93
ACCL	Accelerated Networks, Inc.	7	5.83
NWRE	Neoware Systems, Inc.	8	4.89
JNPR	Juniper Networks, Inc.	9	4.45
SPM	Spirent plc	10	4.44
PCTI	PCTEL, Inc.	11	3.82
ADPT	Adaptec, Inc.	12	3.71
SCKT	Socket Communications, Inc.	13	3.60
SWIR	Sierra Wireless, Inc.	14	2.86
CRDS	Crossroads Systems, Inc.	15	2.68
JNIC	JNI Corporation	16	2.62
RBAK	Redback Networks Inc.	17	2.51
SMSC	Standard Microsystems Corp.	18	2.34
AVCI	Avici Systems Inc.	19	2.20
LTRX	Lantronix, Inc.	20	2.19
CMNT	Computer Network Technology	21	2.12
FCSE	FOCUS Enhancements, Inc.	22	1.97
INTZ	Intrusion Inc.	23	1.93
IONN	ION Networks, Inc.	24	1.93
AETH	Aether Systems, Inc.	25	1.60

Note, however, that this is not a list of only Next Generation companies; it is a list of all networking and communication devices companies (actually, the top 25 in terms of price/sales ratio). Next Generation Networks is a subcategory of this, but you won't find companies grouped under subcategories at such a lesser level in the financial portals. What you need to do now is eliminate. Generally, a price/ sales ratio of 2 and above is great. So, click on all the companies above with a ratio of more than two to read up on their profiles. First, read on the profile of a company you know for sure is in the industry you want, in this case Next Generation network protocol and therefore Juniper Networks. See what Juniper does, according to their profile. Then read the other profiles of the companies with ratios over 2. You will be able to see which ones are Juniper's competitors and eliminate those that aren't. From looking at the list, you can already see a few in the protocol and other Next Generation industries as well, such as Cabletron, JNI, Cisco, Redback, and Sycamore.

Although not necessary, you may also want to look at a company's insider trading record. An insider is a company official, such as the CEO. When several insiders are buying or have bought its shares at roughly the same time, it is usually a good sign. On its own, it should not make you buy a stock. However, you can use this to reinforce your buying decision, just to make you comfortable with your buying decision. Several web sites give you this information.

Once you have your group of companies to invest in, you should read a good analyst report. You shouldn't follow the analyst's recommendations. They may tell you to buy or sell the stock, but remember that they have a different investment perspective (perhaps shorter term) and goals than you do. So all you are reading their analysis for is to get a professionals view on the company, not what to do with it. An analyst report will tell you quickly what the company is all about and what its future may look like in relation to the competition. This does not mean they are accurate, but they are good educated guesses. Sometimes the future turns out completely different to what the analysts predict. Moreover, analyst recommendations often have a bias that skews their research. So, do not act on the analysis, simply read it for your information. Several sites allow you access to analyst reports. Some charge a fee, some don't. Some are good at certain companies and industries than others. Simply visit them all and see what works best for you.

Finally, buy the three, four or so top companies in equal dollar amounts. If for example, you have $2,000 to invest, buy $670 worth of shares in each company. If you have $200,000 to invest, buy

$67,000 worth of shares in each company. Whatever amount you have, divide it equally. In addition, as you get your paycheck from work, take 10% off each paycheck and invest it by splitting it equally into the same companies.

