

PARAMETERS FOR INVESTING THE *BUFFETT AND BEYOND* WAY.

- 1) The ROE (Return on Equity) is the most widely used comparison ratio in the investing world.
- 2) The ROE compares the operating efficiency (money making capability) of one company relative to the operating efficiency of any other company.
- 3) In order to maximize our investment dollars, we want to construct our portfolios with the most efficient companies. These are companies that have a high ROE (high money making capability) and have maintained a high ROE consistently over a long period of time. In other words, these are companies with both a HIGH and CONSISTENT Return on Equity.
- 4) **The problem is the entire investing world uses the WRONG Return on Equity ratio.**
- 5) We know the investing world uses the wrong ROE because over the long-term, 96% of professional money managers (managers of public mutual funds) underperform the S&P 500 index.
- 6) Warren Buffett, the world's greatest investor, uses a different Return on Equity ratio than does the rest of the world. He uses an ROE ratio in a Clean Surplus condition.
- 7) Buffett's use of Clean Surplus is documented in two separate sources. The problem is the world does not recognize this alternative ROE ratio because this unique ratio is not taught in our fine business schools throughout our great country.
- 8) Dr. Belmonte (Penname Dr. J.B. Farwell) author of *Buffett and Beyond* has gone Beyond Buffett's work and has extensively researched (and published) the Return on Equity (ROE) in a Clean Surplus condition as a measure of predictability. The results were astounding. Portfolios with higher ROEs than the ROE of the average stock outperformed the S&P 500 index almost all the time. Dr. Belmonte's yearly portfolio of stocks with the highest Clean Surplus ROEs selected from the S&P 500 index has outperformed on average, the S&P 500 on a yearly basis by nearly 2:1 since testing began in the beginning of 1990.
- 9) The ROE in a Clean Surplus condition lends itself to predictability just as was intended by the founders of Clean Surplus.

Learn more about Buffett and Beyond and Clean Surplus from the website, BuffettandBeyond.com and also the book, *Buffett and Beyond* which is now available directly from us through our website.

Happy Investing