

THESE FEW PRECEPTS

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LONGER TERM INVESTING

- The trend is your friend / never try to catch a falling knife
- Average up, not down
- Research the unloved
- Sell on the first profit warning
- Over-paying for a good company has the same result as buying a bad one
- Always read the accounts and news flow - and do analysis - before buying
- Record your reasons for buying, and target pricing and timing
- Buy quality – the best in the sector etc
- Long-term, it pays own successful companies and to be patient
- Recheck the story - and the pricing - periodically
- Don't buy on the basis of a possible takeover
- Extremes mean risk (high PEs, high markets etc)
- Do not invest within 3% of the markets' all time high

INVESTMENT METHODOLOGY

- Combine fundamental and technical analysis in share selection

INVESTMENT PSYCHOLOGY

- Leg in/leg out of investments/positions
- Cut your losses
- Let your profits run: don't snatch profits, be a reluctant profit taker
- Analysis & knowledge instils confidence – stay with what you know
- Don't overtrade
- Never invest funds that you need for another purpose

PORTFOLIO RULES

- Diversify to reduce risk – by sector, size of company, region
- 10-20 well-chosen shares should provide adequate diversification.
- Invest regularly – drip feed, reinvest dividends
- Buy and hold – top slice, top up

TRADING

- Use money management to take out the emotion
- Use stop losses, and get out when they are reached
- Use trailing stops at the level where you know something is wrong (or 3%)
- Establish risk/reward ratio – 2:1, 3:1 etc, based on target and stop
- Limit risk on capital of say 2% a trade; risk determines the size of the trade

And finally, if you can't outperform the experts, invest in funds !