The Time to Buy

When to buy is a very important factor. If you buy too early, you may be buying into an industry that will never become mainstream, one that will die out a few months or years down the road for lack of mass acceptance. Which means you would probably lose a lot on your investment. Avoid buying too early before knowing for sure that the industry will become or is mainstream. Buying at the wrong price or too late, as you will see later, would not harm you enough to worry about it. You are more likely to harm yourself from worrying about buying at too high a price or too late than from actually doing that. Here are some signs to look out for so that you may know when to buy:

Sign 1: Generally, you should look to IT trade magazines to know when it is safe to start buying. Trade magazines are written for IT professionals and managers. They usually highlight and question new industries and debate about them in their magazine articles. However, when it is generally accepted that a certain industry is ready for mainstream, they stop questioning it and start focusing on writing about its implementation and about market leaders in those industries. When such articles start to run, you should start investing. All you need to do is get the gist or the general idea of the article. Is it questioning the techno logy? Is it recommending its implementation and discussing market leaders? Watch for a while and when the gist changes from questioning and debating to implementation and leaders, start buying. You don't even have to understand what they are talking about, just get the general idea. Leading magazines such as CIO, Computer World and informationWeek all have a very good ear to the ground and influence at the same time. They are the ones you should peruse through or get an automated clipping service set up to email you relevant articles from them.

Sign 2: Another sign to watch for is earnings surprises. Investment analysts usually give revenue and earnings estimates (forecasts) for public companies. When the companies in an industry have earnings and revenues higher than forecasted for two quarters in a row, it usually means that this industry has just become mainstream and there is a huge demand for its products. When this happens, it is time to start buying. Several web sites allow you to sign up for

alerts whenever earnings surprises occur. Most are free to use. All you need to know is that the estimate has been beaten. Simply go to any of these sites, enter your email address, and select to be alerted when your stocks beat earnings estimates. You will be asked to enter a list of companies to watch for (your list of companies in the industry you are watching), and that is it!

Sign 3: When markets go into hypergrowth, it is also time to start buying. Use Paul Johnson's formula as shown earlier to know when hypergrowth has started. Generally, buying before either one or several of these signs occur is risky and speculative. The more the signs you have, the safer it is to start buying.

Example On MSN Money Central Investor, which gets its data from Zacks, go to the 'Stocks' menu, then 'Earnings Estimates', enter JNPR as the stock symbol (Juniper Networks) and click on the 'Go' button. Then click on the 'Earnings Surprise' link when the results show. You will see that Juniper beat the estimates as follows:

	9/00	6/00	3/00	12/99	9/99
Estimate	0.09	0.04	0.01	0.00	-0.02
Actual	0.17	0.08	0.03	0.01	-0.01
Difference	0.08	0.04	0.01	0.00	0.01
% Change	88.89%	100.00%	200.00%	NA	67.00%

It has beaten the estimates for more than two quarters in a row. The industry is also in hypergrowth and the leading IT publications are talking about Next Generation Networksimplementation. Which all means it is time to start buying.

So, keeping with our ongoing examples, in the Next Generation Internet protocol industry, we are going to consider buying from the following top companies in equal dollar amounts for each (as of January 7, 2000 when this evaluation initially was done by author):

- Cisco Systems (CSCO) (P/ S = 12.25)
- Juniper Networks (JNPR) (P/ S = 82.56)
- CoSine Communications (COSN) (P/ S = n/ a)
- Packeteer (PKTR) (P/ S = 8.95)
- RedBack Networks (RBAK) (P/ S = 29.19)

Depending on your research and gut feeling, you may want to buy the top three or the top four or even five. For example, you may decide to invest only in Cisco, Juniper, and RedBack in equal dollar amounts.

Once You Buy

Once you have bought your shares, set up a portfolio tracking account. You should also keep a log for every stock you own. Keep track of its story, noting any new developments and its earnings over time. You only need to do this once every 3 months when the quarterly results are announced, or whenever important news regarding the company or the industry are announced. The reason you do this is that stocks move for a reason, at least on the long term they do. On the short term, they may move simply because of rumors, but on the long term, there are always good reasons. By keeping a log, you will not only know why they move, which is very important, but you will also be able to learn more about investing and learn from your successes and mistakes.

