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To investors who want results.

DON'T BE A GENIUS. JUST DON'T BE DUMB.

A simple checklist to avoid expensive mistakes.

ROKO
INVESTMENT

KNOW THE BASIC METRICS (SO YOU CAN JUDGE RISK)

You need a few basic metrics in your head so you can tell how risky an investment actually it. Not because numbers make you “smart,” but because they stop you from buying nonsense.

A lot of people buy stocks like they buy sneakers: “looks cool, everyone talks about it, must be good.” That’s how you lose money. Popularity is not a moat. Attention is not a business model. And a great story doesn’t protect you from a bad price.

The most basic rule is still the most ignored one: you want businesses that make money. Not “one day we’ll be profitable.” Not “we have a great vision.” I mean actual net income—and ideally real free cash flow. Because profits on paper can be flexible. Cash is harder to fake. If a company can’t consistently turn its business into real cash, you’re not investing—you’re funding hope.

You also need to understand what a P/E ratio really tells you and when it’s simply too high for the company. Sometimes a high P/E is fine if growth is real and durable.

Key metrics you should know (the non-negotiables)

- **Net income:** is the business actually profitable?
- **Free cash flow (FCF):** does profit turn into real cash, or does it disappear?
- **FCF margin:** how much cash the business keeps per euro/dollar of revenue.
- **P/E:** what you pay for earnings (good, but easy to misuse).
- **P/S:** what you pay for sales (especially important when earnings are weak or distorted).
- **EV/EBIT (or EV/EBITDA):** valuation including debt—often more honest than market cap alone.
- **Gross margin / operating margin:** pricing power and efficiency. Thin margins usually mean tough competition.
- **ROIC (return on invested capital):** a simple “are they good at turning capital into profit?” test.
- **Share count:** are you getting a bigger piece of the company over time—or are you getting diluted?
- **Debt (net debt, leverage ratios):** how fragile the company is if things go bad.

This isn’t about memorizing formulas. It’s about having a reality check. These numbers quickly expose the gap between what people feel a company is worth and what the business can realistically earn.

KNOW THE BASIC METRICS (SO YOU CAN JUDGE RISK)

Example: the "price vs. business" mismatch (Cisco in 2000)

A clean example is Cisco around 2000. It got hyped, ran up to extreme prices, and people treated it like a guaranteed winner. Then the hype left—and the math started to matter again. The fundamentals weren't in line with what the stock price implied.

Here's the part most people miss: Cisco didn't "fail" as a company. Over the next decades, the business kept growing, and profits and cash flow improved. But the stock still struggled to get back to the old highs for a long time, because the starting valuation was so stretched that even real business performance wasn't enough to justify what investors had paid at the peak.

That's the point: you can be right about a company and still lose money if you overpay.
Avoiding that mistake is a huge part of investing.

So before you buy anything, ask:

- Is this a real business with real earnings and real cash flow?
- Am I paying a price that makes sense for what it can realistically become?
- If growth slows—even a little—does this valuation still hold up?

If you do just that consistently, you'll dodge most of the disasters that wipe people out.

USE THE PRODUCT (AND UNDERSTAND WHY IT WINS)

If you can't explain why customers choose it, you're basically guessing. Reading about a company is fine, but using the product makes your analysis way sharper. You instantly see what's actually better, what's worse, what's "nice but irrelevant," and what is a real advantage. You also see the competition with your own eyes — and that gives you perspective on why the company can operate so well… or why it's quietly falling behind. Sometimes you even discover a competitor that's simply a better business at a better price.

And this becomes more than "research." It becomes an anchor.

Because later, when the stock drops, this is your superpower. You can ask the only question that matters:

Is this problem just a small piece of the business — like 5% — and the stock is down 30% because the market is emotional?
Or is the drop actually rational because the core product is getting destroyed?

If you really understand what you're buying, you don't panic from headlines. You don't react like a tourist. You think like an owner.

Personal example: Alibaba

I used the product, I saw the service quality, and I understood one key thing: the engine of the business was still China. So when China's housing situation got ugly, the stock got crushed.

At first, I thought the drop made sense. Then it kept dropping for a long time — not because the product suddenly got bad or because the business fell apart overnight, but because of external pressure and risk perception. And that's where your product-understanding matters: you can separate "real business damage" from "market fear."

What made the difference for me was that the fundamentals (the things I cared about) didn't fall apart in the same way the stock price did, and management actions still looked shareholder-aware (like buybacks). That's why I personally saw it as an opportunity — and in my case it turned into a strong rebound for me later.

