Four Ways to Win the Investment Horse Race

In 1993, Julie Krone became the first, and still only, female jockey to win the Belmont Stakes. As Julie, riding Colonial Affair, rounded the first turn, they sat in sixth place. A horse named Antrim Road had dashed out way ahead, taking a big risk with a fast pace.

As the horses came into the far corner, Cherokee Run took the lead, and still, Julie and Colonial Affair remained in sixth place. Then as they turned for home, Julie's patience paid off. The five horses ahead of her had risked it all and gotten tired.

Julie had conserved energy and came on strong in the end to win. Finishing second and third were Kissin Kris, and Wild Gale. All the way back at ninth sat Antrim Road, who had risked it all with the big start. I wrote about Julie in October 1993:

> *A Heavyweight at 95 Pounds.*
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> *As Julie Krone made the final turn for home in the Belmont Stakes, she realized she was about to capture one of the horse racing's most prestigious Triple Crown events. Later, sitting proudly in the winner's circle, the enormous self-confidence of this 4' 10-1/2" jockey was clearly visible to even the most casual admirers and well-wishers.*
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> *Self-confidence has made this diminutive young lady a champion. When you consider the massive energy of a 1200-lb. race horse at full gallop, it's not hard to have the greatest respect for a 95-lb. rider with the confidence to rise to the pinnacle of her sport.*
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> *My goal each month is to give you the strategies you need to generate the same level of confidence in your investing s*

Julie Krone displays in the fast and dangerous sport of thoroughbred horse racing. The development of confidence takes time. It takes dedication. It takes consistency. With consistency comes confidence.

LANDMARK RESEARCH ARGUES AGAINST MARKET TIMING

Recently published results by Professors Chandy and Reichenstein of the Universities of North Carolina and Balor, respectively, show the consistency of long-term returns on the S&P 500. The professors found that by omitting the best 50 months of performance from the stock market's 1926-1987 return, absolutely all the S&P's gains for the entire 61-year period are wiped out. Being out of the market during much of the 50 months would have been a killer to a portfolio.

One of my foundation tenets is that you should not attempt to time the market. Stay fully invested at all times; do not trade in and out. This does not mean that you should not minimize risk (always your first job) and maximize potential total return (appreciation and dividends or interest). You do this by properly diversifying your portfolio to reflect (1) the stage of the economic cycle, (2) momentum in interest rates and inflation, (3) interest rate spreads between fixed-income securities of differing maturities and (4) the current yield of common stocks in general.

These four criteria are objective, clear signs that require no work from you. You do not base your decisions on guesstimates of the future. And you certainly do not engage in market timing.

A steady approach is best for both jockeys and investors. Don't beat yourself in the investment race by creating volatility in your portfolio with market timing. You may miss out on the best days the market has to offer.

If you would like to learn more about the steady investment approach used by my family run investment counsel firm, sign up for the free client letter email alert from Richard C. Young & Co., Ltd. Each month you'll read an update on our investment philosophy. The alert is free, even for non-clients. You can signup by clicking here.