You may use a software package to do your portfolio tracking and journaling, such as Quicken or Microsoft Money, or you may use a web-based one such as Yahoo! Finance or MSN Investor. Customize your chosen tool so that you can always at a glance, tell (1) what your holdings are, grouped by industry; (2) the price movement; 3) price/ sales ratio; (4) market capitalization; (5) and where possible the market share in that industry (you would probably have to get this figure from analyst reports or if that is not available then by searching the company's web site or on magazine articles). You also need to have a continuous idea of what is happening in the industries and companies you select. You don't have to read everything written about them, but it's a good idea to scan the headlines written about them as time goes by. This would only take you less than ten minutes a day if you do it smartly using online tools such as MSN Investor. You will receive a daily summary of all the news on your keywords scanned from your selected publications. Simply read that email quickly and you will have a very good idea of what is going on in that industry in less than 10 minutes a day!

Step 3 : Narrowing It Down to the Industry Winners or Getting Out

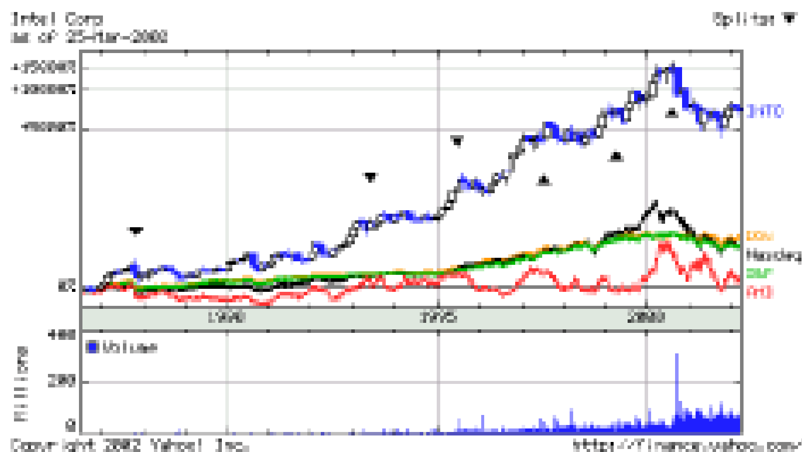
Time to Commit to the One

Over time, one of two things will happen. The first and less likely is that you may either realize, from dropping press coverage rates and price/ sales ratios, that the industry you chose to invest in will never really become a widely accepted one. For example, imagine you have invested in an industry that was all about a technology that had the promise to go mainstream in future. Now you realize, based on falling press coverage and ratios, that it wont go mainstream. Don't beat yourself up for it for the high-tech world is unpredictable. Simply sell everything you own in that industry and start again, looking for another industry to invest in.

The more likely thing to happen, since you have followed this strategy faithfully, is that your industry becomes mainstream. Once it does so, the world will need one standard in that industry to work with, otherwise there will be confusion. Therefore, the world will choose one company to standardize on. One company will clearly become the dominant industry leader. It will be very easy to realize which this company is when it happens. It will have a disproportionately high amount of press coverage and very high price/sales ratios. If you had done your homework correctly, you will already be having some ownership in it since it will be one of the companies you invested in from that industry. When this dominant company becomes the industry standard, almost everyone will have to use its products whether they like to do not. Anyone not using its products finds it difficult to work with the rest of the world. For example, imagine you had a large business that relied greatly on personal computers. If you chose not to use the Microsoft Windows platform, it would be much harder for you to share data with other companies, find software for your business, and get employees who are ready to use your computers since most people today are trained to use Windows software. Therefore, whether you like you are not, you most probably have to equip the entire office with Windows operating systems and software. Being the dominant company guarantees a company's growth for a very long time to come.

Once the dominant company emerges, you should now sell off all the shares you have in other companies in that industry, and put that money into the stock of the dominant industry leader. The reason for this is that from this point onwards the dominant company will gain increasing market share and strength while all the other companies in that industry will lose market share and strength. Remember that there is always great resistance to change from one system to another so when one system becomes a standard everybody finds it very inconveniencing to change over to a new system. Changing over systems happens once in several years, sometimes once in decades. That it is what guarantees the dominant company's growth for a long time to come. From then on all your investments into that industry will go into the dominant company's shares.