UNDERSTAND THE BUSINESS + MANAGEMENT (ENOUGH TO NOT FOOL YOURSELF)

You should understand the business and management — not perfectly, but enough to not fool yourself. You'll never know everything happening inside a company, and you don't need to. But you do need the basics nailed down: what the company actually sells, why customers pay, where the money comes from, and what really drives results over the long run.

If you can't explain the business in a few clean sentences, you probably shouldn't own the stock. Not because you're dumb — because the market will eventually test your conviction. And if your "understanding" is really just a vibe, you'll fold at the worst time.

And management matters more than people admit. A lot of investors obsess over ratios and forget the uncomfortable truth: the people running the company control the cash. They decide whether shareholders get rewarded or quietly diluted

Good management allocates capital like an owner. They think in terms of per-share value, not ego. They invest smartly, avoid dumb deals, and when the stock is undervalued, they buy back shares aggressively.

Because as a stock investor, you're not just buying a business — you're partnering with the people controlling the cash and making the big decisions.

Example: Monster Beverage (what "capital allocation" can do)

Monster is a good example of why management and capital allocation can matter as much as the operating business. Yes, the company grew and profits grew — but the stock returns weren't only about "earnings going up." A big part of the shareholder outcome came from how management treated owners: they bought back a lot of shares over time, which increases each remaining shareholder's claim on the business.

That's a simple but powerful point:
even if total profit grows at a normal pace, per-share value can grow much faster when the share count goes down.

TAKE YOUR TIME (PATIENCE BEATS EGO)

The market rewards patience and punishes rushed, ego-driven decisions. Before you invest, ask yourself one simple question:

Your job is to separate thesis from noise. If your thesis hasn't changed and the fundamentals are the same, then noise is noise. You don't need to be right every day. You need to be right over time.

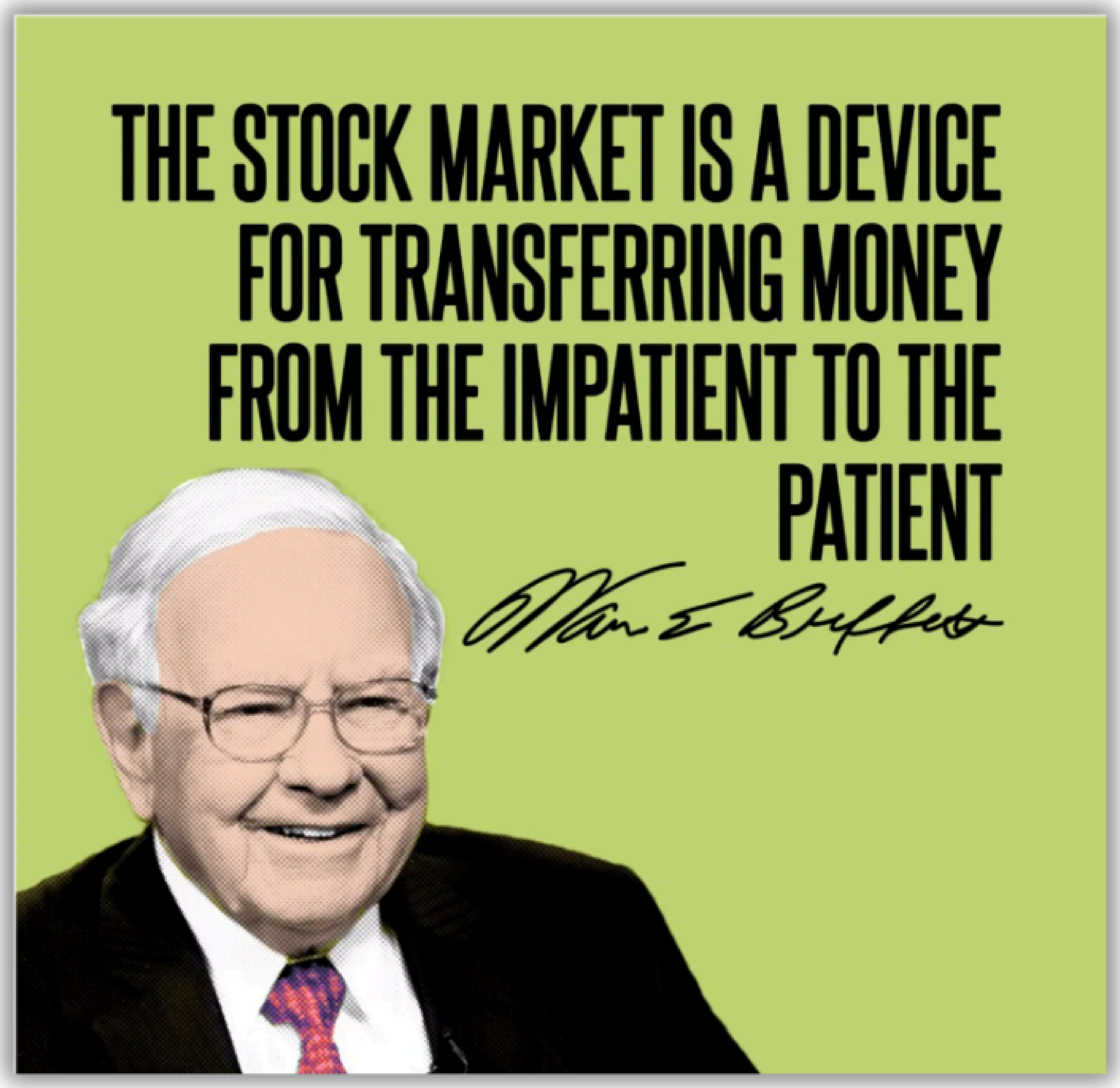
And this is where most people get tricked: they assume every price move is "new information." It's not. Price is a mixture of a thousand things, and many of them have nothing to do with the business:

Sometimes the market is rational. Sometimes it's emotional. Sometimes it's just messy.

So don't automatically respect the price as if it's always smarter than you. Respect it, yes — but interpret it. Ask what actually changed.

If the business got worse, management started acting stupid, margins are collapsing, demand is dying — fine. Update the thesis. That's rational.

But if the only thing that changed is the chart, then you don't need to act like a nervous trader. If your reason for buying is still true, you can sit there and do nothing — and that's often the hardest part. Patience isn't passive. It's a decision.



BUY WITH A MARGIN OF SAFETY (LOWER RISK WITHOUT PREDICTING THE FUTURE)

Invest with a margin of safety. This is the easiest way to reduce risk without needing to predict the future like a magician.

The idea is simple: buy when the price is clearly below what the business is worth. The dream situation is buying $1 for something like $0.70. That gap gives you room for error. If you're slightly wrong about growth, or margins, or timing, you can still be okay. If you buy with no margin of safety, you need everything to go right. And "everything going right" is not a strategy.

But here's the truth: that discount usually shows up only when there are problems. Markets don't hand out cheap prices for fun. Fear creates discounts, uncertainty creates discounts, ugly headlines create discounts. That's why margin of safety is not just "buy cheap." It's buy cheap for a reason you understand.

So when something looks cheap, don't get excited — get skeptical. You have to check the problems.

Ask:

- Are the problems temporary or permanent?
- Are they fixable, or are they baked into the business model?
- Are they exaggerated by sentiment, or are they real damage?
- Is this a bad year… or the beginning of a bad decade?

Because cheap doesn't automatically mean value. Cheap sometimes means "this is broken." Sometimes it's a cyclical dip. Sometimes it's a business slowly dying and the price is just reflecting reality.

Your job is to tell the difference.

A margin of safety is not a guarantee you'll make money. It's a way to not get killed when you're wrong. It's how you protect yourself from surprises — and markets are basically surprise machines.

So the rule is: the bigger the uncertainty, the bigger the discount you should demand.

THE MAIN POINT (VALUE + RISK CONTROL + TIME)

There are hundreds of ways to make a good investment and hundreds of ways to make a bad one. But the core idea stays the same: find value where other people undervalue it. Everything else is just your personal method for controlling risk while doing that.

You can make money in Bitcoin, trading, momentum, whatever. I'm not here to pretend there's only one path. But for me, the simplest path is still the most reliable:

find a good business → buy it undervalued → hold it long enough for time to work → ignore the noise.

Because the market is very good at selling you "amazing future" stories — and "amazing future" is often already priced in. That's the trap. Even if a company is great, a great company at a stupid price can be a bad investment. If the stock is already expensive, your upside is smaller and your risk is bigger. Valuation matters.

And you don't need perfect valuation models to understand that. You just need to accept a basic truth:

the price you pay sets the ceiling on your returns.

Example: why P/E still matters

Metrics like P/E aren't perfect. A single number will never capture the full story. But they often tell you something brutally important: whether your future returns are more likely to be strong or disappointing.

When you pay a low or reasonable multiple, you're not demanding miracles. The business can perform "normally" and you can still do well.

