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Secret sauce for multibaggers -

In 5-7 yrs the yearly EPS should be higher than the price at which you bought the stock

Two factors play a role here

- you have to buy the stock really cheap
- the earnings have to grow at a reasonable pace in the future

1/2 🗨️ #aequitas

Buying cheap ensures margin of safety

Earnings for any well run business will over a period of time will compound at 15% CAGR (in line with our nominal GDP growth rate)

If earnings grow faster, the stock will see PE rerating ( and a potential 100 bagger)

If earnings don't increase as per expectations u will not lose a lot as u have bought with a lot of margin of safety

A diversified portfolio will have a few multi baggers and a few duds but overall u will have a multibagger portfolio

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