A very important point to emphasize here is that you must sell off all the other companies in that industry and focus only on the dominant company! You may be tempted to keep holding some of the other companies for a variety of reasons. Perhaps you may lose money selling them off at that time. You might be expecting to make some more money out of them. Whatever the reasons, you must sell them immediately and use that money to get more of the dominant company's shares. It is certain that once one company in a high-tech industry becomes the dominant industry standard, all the others in that industry start losing relative market share. And from that point on, the dominant company grows by leaps and bounds, as the following charts show:



Intel vs. AMD, Dow, NASDAQ, S& P. Source: Yahoo! Finance

What if the dominant company's stock is too expensive? It is not. Well, it is highly unlikely that it is too expensive. Analysts may say it is too expensive, but generally, it really isn't because you are buying it to hold for the long term and analysts usually have a short term view. Remember that analysts and the market in general value stocks on a relatively short-term basis and in relation to all other stocks in the same industry. But you can rest assured that a dominant company will only increase in strength over the next several years or maybe even a couple of decades, with hardly a worthy competitor in sight! The price that looks too expensive today will look like pocket change a few years to come. Just look at the price history of Microsoft, Cisco, or Oracle. The best thing you can do for yourself is keep buying the dominant company stock on a regular basis, regardless of its share price. This is Dollar Cost Averaging on its stock. Moreover, it works better than trying to time the market or wait for the price to go down or waiting for an analyst to tell you when to buy.

How do you know when it is time to sell off everything else and focus on the new dominant company? Keep observing your portfolio every three months (you don't need to do so any more than that). Watch for the following signs:

- When the industry's year-to-year growth slows to less 100% over two or three consecutive quarters, and when quarter-to-quarter growth at the same time starts decelerating, it is time to focus. The only exception to this is when the economy or stock market as a whole is in a slow-down, in which case you do not act. See who is the industry standard by scanning the headlines in publications and analyzing the price/ sales ratios. Then focus on the winner.

- When one company suddenly starts growing much faster in market capitalization than all the rest, it probably means it has become the industry standard already. Confirm with your analysis of news headlines and price/ sales ratios as shown earlier.

- Look at your market share records that you have been keeping, getting this data from analyst reports and magazine articles. If one company increases its market share for three quarters in a row, it is time to focus on it.

Step 4 : How to Keep and When to Sell the Winners

As long as the dominant company maintains its dominance, it remains the best investment you could ever have. You should hold your investment in this company no matter what else is going on in the market. Its stock will climb and fall at various times, there will be rumors about it that will tempt you to sell, and there will be analysts who will say that it is too expensive and it is bound to drop so you should sell now. No matter what happens, you should hold onto that stock! Remember that the most successful investors are long-term investors. Most professional investors report that their greatest gains ever usually occur about three to four years after they first buy those shares.

Be prepared to see your holdings decline by 50% or more sometimes, as the stock market is a volatile place on the short term. The market will always offer you a price for your shares, but you do not have to sell. Just resist the temptation. The market is an incredible wealth generator on the long-term. All it asks of you is patience and the ability to stay calm. The only thing that you will need to remember is that every so often old systems give way to new systems. When a new system comes in that makes obsolete the old system that the dominant company thrives in, it is time to sell the dominant company. This does not happen very often. It could take several years or even a couple of decades for this to happen.

You should be careful not to act too hastily. There will be many times when a lot of hype will be generated about a new technology. People will say that it will become the new standard, the new system. Most of the times however, these new technologies, even when they are better than the old ones, hardly ever become the new standard. History is full of many great technologies that never became the standard simply because the world was too entrenched in the old system. Do not sell too hastily. The change over will not be so sudden that it makes you lose a lot of money if you do not sell on time. It will take quite a bit of time, several months actually. Take your time before you ever decide to sell a dominant company.

