



Knight Personal Musings

Rights and Wrongs of Investing

Wrongs

- Watching 90 day results – accounting department driven, rather than a sustainable guide.
- Indexing / ETF's – only if you wish to follow indexes, up and down.
- Macroeconomic focus – how often are leading economists right? Too tough, too many variables.
- Hedging: Really hedging or really leveraging? Why hedge – decide! Why leverage – except to increase risk.
- Deworsification – most investors replicate the market indices, whether they know it or not.
- Technical analysis – as McEnroe would say: “You can't be serious!”
- Inconsistency – if you do not have clear beliefs, how can you get good – “practice, practice, practice”.
- Decisions by committee

Rights

- Diversify – hold 15 stocks or 215; the tails of the Bell curve
- Buy companies, not stocks – if they ‘happen’ to be publicly traded – perfect.
- Clear disciplines, consistently applied.
- Invest with the right people; the numbers will be next.
- Understand the business – why might it grow? Again, the numbers will be next.
- Original research wins – the ‘Street’ rarely avoids a consensus, and never (hardly ever) recommends a sale.
- Be patient. Good ideas often take time to mature (2-3 years, NOT 2-3 months).
- Sell, if the reasons to buy dissipate.
- Hold, if the reasons persist – good investments are hard to find.

More?!

David Knight

Georgian Capital Partners

Scotia Plaza, 40 King Street West, Suite 3405, Toronto, ON M5H 3Y2

Toronto: (416) 640-4100 Victoria: (250) 595-7955 www.georgiancapital.ca

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