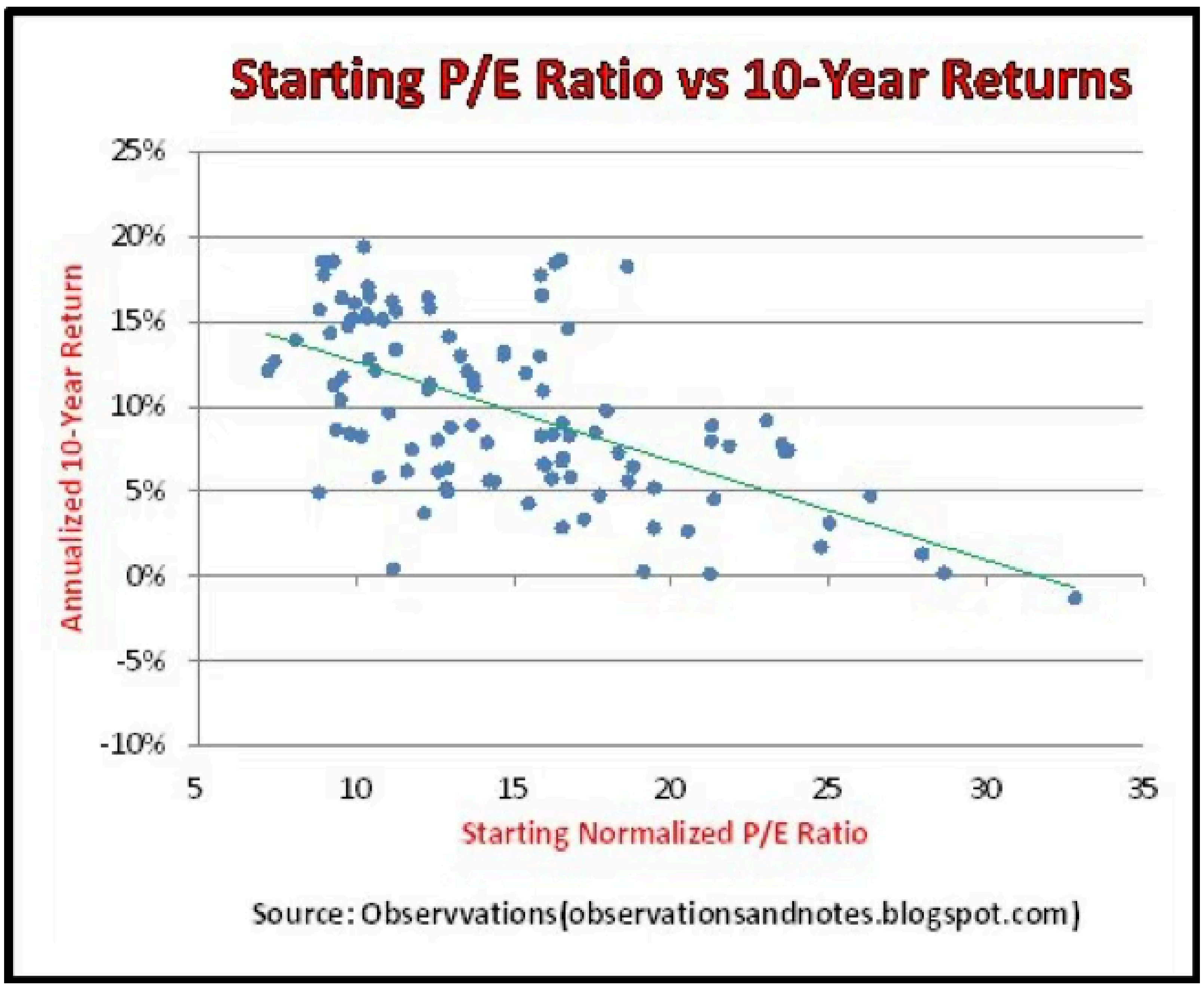
When you pay a very high multiple, you're demanding perfection:

- growth must stay high
- margins must hold
- competition must stay weak
- nothing bad can happen for a long time

And the market doesn't reward perfection — it punishes the first sign of "not perfect."

THE MAIN POINT (VALUE + RISK CONTROL + TIME)

So the P/E ratio is less about predicting next quarter and more about setting expectations. High P/E means high expectations. Low P/E means expectations are already depressed. That's why starting valuation often has a strong relationship with what comes next.



Graphic idea / caption: Starting valuation (P/E) vs. future returns: when you start at a high multiple, long-term returns tend to be lower; when you start at a reasonable multiple, returns tend to be better — because you're not overpaying for the same cash flows.

Valuation won't make you rich by itself. But it keeps you from doing the most common "smart-sounding" mistake in investing: buying a great story at a price that already assumes you're right.