Two things generally have to happen before you can decide to sell your holding in the dominant company. These are:

1. A new technology comes in that can conceivably replace the technology provided by the dominant company.
2. This new technology itself goes into hypergrowth.

As you can see, the mere fact that a new technology exists does not mean that your company is under any threat. That new technology has to go into hypergrowth and be adopted and accepted by the masses for it to become a threat. An important point to note here is that you may sometimes be tempted to think that one of the dominant company's competitors can beat the dominant company and steal its market share. The competitor may announce a new twist to its products and generate a lot of hype, causing you to believe that it has a chance at overthrowing the dominant company. Well, no matter how likely this scenario may seem at any time during your life as an investor, always remember that it is highly unlikely to turn out that way. A dominant company who's proprietary architecture has become the industry standard cannot be upset significantly by a competitor. Remember, the whole world has settled on the dominant company's standard and based entire businesses and systems on it. Any competitor would not be fighting just the dominant company; they would in essence be fighting the whole world. Imagine, for example, that one of Microsoft's competitors comes up with a great new operating system for desktop computers. No matter how much better and cheaper it would be than Windows, it is unlikely that it will get any significant market share. To do so they would have to convince the whole world to switch over all their software, hardware, employee training schemes, programming languages, and a lot more! Microsoft's only threat on the desktop OS front would have to be a very new industry in itself, something that may have nothing to do with desktops. Another example is IBM. IBM was the king of mainframes. Although it was impossible to beat it at mainframes, IBM's threat only came about when personal computers became popular and powerful enough to make it unnecessary for most businesses to buy mainframes. The PC industry was a very new industry from the mainframe one. Everything about it was different -different distribution systems, different vendors, different programs and languages, different value chains, and more.

Therefore, once you know you are holding onto a dominant company that owns proprietary architecture, you hardly need to worry about what its competitors are up to. You only need to watch for changes

in technology bringing about a very new industry. When a change in technology happens, the dominant company may be able to use its strength to quickly redefine its business and stay dominant. On the other hand, it may not. At this point, you should simply consider it as a normal player in the new industry and evaluate it like any other company in that industry. Hence, you start at step one again, determining whether the industry is a valid investment one for you, then buy a bunch of the strongest companies in that industry, wait for a dominant one to emerge and focus on it when that happens.

Part 2

Spirit and Its Role in Investing in The Right Stocks

Spirit Is First Cause

We are about to look at some things that are seemingly unrelated to stock market investing. But as you will soon see, the world of Spirit has everything to do with it, and understanding it will give you a big edge in investing activity and decision-making.

Most of the time, we tend to think of the physical world, what is called Body. It is only natural, since it is what we perceive most of the time. However, it is important to know the right order of things.

First, let us start with what constitutes the universe. Everybody knows that the three constituents of the universe are Spirit, Mind and Body. Now, here is another question for you: Every new moment is created. What is the order of creation?

This is how creation happens: Spirit gives rise to Thought (in Mind) which then creates Body (Matter). It cannot be any other way, because Spirit is that whic h inspires Mind and gives life force to Body (Matter). Without life force from Spirit, Body disintegrates. Without thought from Mind, Body is not formed. Look around you. You see that cup, or computer, or book, or car or anything else? Where did it initially come from? If you think about it, you will realize that it was originally an idea. An idea in one person's mind, which spread to more people until the result, through action, became the object you are looking at. Everything you see is an idea, a 'crystallized' idea. But where did the idea come from? It was inspired by Spirit. Now we see clearly that Spirit is First Cause. It is the first step in creation, through inspiration, and it gives life to it's creations, for it is life. Now that we have the order of creation all sorted out, let us look at the nature of spirit so that we may know how to use our new insight to make sound investment decisions.

