



The Little Book That Beats the Market (Little Books. Big Profits)

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Two years in MBA school won't teach you how to double the market's return. Two hours with *The Little Book That Beats the Market* will.

In *The Little Book*, Joel Greenblatt, Founder and Managing Partner at Gotham Capital (with average annualized returns of 40% for over 20 years), does more than simply set out the basic principles for successful stock market investing. He provides a "magic formula" that is easy to use and makes buying good companies at bargain prices automatic. Though the formula has been extensively tested and is a breakthrough in the academic and professional world, Greenblatt explains it using 6th grade math, plain language and humor. You'll learn how to use this low risk method to beat the market and professional managers by a wide margin. You'll also learn how to view the stock market, why success eludes almost all individual and professional investors, and why the formula will continue to work even after everyone "knows" it.

The Little Book That Beats the Market (Little Books. Big Profits) Details

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Santosh Patil says

If you are a beginner in the market and need something to start with which is effective as well as easy to understand, pick this book. Whole 'little' book revolves around 'Magic Formula' which tells people to invest in stocks with high earning yield and high return on capital.

Four stars for the book and one more for simplicity and humor with which it is presented.

Elroy Galbraith says

As a beginner investor with no real experience, I was looking for a text that would provide me with a sound system for identifying a good stock purchase. I wasn't looking for "get-rich-quick" methods, but sound principles. With references to a "magic formula" it's very easy to feel unsure about Greenblatt's suggestions, especially because it's all in relation to a notoriously insecure arena: the stock market. But his logic seems sound and reliable and just make sense. In fact, while reading this book, I realized that I had already known and was already applying the "magic formula". It's both a good introduction and application of value investing that will set investors on a good starting path. He presents good, reasonable principles and a methodical way to apply it.

Marko says

This is a book where the writer tries to sell in a concept in a funny and easy way. But it isn't funny and he seems to think that the reader is stupid.

The method of picking stocks might work, but the writer could have explained it in one page instead. He doesn't need to sell in the method on 95% of the pages of the book.

Jon says

This is just fantastic. In his little book which is part of a larger series on investing, Greenblatt humourously invites us to a time tested fairly simple investing strategy called the "Magic Formula".

<http://www.magicformulainvesting.com/>

In essence it is value investing by looking at the earning yield (not dividend yield!) and the return on assets (ROA).

I find Greenblatt to be a fantastic and amusing mentor that describes finance in a very simple and thorough manner. The introduction should be obligatory reading for all investors to put them in the right mindset. While not new (Buffett, Graham), his light and easy-going way of describing what a business is and how to think about it, is stellar.

While the method may not be for everyone, it is certainly a good starting point for everyone and there are some pretty bad investing books out there detrimental to the health of your wallet. This is not one of them.

Merdan Tekayev says

Great book about investing supported by facts(didn't check it myself though).It concentrates on the two main factors of businesses(earning yield and return on capital) which could be an accurate indicators of its success or failure. Author illustrates what could be the best number of stocks in ones portfolio, gives step-by-step guidance and so on! Overall "straight-to-the-point" kind of book!

J. Sebastian says

This was a good book for me to read because it describes an important method for the valuation of companies and for making smart investments; this is usually a difficult subject that fills people with anxiety or puts them to sleep, but Greenblatt has written in a light and easy manner, with generous humour, and in such simple language that it removes anxiety, encourages the reader, and gets him excited to learn more, pick the right stocks, and give it a start. The book is easy to follow and understand even for those with no financial understanding to begin with. Greenblatt's secret is to buy good companies at bargain prices. His formula explains how to locate undervalued stocks, and to hold these until the market gives them a fair value. Of course, there can be no guarantees when investing in stocks, and he gives you a fair warning, but the system *should* work. :-)

Kenneth says

Good but essentially a value investing white paper stretched to book-length.

Matt says

Being interested in finance at an early age is pretty difficult for me because of all of the complex terminology and concepts. My brother, who is in finance, suggested this for me because it is easy to understand. He was completely right, Greenblat was able to explain market analysis so well a 10 year old could go out tomorrow and be able to choose stocks well. He used interesting metaphors with his kids and their candy business as if they were a multi-million dollar company. After reading this book I feel I can finally now understand what my brother and my dad are talking about at the dinner table. It is amazing that Greenblat was capable of explaining something that people get paid millions of dollars to do, to a 15 year old. I would recommend this to anyone interested in finance.

NiveusT says

Great little book about the stock market and trading that gives beginners an incite to what the world of stock trading has to offer. Quick read.

It gives one of many methods of investing that on average beats the market averages over most every 3 year period. The "Magic Formula" is indeed magic if one can learn to pick stocks to the same degree as the analytic software they use do.

Quite a humorous and upbeat book. Makes you excited to become a part of the investing world. Gives a few resources at the back of the book to look into further things as well.

Even mentions "safer" routes to investing, albeit not too in-depth, as this book is meant to be mostly about the "Magic Formula" that they present.

Todd Wood says

While a very simple and straightforward book, the concepts are actually very powerful and important. It is written in a way to be accessible to non-finance people, and offers a good explanation as to why certain companies outperform others. Most simplistically, you want to buy companies with above average earnings growth for below average prices... duh. But a nice reminder, and probably would be a good read for the average person. I knocked a star off due to the fact that calling this the "magic formula" is pretty corny, and the constant reference to the "magic formula" was a bit annoying.

Anuk Yingrotetarakul says

This book provides a good overview of some core value investing principles. The magic formula, a simple tool for filtering stocks based on earnings yield and return on capital, is a good starting point for selecting stocks. However, for readers who crave a deeper understanding and richer perspective on value investing may be left disappointed by the lack of depth.

Manas Saloi says

Really good investing framework for beginners but could have been a blog post.

Guido Profitos says

Es un libro idóneo para que alguien neófito en finanzas pueda comprender el funcionamiento básico sobre cómo se eligen las acciones para invertir (guiándose en el análisis fundamental y el largo plazo, antes que en el análisis técnico y el corto plazo). También se da cierta introducción a estrategias de inversión. No me agradó del todo el tono del libro, ya que si bien el autor lo pensó para adolescentes, al final se terminó vendiendo para adultos, aunque conservó el tono infantil. Por otra parte me desagradó la repetición constante, casi en todas las páginas, de ciertos conceptos que no era necesario repetir tantas veces... Creo que el autor subestima a los lectores.

Sandeep Kumar says

Love the way things are explained. Even if you are not looking to do any investment this book is fun to read.

Saugat Banerjee says

The advice given in the book about the 'magic formula' sounds good and the author backs it up with past 17 years of results. Its about picking 20-30 stocks with high Return on Capital and available in bargain prices. Its a quite unique way of investing as you need to keep selling the stocks around one year mark and then buy new ones with the magic formula. His website is free to find the stocks out using the 'magic formula'. But, its like a process which needs time and patience (and ofcourse money) and needs constant (atleast once in a few months to buy/sell stocks) monitoring. The book is an easy read with nice examples to press forth the fundamentals of investing in general.
