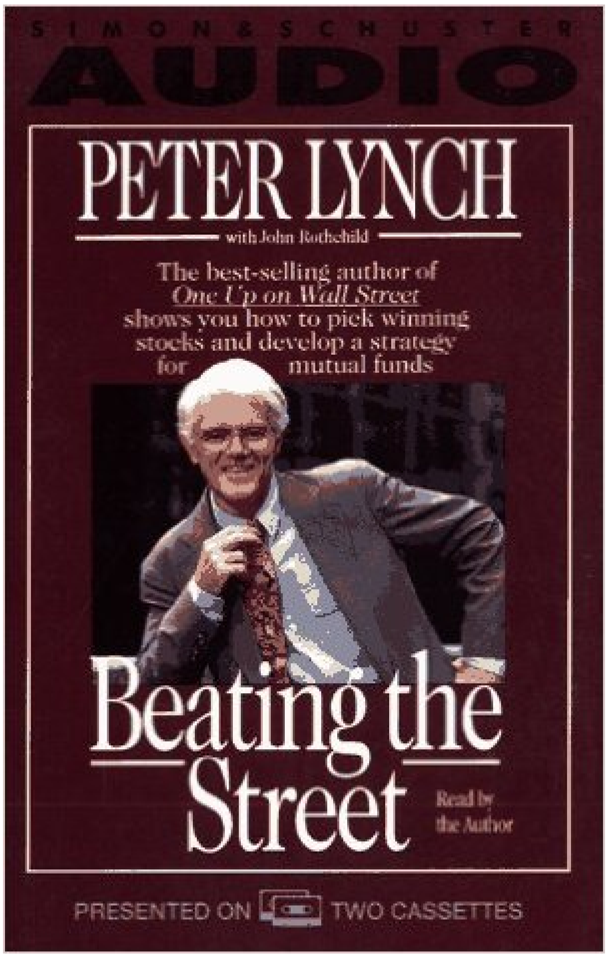
# Beating The Street: How To Use What You Already Know To Make Money In The Market



## Synopsis

During the thirteen years Peter Lynch was the manager of the Fidelity Magellan Fund until his retirement in 1990, Magellan was the top-ranked general equity mutual fund. An investment of $1,000 in Magellan in 1977 was worth $28,000 in 1990. Time called Lynch the nation’s "#1 money manager." Now Peter Lynch shows investors how he puts his investing philosophy and techniques into action as he takes readers step-by-step through the process of selecting the stocks he recommended at the 1992 Barron’s Roundtable. (And he describes how he followed these companies through most of the year to see how their stories unfolded and tells us whether, at the end of nine months, he recommended the reader buy, sell, or hold the stocks.). Lynch also examines his years at the Magellan Fund, analyzing the reasons why he outperformed all other fund managers. He discloses that it was a small number of major success stories ("10-baggers") that were the principal reason for the fund’s superior record. He draws a lesson for the average investor: there are good companies looking for investors, and it takes only one or two good companies a decade to turn a portfolio from an average performer into a winner. Finally, in what may be the most valuable section of the book, Lynch offers advice on devising a mutual-fund strategy. Not surprisingly, he believes that the key to any mutual-fund portfolio is stocks, not bonds, and he recommends a mix of growth funds, value funds, and blue-chip funds. He explains how to adjust new investments among these different types of funds. Beating the Street also tells the wonderful story of a group of seventh graders who, following Lynch’s advice to invest in what they knew,outperformed nearly every fund manager on Wall Street.

## Book Information

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## Customer Reviews

I wrote this review in the hope that you'll avoid the mistake I made.I bought (and read) in reverse chronological order the first two books Mr. Peter Lynch wrote, "One Up On Wall Street" and "Beating The Street". I got "Beating The Street" before "One Up" because I have been misled by a favourable review of this book made by a well-known financial internet site (maybe they make money out of every book they help to sell?).Imagine you have written an excellent book and you have sold one million copies of it. What would you do after that? Would your publisher push you to write another one? Wouldn't you write again to try and repeat the success?I think this is what happened to Mr. Lynch. He wrote "One Up On Wall Street", which is an excellent book indeed (I published a few weeks ago a review of this book, where I explain why I warmly recommend it) and he sold over one million copies of it."Beating The Street" is, I presume, an attempt to profit from the success of the first book.Problem is, "One Up" is a masterpiece: it explains very well Mr. Lynch's proven investing philosophy and methods. If so, what else to publish in a later book?While "One Up" is a book that explains and recommends strategies, i.e. tells how to successfully pick winning stocks, "Beating The Street" is actually a book that picks stocks for you.Remember, this book has been published in 1993. I believe it is easy to understand that, after so many years, the then cheaply valued companies recommended by Mr. Lynch may be fairly valued, overvalued, no longer in business, or taken private by now.In my opinion, "Beating The Street" is now a poor and completely out of date book.

This is one of the "must read" books for anyone wanting to invest well, and gets 5 stars for that reason only. It is by and about Lynch and his legendary carreer @ Fidelity's Magellan Fund, and the period Lynch knocked the cover off the ball hitting home run after home run for a long string of years.How did he do it? Well, several other reviews point out the difficulty of extracting Lynch's secret formula, and they rightly describe the lack of formulaic presentation. If there was a fabulous book on Lynch instead of this autobiographical one, I might put it on the "must read" list instead. There is not (yet, maybe Lowenstein will grace us with one?). However, too many fail in investing by looking for instant-coffee recipies that any boob can implement from the couch. If it was that simple, everyone would be rich. Success takes work and in-depth understanding of some, probably simple, strategies that ordinary investors can learn. In fact, investors who focus on fundamentals of the sort described by Lynch, & stay tuned out of the frenetic trading centers' "action," are likely to increase chances of success. The real beauty of Lynch's book is the myriad of different strategies, one or a few of which each of us can learn and implement as our investing "sweet spot."Lynch covers a series of investment decisions in some detail. The detail is not uniform from company to company, position to position, making comparison of his formula difficult between investments. And he does not summarize his formula anywhere in the book. This oversight (which may be intentional to more quickly drop the instant-coffee addicts) leaves it up to the reader to digest the material and extract the essential focus of the master.

Having worked on Wall Street I think this book is great and poor at the same time.Great because1) It is ideal to read for the casual to serious investor.2) Some of Lynch's prominent themes like "Buy what you know" and investigating the companies that you buy are great strategies, especially for non-professionals.3) He walks you through his thought process on numerous stocks in several industries, highlighting mistakes as well as successes. I found his various rules of thumb with respect to each industry (retail, restaurants, cyclicals) helpfulI say it is poor because Lynch himself used to buy and sell stocks frequently. So while he says "buy and hold" he did that, but he also traded the heck out of stocks he knew inside and out. When they got expensive, he would trim his position and when something got really cheap he would buy the heck out of it. This enabled him to compound his returns by a phenomenal amountLynch primarily invested in retail stocks. This was great as brand names and the "homogenization" of retail concepts via chain stores was sweeping the nation with the baby boom wave. However, most of that "easy money" was made along time ago. Current baby boom themes of biotech, health care, along with some financial service industry stuff is tougher to make money at and it doesn't grow as fast as retail. Well, biotech can but it is far riskier.Lynch never talks about debt. The U.S. economy expanded in the 80's due to 1) heavy government spending, which created a huge national debt (2) consumer spending a ton of money and going into debt and (3) the entrepreneurial spirit. The government actually funded a lot of the developments we see today. The problem with this is that they have mortgaged the future to pay for past wealth creation.



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