The Evolution/Growth of Beings

We are now going to do two things. First, we shall look at the original nature of spirit, which is the eternal nature of it. We shall then look at how the world was created and how it evolves. This is necessary because the whole point of this exercise is to become good at spotting companies that assist this evolution and leaving out companies that do not. The reason it is in out best interest to support and be aligned with the evolution and growth of life is that

growth and evolution are inevitable. That is all life does. Life grows and extends. So why not ride the wave and guarantee your success ?

First, let us look at the nature of Spirit as it was first, and as it always will be. Here is something you may have heard before: Spirit is all One. It may individuate into seemingly separate parts, but it is in reality One Being. Even qua ntum physics now shows us that the whole universe came from one 'particle' and is now a large sea of energy. The separations we perceive are scientific illusions created by our limited set of five senses. But in reality it is one contiguous sea of energy – and that is all there is.

Hinduism taught about this oneness in a different way. Buddha did the same in a different way. Tao did the same in a different way. Jesus and Mohammed taught it in a different way. Quantum physics teaches it in a different way. Just about every spiritual teacher, sage, quantum physicist and religion teaches us, it its own different way, that everything is all One. Everything is all One, the same Being, individuated in different guises. OK, now look at history. But before we do tha t, let us look at religion, spirituality and mythology for a very brief moment. Most of the world's mythology, almost all the world's religions, and just about every spiritual teaching tell us that in the beginning Spirit individuated itself into physical beings. These beings 'forgot' their true nature and went through life believing in the illusion of separation. But as time goes by, they gradually recognizes their unity and brotherhood with everything and everyone else. And finally all will be One once again. This coming together is inevitable and it is an inherent design of life and growth. It has to happen. That may sound 'crazy' to you, but look at history and evolution closely. When you look at the human race, for example, you see that millions of years ago, people were highly segmented geographically and in terms of communication as well. One region hardly interacted with another. As time went on, trade and travel developed and, most importantly, communication. This physical development mirrors exactly the gradual remembering that we are all One. Look at what is happening today. We are increasingly growing together. We are developing ways of being together and communicating together. Things like mobile communication and the Internet are all the physical manifestations of our minds realizing and wishing to experience this inherent oneness. Even global politics and trade is moving into an awareness of common interest, responsibility and togetherness. Be very honest and look at the

trend over the last few thousand or even million years. The trend does not go backwards, generally, into separation. It moves forwards into unification. This is the long term design of life. This winning trend is what you would want to ride on in your investing.

Buying Into Industries and Companies That Support and Are In Line With the Inevitable Path of Spirit and Beings

We have seen how life grows and evolves inevitably towards oneness. As minds realize that spirit is one, inspired of course by spirit, they create the physical representation of this oneness. And this growth happens at increasingly faster rates. We can even move a step further and observe that every time humanity makes decisions contrary to the move towards oneness, decisions that are separatists by design, humanit y either suffers or misses on opportunities. And when humanity embraces unity in any way, it grows in leaps and bounds. Take any topic in history and you will see that all loss has been caused by slit mindedness, a thought and belief in separation. And all long term and permanent gain has been caused by unity. Some of the largest examples of loss are the World Wars, caused by separatist thought. And some of the most obvious examples of the power of unity are the unification of the separate states into one country called the United States, or recently the European Union. And there are numerous smaller examples, even in your own personal life. By design, on the long term, we inevitable come together. And when we do choose separation, the pain caused by separation makes us reconsider and choose unity.

So what does all this have to do with investing? Simply invest in industries that obviously are caused by ideas of coming together, and you will be riding the powerful and inescapable wave of nature. It sounds so simple that it may even appear to be a ridiculous idea to you.

See, as long as an industry is highly involved with the move towards unity, it will be supported by all of us in the most amazing and sometimes not so obvious ways. Science is only now discovering and proving that minds are connected. Numerous experiments have proven this. And because the driving desire for the vast majority of people on earth is to be together, the world will come up with

ways to make this happen. So simply ask yourself the question 'Does this industry highly support unity ? ' If the answer is yes, you now start doing the next thing, which is picking the right company within that industry. This is something you do by combining what you now know about spirit and growth with what you have learnt from this book about picking stocks.

