CREATING PROSPERITY BY CONNECTING INVESTMENT OPPORTUNITIES TO INVESTORS

INVESTORS' CORNER

What's in a Stock?

Part 2

"It's far better to buy a wonderful company at a fair price
than a fair company at a wonderful price."
Warren Buffett

This is the second part continuation of a two part series on Stocks. Part 1, which discussed the fundamentals of a stock and the difference between common and preferred stock, is available at www.vertexinv.com or at www.dcsx.cw.

After deciding that you have the appetite for stocks, here are a few tips to be mindful of when trading:

1. Pick companies, not the hype around them: when selecting a stock, try to remember that it represents a percentage of real company operating somewhere. Learning about the company will assist you in deciding whether that company will be successful in the future. Assess, among other things, the management's strength and strategy, company's products/service, its competitors and the company's position in its industry.

2. Park your emotions at the door – Seeing the price of a stock you own falling can generate a lot of emotions so much so that you may want to sell. However the stock market is no place for you to be riding on the emotional rollercoaster! Decisions you make should be grounded on information and facts!

3. Prepare for losses: You will win some and you will lose some. Be mindful of the fact that prices of stocks you own ***can and will*** fall. If that happens, remind yourself of the reasons why you purchased the stock. If the reasons remain relevant, despite the fall in price, then your buy position should still remain relevant.

4. Don't time the market, trying to wait on the price of the stock to fall: It is next to impossible to time the market. Try instead to apply investment techniques that protect against price fluctuations. Ask your advisor to assist you with the best risk management technique that suits your circumstances.

5. Do a post analysis of your trade – whether the transaction was successful or not. Review what happened so you learn for your next trades, what to do and what not to do.

6. You can buy the basket – if you are unsure about which stock will outperform or not quite sure how to proceed, then you can actually buy a basket of stocks, such as an "index". Doing this allows you to offset winners with losers and thus spread your risk. Eventually you will be able to better identify winners so that you can improve your strategy for the future.

7. It is not a quickie – stock trading is not for quick ins and outs, in my opinion, but for long term investing. Build your portfolio slowly over time and try **not** to keep a constant eye on the changes in the prices of your stocks. If you remind yourself that this is for the long haul, then fleeting short term events should not have an impact on your trading decisions.

Join us for the next publication where we will discuss bonds.
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This editorial is presented to you by the DCSX with the collaboration of Vertex Investments.

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