

## Investment Style Assessment

It may prove valuable (or at least interesting) for us as a club to take a snapshot of where we are as investors as we get this club off the ground. It will help us understand how broad we are as a group, could expose potential friction points, and will let us gauge how far we've come if we choose to do this periodically. I am sure that this will be a moving target, **that each of us will grow in knowledge and sophistication as investors**, and that as a group our "center of mass" will move over time. In fact, I think that is **primarily what we all signed up for!**

Here are my thoughts (*at the moment!* ☺) regarding my own inclinations:

1. **Investment Style:** I see myself as an *investor* as opposed to a *trader*. I am looking for companies that show tremendous growth prospects, companies that appear to have an edge over any competition and are in (or are creating) markets where they have lots of headroom. I guess I'm attracted to companies that I believe have the potential to show 1000% returns (yeah, 10X!) within the next, say, 5 years. (Contrast this to the NAIC that proposes targeting a 15% annual growth so that your portfolio will *double* every 5 years - still, not a bad result!)

Also, I like the Dow approach embodied in the Foolish 4. I see this as a low-risk large-cap cornerstone, an anchor, a market-beating counterbalance to moderate the risk and volatility of small-cap growth stocks. [BTW At the market close on April 12, the BHGP F4 Port finally surpassed its benchmark performance, ending 0.85% above a comparable SPY investment!]

**Snapshot:** With the high probability of beating the market over the long term with our F4 portfolio, I want to build a complementary array of small caps that have *huge* growth potential. In the mean time I'm noticing an attraction to Rule Breaker type companies (which opens up the full range of market caps from small to huge).

2. **What-to-buy versus When-to-buy:** I've spent many months (60+) selling **3M** stock nearly every month as part of my cash flow plan. (Not proud of this, but there's a reason I bring it up...) I used to get frustrated with Datek in trying to get my shares transferred from Norwest (that administers **3M's** employee stock purchase plan) in a timely fashion. Typically I felt **3M** was at a good (or as good as I could expect) price when I acquired the shares in the Norwest account and I needed them in Datek's hands before I could put in a sell order. I do not have actual statistics, but my honest feel is that I got a better price more often than not due to the (always frustrating) delay in getting the shares transferred. Yes, there were times when the price sagged (or crashed and burned) while I was waiting, but my point is this: I no longer imagine I have any reasonable "feel"

for what the market or a given security's price will do tomorrow (i.e., short term).

Okay, that was a long story, and I wasn't doing any formal TA anyway, just looking at recent prices and wishing I could sell that day. Maybe with some education I will begin to see how to do buy-point TA, and begin to lean toward it...

**Snapshot:** I'm looking at the business a company is in, looking at the competition, and looking at the market growth potential. If this all looks good I get real interested in a stock! I currently have no guidance on when to buy other than *as soon as the funds are available.*

**3. Time frame:** The club name (Buy-and-Hold Growth) and the Investment Style comments above are pretty good indications. I really don't want to do any *trading* of stocks. Some of the stuff I've read from the brothers Gardner talks about the possibility of owning stocks for life. I want to own companies that continue to grow and meet my investment goals; companies that I am proud of. That said, I want to tirelessly and vigilantly watch these companies so I can bail out sooner rather than later if something fundamental changes! (What might that be? A new competing technology, a management change, legal problems...)

I've also heard it said, "Buying a stock is easy. Deciding to sell is the hard part." I wholeheartedly agree. I think if we buy companies with long-term growth potential and watch diligently for fundamental changes, the sell decisions will somehow be clear when the time comes. I've also read this: "Sell a stock when a better place for your money presents itself." I suppose this summarizes my timeframe, which is really quite open ended, with this clarification: If I've recently bought a company, I must believe in its growth potential *regardless of what the stock price does in the near term.* I might want to kick myself for missing a sale (which might even read "75% off!"), but that in no way means I would want to sell due to a price drop. Au contraire, I might be inclined, in lieu of material fundamental changes, to pick up more of said security "on sale."

**Snapshot:** I intend to hold purchases for the long term, regardless of short-term price deflation unless there is material, fundamental change.

There you have it. My current snapshot. I'm a **long-term hold, explosive-growth-potential small cap type investor who also likes the grounding feel of an F4 portfolio.**

With Kindest Regards,

Mike