Combining This with Matter

Now you move on to the physical world, the world of matter. We have already covered this in the first part of this book. We saw how to pick industries and companies within those industries. Therefore we shall not repeat that here. However, there are two things that you should be aware of. The first is that spirit is First Cause. Although this book started with the physical world's aspects of selecting industries and stocks, you sho uld always remember that spirit is first cause. We only started with the physical in this book because that is what most people are familiar with. So even as you select your industries and companies as shown in the first part of this book, always ask yourself the question 'Does this industry highly support unity? ' The second thing to keep in mind is that spirit and matter go hand in hand. Although spirit is first cause, its manifestation into physical is instantaneous and simultaneous. So you cannot really separate the two as such. We have separated the two here for illustrative purposes. But at every moment spirit is instantaneously creating matter. In your stock picking, use the knowledge you have about both spirit and matter at the same time. Do not leave one out at the expense of another – integrate them both simultaneously in your decision-making.

Just as a side note, I personally think that the major industries that will from this point forward most benefit from the path that life inevitably takes are (1) Internet foundational industries like we have talked about (2) broadband foundational industries (3) mobile communication foundational industries (4) multimedia foundational industries (5) travel (6) education. I would be careful about travel because within that category there are a lot of industries that at the same time have separation very much in mind (in ways of environmental destruction and so on) so they shall inevitably go out sooner or later. Biotech seems like a favorite with many people but personally I tend to think that it is not very stable because it does not fo llow the sequence of creation. It tries to fix body and peace

of mind using other physical objects. The problem with that approach is that mind creates body and not the other way around. Body does not create anything. It is the last step and it is primarily a tool to experience mind and spirit in a physical realm. Therefore, it seems to me that trying to cure or alter perceived physical deformations such as illnesses using physical items such as drugs is more of temporary but potent mind trickery than an actual stable permanent outcome. I think, and a lot of medical evidence supports this, that to heal or alter body permanently and in a stable way you have to heal or change mind permanently. Anything else simply alters or hides the symptoms for a while. Of course I see value in biotech research. It gives us very valuable knowledge, of course, but what I am saying here is that it seems that this knowledge will not keep that industry too profitable for long because we might just realize, from that very same knowledge, that drugs are a temporary solution. We might realize that the permanent, safe and stable solution exists elsewhere. I am not sure, but that is my guess on the biotech industry. I don't think it is very stable and long-term in growth and profitability. Well, there is a lot to be said about spirit, mind and body.

Appendix

Borrowing Against Your Portfolio

You may need more money to buy more shares or there may come a time when you need money for a personal emergency. Instead of selling part of your portfolio to get the money, you may want to consider borrowing money against your portfolio instead. It allows you to keep your portfolio intact and avoids taxation on sale of shares. The advantage is that loans often carry an interest rate of about 11%. If you have a good portfolio, your growth will be much higher than this. You can profit from the difference between the higher percentage you make on your investments and the lower percentage you get to pay as interest on the loan. The disadvantage is that, when it comes to time to pay off the loan, if you do not have enough cash with you, you will be forced to sell of enough shares to cover the principle and the interest on the loan. That isn't bad, unless at the time your shares are down or the market in general is down, in which case you would lose a lot.

