

My Battle-Hardened Stock Market Strategy for the Worst of Times

UPDATE 7.26.22: Have the worst of times come? It's hard to say, but many investors who were feeling great about the market only six months ago are now terrified. If investors had employed the Ben Graham-inspired, battle-hardened strategy of conservation of principal and a defensive portfolio, they may not be so unsure of themselves today.

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In September of 2014, I explained to readers my battle-hardened strategy for dealing with the worst of times in the stock market. My strategy was inspired by Ben Graham, and I have used it throughout my 55-year career in investing. Here's how it goes:

Ben Graham's [The Intelligent Investor](#) was first published in 1949. I came in a little late in the game with my 1973 edition, which I have in front of me as I write. It is important to me that you and all of our management clients are able to sleep well, even during the periodic stock market busts that we all have to ride through from time to time. I never get out of the market; thus, I require a battle-hardened strategy to stay the course during even the worst of times. Ben Graham wrote, "An investment operation is one which, upon thorough analysis, promises safety of principal and an adequate return. Operations not meeting these requirements are speculative." From day one, I have stuck to Ben's foundation principle to the benefit of all our subs and clients.

Primary Concern: Conserve Principal

Ben built on his foundation principle by writing that truly professional investment advisors are quite modest in their promises and pretensions. As he noted, "The leading investment-counsel firms make no claim to being brilliant, but they do pride themselves on being careful, conservative, and competent. The primary aim is to conserve the principal value over the years and to produce a conservatively acceptable rate of return. Any accomplishment beyond that—and they do strive to better the goal— they regard in the nature of extra service rendered. Perhaps the chief value to clients lies in shielding them from costly mistakes."

The Defensive Investor

I like to think that it is just this approach that allows our subscribers and clients to sleep well and remain comfortable that we are all on the same team. Part of the complete program is your portfolio balance. Ben Graham wrote, "We have already outlined in briefest form the portfolio policy of the defensive investor. He should divide his funds between high-grade bonds and high-grade common stocks. We have suggested as a fundamental guiding rule that the investor should never have less than 25% or more than 75% of his funds in common stocks, with a consequent inverse range of between 75% and 25% in bonds."

With market volatility increasing, it's time you reviewed your own strategy. You should consider a battle-hardened strategy that will protect you in the "worst of times."