Next Up! Research - Ten Commandments

1. First, be right on the fundamentals. Earnings growth drives stock price. There is essentially a 100% correlation with how a company does and how its stock performs over time. Focus on the fastest growing companies.
2. Second, be proactive, not reactive. Looking ahead and anticipating where the world is heading is how we catch winners early on. Try to predict what will be in tomorrow's newspapers, as opposed to reacting to what is in today's.
3. Third, be rigorous, but don't have rigor mortis. It is possible to overanalyze opportunities. The best investments are often easy and intuitive.
4. Fourth, when wrong, admit it. The best investors and analysts are wrong a lot. The worst thing to do is rationalize a mistake. Be intellectually honest. Make decisions based on facts now, not what you had thought to begin with.
5. Fifth is the cockroach theory. You seldom find just one cockroach in a kitchen. Likewise, if you find a problem at a growth company, there are always more behind it. It's rarely a one-quarter issue – the first loss is the best loss.
6. Sixth, investment ideas are about information and insight. Information is valuable if it is proprietary. Insight is valuable if we know what that information means.
7. Seventh, the 4Ps are key for any successful growth company. As I said earlier, the 4Ps are People, Product, Potential and Predictability, and the first P, people, is the most important.
8. Eighth, use 5 independent sources for each stock you invest in. If possible, have a regular dialogue with the company management, but remember they will always see the glass as half full.
9. Ninth, find 3 main reasons for a stock to move up or down. In addition, identify near-term catalysts from price movements. Maintaining a thesis for why you own a stock is key.
10. Tenth, and finally, be passionate about investing, but dispassionate about the investment. The stock doesn't have feelings or know you own it.

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