There are three ways to borrow money against your portfolio:

1. One is buying on margin. This only works if you need cash to buy more shares, and not for personal use. As we said before, however, avoid buying on margin. Buying on margin is buying on credit backed by your portfolio. When you buy on margin and the market drops, you will be forced to pay back the margin or sell your stocks to cover the margin. If you don't have the cash to cover the margin, having your stocks sold to cover it means you are being forced to take a loss, a large one usually. Therefore, unless you are well off enough to pay for margin calls in cash if you have to, do not buy on margin.
2. The other is asking your broker whether they can link your investments to a credit card or line of credit. Do this only if you must; do not make it a habit. Do it only in an emergency. Having such a line of credit or credit card will eat into your investment growth. Remember that compounding interest works increasingly faster over time as your portfolio growth. Having such credit not only eats into your portfolio size, it also dramatically slows down compounded growth by reducing that pie and lowering the net growth rate of your investment. Certain brokers such as E* Trade may offer this facility.

3. The other way to borrow is to get a stock loan from companies such as Derivium Capital. These types of financial houses hold your stock as collateral. It remains yours, as it isn't an outright sale. They give you a loan, and at the end of the loan term, you pay them the principle and interest. You can use the money you get for your personal emergencies or to pay for a margin call that catches you at a bad time. Margin calls give you just a few days to pay them off, while stock loans give you about three years to pay off, in which time you can reorganize yourself. Be careful here, though. Sometimes the loan comes with a minimum period of perhaps three years, during which you may lose some of your flexibility and ability to sell off companies that you should otherwise be selling. Make sure you investigate the loan terms in detail about this.

The bottom line when it comes to borrowing against your portfolio is (1) don't do it unless it is an absolute emergency and/ or (2) unless you have become a professional investor and you know very well what you are doing.

Where Is High-Tech Going ? How Far Will It Grow ?

The future of high-tech industries looks great. Two things are known about its future right now:

1. It is only beginning. This is only the start. It is going to get bigger. As impressive as its growth has been so far, the future will be a lot bigger than that. Right now, we are riding on old technologies, trying to make them work for pressing needs. For example, we are using HTML and telephone lines, instead of XML and broadband, both of which promise to revolutionize the way people do things. The growth, number of industries and companies, and wealth creation will only get bigger on the long term.
2. No one can predict *exactly* what industries, products, and companies will exist even a few years down the road, but you can get a very close guess in using methods such as the ones explained in this book.

What Happens When Many Investors Catch On ?

By now, you realize that the hi-tech industries are very unpredictable. To win you have to observe carefully and truthfully, buy a group of companies in an industry, wait, observe some more, see who

is dominant, focus on the dominant, wait, observe, sell the dominant one day many years down the road when it becomes necessary. It is a wait-and see hunting game. No one person can ‘figure’ in the myriad of variables that affect the high-tech world to come up with a precise prediction of the future – you cannot ‘think’ it out into an exact outcome. Unless you have some intuitive way of knowing exactly what the outcome of things are in the future, the best thing you can do is have a strategy that greatly minimizes your risks and puts you in a position to benefit highly, which is what you now have through this book.

So, what is the most important aspect of the strategy you have just read through? It is observation and simple analysis. This means that the more people you have observing and analyzing the high tech industry, the better it is for you. It does not matter if everyone makes money in this game, it will not eat into your pie. It will in fact make you a wealthier and better investor.

As we said, it pays to ignore the market noise. However, it is also a good idea to get together with other investors that also follow the same strategy as you do. By discussing with them and sharing ideas, you sharpen your own thinking, get to do less work and research as it will now be shared among many, find more opportunities in less time, and also help others. Collective thought along a similar strategy multiplies efforts, thoughts, and results multiplicatively. It is also the best way to work less for more results, a true ’lazy’ path to wealth. The more people that get into this game, the better it is for each player. It is actually also better for the companies the players are investing in, as well, because it gives them a higher market capitalization to work with and get better. It is a win-win situation. That is why we invite you to join other strategy investors on the forums, newsletters, and directories at http:// www. ImagesOfOne. com. There, you will find it easy to meet other investors like you, discuss with them and share investment ideas, sharpen your own thinking, get to do less work and research since it will now be shared among many, find more opportunities in less time, and also help others.

I wish you good fortune!