<u>MANAGING YOUR MONEY</u>

When prospective clients ask me for advice about how to improve the performance of their portfolios, this is what I tell them.

- **The portfolio is too diversified**. Holding more than 100 different stocks and several mutual funds is not diversification. It is the same as owning “the market”. Why not then buy SPY (the EFT for the S&P 500) and forget about stock selection.

- **The portfolio should focus** on a specific strategy. This strategy depends on the outlook for business activity and the position of the business cycle at any particular point in time. The sectors in the portfolio should not be more than 3 or 4. Diversification may be required within any given sector.

- **Stockbrokers** (or investment consultants) are not, let me repeat – are not, **portfolio managers**. They are not responsible for the performance of your portfolio. Their job is to give you advice on what to buy and, possibly, what to sell. The difference is that they make money every time you make a transaction. A portfolio manager makes money based on the performance of your portfolio.

- **Measuring the performance** of a portfolio is the most crucial step in money management. Performance evaluation helps you to isolate the poorly performing assets. They have to be dealt with to improve the performance of the portfolio. Act. Do not sit on your hands.

- It is difficult and time consuming for the average investor **to isolate the poorly performing positions** in a portfolio with too many issues.

- **Flexibility** in the investment strategy is a crucial trait of successful money management. Most investors are still holding technology stocks. They do not have the discipline and flexibility of recognizing investment themes.

- Long held **investment formulas** of famous gurus like “buy-and-hold”, “averaging down”, or “indexation” have been painfully proven wrong in the 1999-2003 bear market, as I anticipated and discussed in detail in my book ***Profiting in Bull or Bear Markets***. Investors cannot make money by using easy, self-serving formulas. Managing money cannot be improvised. It takes a firm conviction that formulas do not work. Investors need to adapt to continuously changing economic and financial times. The main objective of ***The Peter Dag Portfolio Strategy and Management*** is to assist you in this endeavor.

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