INVESTOR'S EDGE

Be a brilliant investor by mastering the basic strategies

Tips to position portfolios success in the long term

"The investor's chief problem — and his worst enemy — is likely to be himself."
— Benjamin Graham

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When legendary football coach Vince Lombardi took the helm of the Green Bay Packers in 1958, he had a media session with various sports reporters. As the story goes, he was immediately peppered with relentless questions on exactly what he was going to change in order to turn around the hapless Packers.

Lombardi calmly replied: "I am not going to change anything. We will use the same players, the same plays, and the same training system. But we will (now) concentrate on becoming brilliant at the basics."

Whether it is football, life, or investing, to be successful one must master the basics. Unfortunately, I see the basics of investing thrown out the window time and time again, especially during periods of intense market declines.

For a mere 23 trading days during the months of February and March, the Dow Jones Industrial Average plummeted 37%. As has been reported in the media, many individual investors began to panic and sell out of most or all of their portfolio at or near the market bottom, convinced that the coronavirus would decimate their portfolio holdings. Since that time, the broad stock market has recovered most of that decline

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in a similarly swift fashion.

Unfortunately for those who sold most or all of their stocks, they have likely incurred a permanent impairment of capital on those sales and will have to re-structure their portfolio if they want to make up serious lost ground.

10 PRINCIPLES

About two decades ago, I was handed a one-page sheet of paper with the simple headline, "What We Know for Sure." It gave 10 investment principles laid out as a basic framework for achieving successful investment results.

I suggest you read and reread the principles listed below to become "brilliant at the basics" of investing.

1. Stocks and bonds fluctuate in value.

2. Diversification spreads risk.

3. Successful investors have a long-term perspective.

4. Instant gratification means long-term investment failure.

5. Historically, dividends from a portfolio of successful companies rise long term.

6. Inflation is a long-term constant.

7. The best investors never forecast short term.

8. Time is more important than timing in investing.

9. Investors can make money in flat markets.

10. Selling at the bottom and buying at the top is natural for most people.

AND FOUR MORE

After more than 30 years in the investment profession, I have added some of my own investment principles, but I will share with you just a few that are applicable to the current market situation:

11. Markets go down a lot faster than they go up — which will panic most investors.

12. Each bear market has its unique rationale for decline, leading many frightened investors to exclaim, "This time is different."

13. The four most dangerous words in investing are: "This time is different."

14. A well-crafted portfolio of great companies with rising earnings power and dividend streams will produce excellent long-term investment results.

You will notice that number seven on the original list says: "The best investors never forecast short term." This seems to be an impossible task for most people.

In fact, currently many investors are wondering if the market bottomed in late March, if the economy will recover or falter later this year, or if a second wave of the coronavirus will hit, etc. etc.

To this I say, I don't know what will happen in the second half of 2020, but I do believe that the stocks will perform very well over the next two, three, five years, — and beyond.

When I get my investment statements each month, I don't get excited when it is up, or discouraged when it is down, because I know it is simply a snapshot in time of what other investors are willing to pay for the businesses (or mutual funds) that I own.

Instead, I am always focusing on the underlying economic power of the companies in my portfolio. And this has led to very successful results for my clients and I.

Here's a five-star tip: When markets are declining, don't even look at your physical or online statements. Studies have shown that individual investors who follow this advice get better results!

Bottom line: It is vital to avoid trying to time the ups and downs of a $20 trillion stock market, or forecast future economic results. Instead, believe in American business, believe in America's future, and own great companies, as I have recommended here, through thick and thin.

Your portfolio will go far.

Jim Burns, a chartered financial analyst, is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment. Contact him at jburns@jwburns.com.

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