

Is Your Portfolio Balanced Like a Harley?

With over 100,000 miles of Harley touring behind me, I can assure you of the value of a smooth ride. No one enjoys being jolted and jarred, not on the road or in securities markets. When markets become volatile, every investor is looking for smoother performance. In August 2013 I explained that the key to smooth performance, whether on the road or in markets is counterbalancing. I wrote:

Managing a common stock portfolio takes—above all else—patience. Your goal should never be what to sell next; rather, it should be what stocks you can hold through thick and thin. It is true that portfolio activity, for most investors, runs inversely to consistent long-term performance. How should you measure performance and how should you construct an all-weather portfolio? First, “all-weather” means you do not want to be jumping in and out of the market attempting to predict bull and bear markets. For five decades, I have been investing my own money as well as advising conservative investors saving for retirement. As such, I have invested through many gut-wrenching bear markets and disastrous single years like 2008, which ended with the speculative non-dividend-paying NASDAQ down a frightening 40% for the year. Through all the years of turbulence, I have remained fully invested in a balanced, widely diversified securities portfolio featuring a counterbalanced approach.

I have firsthand experience of what happens when counterbalancing is not in force. The Harleys I rode back in the old days had engines bolted straight to the frame. Talk about vibration and calamity. The constant vibration caused nuts and bolts to loosen and fall off. When you’re on a long-distance road trip, a breakdown in the middle of nowhere is

cause for concern. I have found myself in just such a situation and it's no fun. Today's Harleys feature counterbalanced engines offering both a smooth ride and a minimum of road trip calamities.

Examine your portfolio today to see if it can be described as fully invested, balanced, and widely diversified. If not, it's time to trade it in for a new model.