VALUE CONTRARIAN
ASSET MANAGEMENT

Ben's ABC Guide: How to Ease Into the Stock Market

Some stock sectors are certainly showing signs of froth and speculative excesses (i.e., social media, tech, healthcare) and some may be nervous that we are into the sixth year of this cycle. Faith in the Fed's easy - money policies has encouraged a complacency amongst investors.
But bull markets don't end merely because of age or valuation. Cycles usually end when Central Banks and numerous rate hikes kill the golden goose.

Ben Horwood

One of the hardest things for most investors is to sit by and watch other people make money.

Howard Marks
Co-Chair
Oaktree Capital Management

1. You have to believe that your biggest risk, by avoiding stocks, is losing ground to inflation (and not market volatility).

2. You understand that stocks will provide higher long-term returns than fixed-income investments, and that a lumpy 5%-7% annual return is preferable to a smooth 1%-2.5% return.

3. You'll never become invested if you're seeking "perfect timing". Forget about buying at the "bottom", or selling out at the "top". Markets rise over time, leaving previous index levels behind.

4. Have a plan and buy stocks in stages, not all at once (the "when" part of investing is just as important as the "how").

VALUE CONTRARIAN
ASSET MANAGEMENT

5. Buying in "stages" will ensure that you have the "gun powder" (cash) when the next bear market inevitably arrives. Having some cash as part of your portfolio is also a morale booster. It gives investors the confidence to carry-on with their investing plans during a financial crisis.

6. Finally, a bond payment is fixed for the life of that bond. Conversely, while a quality dividend stock may experience a temporary decline, these companies will often raise their dividends year after year after year (think CN Rail, United Technologies, TD Bank, Johnson & Johnson, etc.).

Where Are You?

Regards,
Ben Horwood
Value Contrarian Fund
June 1, 2015

Your comments are always welcome via e-mail (benh@valuecontrarian.com) or LinkedIn.

Please note: the timing of Ben's market comments will only be sent when something of value should be shared.