SESSION 4 OF 4 · INVESTING

Price is what you pay. Value is what you get.

That line, from investor Warren Buffett, is the whole game. A stock has a flashing **price** that changes every second — and an underlying **value** based on the real business. Beginners chase the price. Investors ask what the business is worth, and buy when the price is below it. This session is your first look at how.

A stock is a business, not a bet

Buy a share and you own a slice of a real company — its buildings, its brand, its profits. So the sane question isn't "will the price go up this week?" It's "**is this good business selling for less than it's worth?**" That mindset — treating a stock as part-ownership of a business — is the foundation of **value investing**.

The humbling fact that should make you calmer

Over the long run, the large majority of professional fund managers **fail to beat a simple index fund** (see the SPIVA studies). If highly paid experts mostly can't out-trade the market, you shouldn't try to either. The winning move for most people is **boring on purpose**: buy good businesses (or a low-cost index fund) at fair prices, and hold. Patience is the edge amateurs actually have.

A beginner's value checklist

Before buying a single stock, a value investor runs quick checks — a version of Benjamin Graham's classic tests:

- ✓ **Cheap on earnings?** A reasonable price-to-earnings (P/E) ratio.
- ✓ **Cheap on assets?** A sensible price-to-book (P/B) ratio.

- ✓ **Can it pay its bills?** Manageable debt, healthy cash.
- ✓ **Is it stable?** A history of real, consistent profits.
- ✓ **Below fair value?** Price under a conservative estimate of worth.
- ✓ **Margin of safety?** Room to be wrong and still be okay.

THE ONE IDEA TO KEEP

Margin of safety. Never pay full price for your own estimate — buy well below it, so that if you're wrong (and sometimes you will be), you still don't get hurt. It's the seatbelt of investing.

Don't take our word for it — test it

You don't need money or nerve to start learning. At **travisvaluation.ca** you can run any real company through these exact checks, see whether it's cheap or expensive, and build a **practice portfolio with fake money** — the same tool your instructor may set up as a class. Learn the discipline now, with zero risk, so it's second nature when real money is on the line.

CHECKPOINT

1. In your own words, what's the difference between a stock's *price* and its *value*?

2. If most professionals can't beat a simple index fund, what does that suggest a smart beginner should do?

3. What is a "margin of safety," and why does it matter?

You've finished the unit. Now go practise.

Budget, borrow wisely, grow it in the right account, and buy value — that's a financial head start most people never get. Put it to work at `travisvaluation.ca`: value a company you know, and build a practice portfolio. Your future self is watching.

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