

Investor Insight

Shewchuk Watson Strategic Investments

Buy and Hold Doesn't Mean "Buy and Forget"

There was once a time when investors could rely on selecting high-quality investments for their equity portfolios and then virtually walk away. In most cases, over the long term, the portfolio would continue to grow with little concern.

This may have worked in the past when business environments were more stable, but in today's world this is not likely the best approach. Instead, keeping a watchful eye on the investments that make up a portfolio is a good habit.

This doesn't mean that we should become day-traders. On the contrary, periodic portfolio reviews with selective portfolio changes should be an essential part of any portfolio management in today's world.

We have all seen that it is possible for companies to change in their financial standing. A leading blue-chip stock in a seemingly solid industry may become a laggard. In the most extreme cases, we have even seen companies disappear almost overnight, such as with the collapse of Lehman Brothers in the U.S. during the 2008 financial crisis. Many Canadian companies have also suffered similar misfortunes in the not too distant past, which should warn us to stay alert to these possibilities when we consider each of our holdings.

Contrasting this, sometimes a holding can appreciate to such an extreme that it becomes too dominant in value within the portfolio. Although this may be reason for celebration, this portfolio may also require a rebalancing.

Consolidation activity may also change a portfolio's composition. For example, cross-industry mergers or acquisitions may alter a portfolio's balance when considering diversification across industries. Or, given the global nature of transactions these days, cross-border consolidation may affect the portfolio's geographical diversification.

Even a simple dollar cost averaging program should be monitored to ensure additional investment makes sense based on your goals and priorities. Remember — the objective is to maximize overall returns, not own any particular stock or company.

How We Can Help - We are always here to conduct a review and provide advice on these types of decisions. If you are investing in individual securities, a regular portfolio review will be beneficial. If you are investing through funds, you may not need to focus on industry diversification, but a review of the asset allocation, risk profile or other elements of your portfolio may be beneficial. Please let us know if we can be of assistance.

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