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A PENNY FOR YOUR THOUGHTS

By Mark Pearson, President & CIO of Nepsis Inc. from InvestingWithClarity.com Blog

"Look after the pennies, and the pounds will take care of themselves."
– English Proverb

In the complex world of investing, it is often difficult to explain many of the mechanics involved the investment process.

One of the most common questions that I receive from investors when they view trading activity in their portfolios is, ***"Why do you only buy a few shares of a stock or sell a few shares of stock at time? Investing so little doesn't have any impact on my portfolio, so why do it?"***

Although I believe the question is warranted, I do not agree with the statement that it doesn't have any impact on a portfolio.

After all, have you ever had a penny jar? Remember when you started putting pennies into the jar? You started with a few, then, one day you decided to take it to the bank and cash it in only to be surprised by how many pennies you had accumulated over time!

That being said, it is not any one position in our client portfolios that makes up the majority of the portfolio performance. **It is the portfolio allocation that is most important long-term. Investing in companies over time should be viewed in the same manner!**

Of course an important idea behind the "investing pennies" process stems from a component of our investment philosophy at Nepsis which involves continually "Strategic Cost Averaging™" into the companies we want to own over time.

What is "Strategic Cost Averaging™?"

Unlike dollar cost averaging (DCA) which is the process of investing a fixed amount on a regular schedule, Strategic Cost Averaging™ (SCA) is the process of continually investing unequal dollar amounts specifically targeted into companies we want to own more of when appropriate.

Why is SCA so important?

The ability to SCA is extremely important as it allows the ***flexibility*** needed to take advantage of buying more of a company you want to own when it is on sale. This is why ***stock market volatility*** — or more importantly, stock volatility — is so important and ***needed*** in the investment process on a longer term basis.

However, at the same time, remember there are many mechanical components that assist in a successful LONG-TERM investment process!

If you have an appropriately diversified portfolio, no ONE position should "make or break" the long-term performance of the portfolio.

Therefore, while many investors focus on each position in a portfolio — or what I would refer to as tactical components of a portfolio, they don't realize that ***each position in a portfolio should be a "tactical component" of an overall portfolio strategy.***

Having the ability to ***"know what you own and why you own it,"*** along with the flexibility to strategic cost average into companies you want to own over time, are key components to providing the potential for successful investing over time!

Invest with Clarity™! — Mark Pearson

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