



CANADIAN INVESTORS' COURSE

Session 14: Investment Strategies



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TODAY'S FINANCIAL ADVICE INDUSTRY PRACTICES
APPLIED TO THE THREE LITTLE PIGS...



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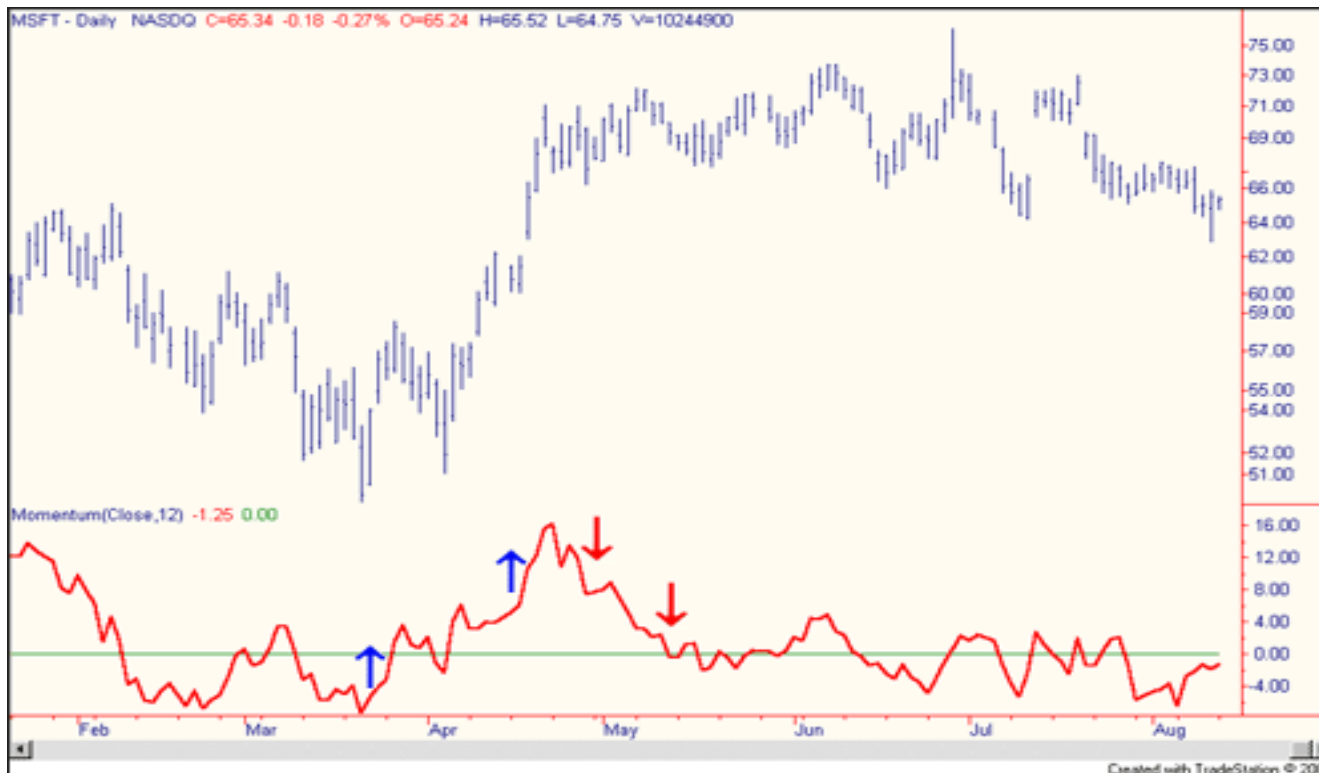


4 Approaches

1. 'Trending Value' Investing
2. Momentum Using ETFs
3. Value Investing
4. Buy and Hold 60/40

Approach 1: 'Trending Value' Investing

Many popular and successful Portfolio managers claim that this investment approach has been the most successful strategy over the last 50 years. It is similar to the Rules Based Investment method that is discussed in Session 15. The Trending Value is exactly that. This method buys fundamentally cheap or "Value" stocks with Momentum. Momentum is a form of Technical Analysis.



Looking at the Momentum chart at the bottom below the Microsoft price chart, Microsoft stock is bought as it crosses above the green line and vice versa

Figure1: Microsoft Stock
Source: TradeStation



Approach 2: Momentum Using ETFs

This approach is very similar to the Value Momentum approach except there is no work required to do fundamental research for undervalued stocks. Momentum is used with Index units or ETFs.

Basically using an ETF like SPY (S&P500) and Trend analysis. Portfolio is invested in SPY or in cash, depending on the signal given by the trend change.



Approach 3: Value Investing

Purely value investing. Buying stocks that are truly cheap and good value and holding them until they are no longer cheap.

The portfolio manager in this approach uses:

- Low P/E ratios (price divided by earnings)
- Low P/S ratios (price to sales)
- Low P/B ratios (price to book value)
- Etc.

Sector rotating may also be used by taking advantage of changing stocks and sectors that present value.



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Approach 4: Buy and Hold 60/40

Considered a very long term strategy that has a rigid allocation. The allocation mix is 60/40 -- 60% stocks, 40% bonds. Generally the investor holds a diversified set of stocks in the 60% portion. The Bond side is, normally, a laddered approach to hold bonds by spreading the interest rate risk over many bond maturities.

This type tends to evolve in a stock market that has been going up for a long time. It becomes unpopular when a sideways or Bear market is in place.



4 Approaches: Summary

Go to the specific Sessions that discuss various analysis by looking at Fundamentals Analysis and Technical Analysis.

- e.g. Session 4 – Finding Equities

And please don't worry about jumping ahead to review Session 15 on Rules-Based Investing



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Gerry Gabon

P. Eng (retired), MBA

AskGerry@TrustedWealthProfessionals.com

905-203-1162



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www.TrustedWealthProfessionals.com