



As We See It

"It's time in the market, not timing the market that makes for successful investing."

–Thomas W. Phelps
100 to 1 in the Stock Market (1972)

Individuals who build substantial estates through their financial investments tend to be those who "Buy right and sit tight." Buying right simply means purchasing stocks with favorable long-term fundamentals at attractive prices. Sitting tight suggests focusing on the long-term fundamentals of a company as opposed to responding to the latest news developments and rumors.

Most portfolios are traded excessively. In large part this situation stems from an emphasis on short-term performance. Everywhere one looks an emphasis on short-term results is encouraged. The major financial publications remind us quarterly which mutual funds are doing well and which are doing poorly. *The Wall Street Journal* pits the picks of professional money managers against stocks selected by throwing a dart. Results are measured over a six-month period. Seldom are we reminded of the virtues of patience.

Experience has taught us that we cannot pick stocks that will rise this quarter and fall next quarter, and we have yet to meet anyone who consistently does. Yet, many investors, even professional money managers, who believe they are long-term investors find it difficult to be patient. They start with sound research and careful thought that identifies attractive companies in promising industries. Then, perhaps because they are bombarded with too much "news" they slip into trading stocks and believing they can play the quarter by quarter game.

The whole process is analogous to predicting the winner of the next point in a tennis match vs. predicting the winner of the match. Armed with the knowledge of the records of the opponents, it is much easier to forecast the winner of the match than to forecast the winner of the next point. So it is with investing.

Advocating a buy and hold approach is intended to counter unproductive activity (trading) and is not a recommendation to put stocks away and forget them. Judicious pruning of a portfolio is warranted, but the focus should be to identify what might be more permanent deterioration as opposed to that of a more temporary nature.

Jumping from one stock to the next in an attempt to be in the right place at the right time results in much "shooting where the rabbit was." Successful investing is rarely a matter of short-term timing. It is a matter of consistency and patience.

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