



## Sometimes Sound-bites can Bite!

Warren Buffett's Berkshire Hathaway sold its stake in GE by June 2017 according to recent regulatory filings. So, why is the famous buy-and-hold investor selling? (And, it's not the first time he has sold off his holdings either).

As a professional investor, I believe that there is a huge difference between a buy-and-hold approach and a buy-and-ignore approach - even though both approaches look rather similar at first blush. And I believe that the difference is as significant as the difference between Mr. Buffett's wealth and the average investors'.

Buy and Hold investors certainly have long time horizons. This makes them appear less active. But underlying apparent inactivity are several important, if less visible, characteristics. They likely have:

- A sensible investment philosophy which guides their actions. (E.g. Value oriented)
- Purposeful holdings in their portfolio which support their investment philosophy.
- A sell-discipline which may be rarely exercised, but nevertheless exists and is kept current.
- A regular regimen of monitoring, evaluating and when necessary selling their holdings.

Clearly these important things may not be visible as ongoing activity – but are important to effective investing.

Surely, Mr. Buffett has superb investment instincts and skills which contribute hugely to his wealth. But for the average investor, the one characteristic to emulate is likely not the buy-and-hold strategy. (Nor is the answer hyperactive trading, by the way).

Instead, savvy investors should include several effective concepts into their thinking. For example:

- Focus on things you can control;
- Accept that the Market is inherently unforecastable (especially in short time periods);
- Use evidence-based investment strategies (they don't always work, but that is the way to bet);
- Know that risk and return are not the only variables to manage;
- And, don't fall asleep at the wheel – i.e. Buy-and-ignore.

Investing looks simple, but it's not simplistic. Advising an investor to buy-and-hold is about as valuable as advising a tennis player to hit the ball squarely and over the net.

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