

# Stock Picking Revisited: Don Johnston's Contrarian Approach to Value Investing

Don Johnston was a legendary value investor who achieved remarkable success over a long career. His contrarian approach to stock picking, which involved investing in deeply undervalued companies with strong fundamentals, allowed him to generate exceptional returns for his clients.

In this article, we revisit Johnston's investment philosophy, process, and the key principles that guided his decisions. By understanding his approach, we can gain valuable insights into the art of value investing and how to apply it in our own investment decisions.



## Stock-Picking Revisited by Don Johnston

★★★★★ 5 out of 5

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## Johnston's Investment Philosophy

Johnston's investment philosophy was based on the belief that the stock market is inefficient and that it often presents opportunities to purchase undervalued companies at attractive prices. He believed that by carefully

selecting these companies and holding them for the long term, investors could achieve superior returns.

Johnston was a strong advocate for contrarian investing, which involves buying stocks that are out of favor with the market. He believed that these companies often traded at deep discounts to their intrinsic value, providing investors with an opportunity to capitalize on market inefficiencies.

### **Johnston's Investment Process**

Johnston's investment process was meticulous and involved a thorough analysis of every company he considered investing in. He began by screening for companies that met his criteria for value, which included:

- Low price-to-earnings ratios
- Low price-to-book ratios
- Strong balance sheets
- Sustainable competitive advantages

Once he identified a potential investment, Johnston would conduct a deep dive into the company's business, financial statements, and management team. He looked for companies with strong cash flows, low debt, and a track record of profitability.

Johnston was willing to invest in companies that were out of favor with the market, even if they were facing challenges. He believed that these companies often presented the best opportunities for long-term growth.

### **Key Principles of Johnston's Approach**

There were several key principles that guided Johnston's investment decisions:

- **Margin of safety:** Johnston always insisted on a margin of safety when investing. He wanted to purchase stocks at a significant discount to their intrinsic value, which provided a buffer against potential losses.
- **Long-term focus:** Johnston was a long-term investor who believed in holding stocks for multiple years. He was willing to be patient and wait for the market to recognize the value of his investments.
- **Contrarian investing:** Johnston was not afraid to invest in out-of-favor companies. He believed that these companies often presented the best opportunities for outsized returns.
- **Discipline:** Johnston was a highly disciplined investor who stuck to his investment philosophy and process. He did not allow emotions or market sentiment to influence his decisions.

## The Legacy of Don Johnston

Don Johnston's investment legacy is one of remarkable success. Over his career, he consistently generated superior returns for his clients, even during periods of market volatility.

Johnston's approach to value investing continues to be influential today. His principles of margin of safety, long-term focus, and contrarian investing are still used by many successful investors.

By understanding and applying the lessons from Don Johnston's investment career, we can improve our own investment decisions and increase our chances of achieving long-term financial success.



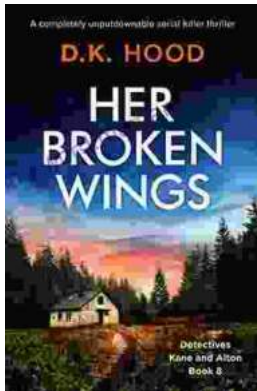
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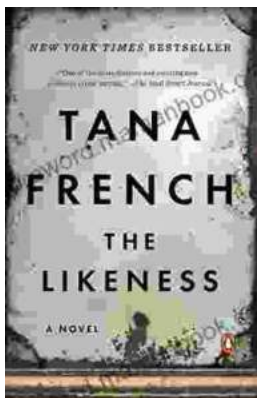
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