

WHY NOT JUST CHOOSE STOCKS THAT ARE “PROVEN WINNERS”?



You've probably heard that trying to buy individual stocks right before they go up and then sell them before they go down is a poor investment strategy.

It's akin to betting at the roulette table. The house is heavily favored in the mathematical chance of winning but there's a remote chance you just might get lucky. In reality, that's about it.

OK, you say. But what about choosing only from among "proven winners"? Won't I do well if I only buy companies that everybody has heard of and have been successful for years?

What you're describing are companies often referred to as "blue chips."¹ The name comes from the traditionally highest value poker chip. They're the large, familiar brands that have been around for generations. And they often make products you've bought and trusted for years.

Still, devoting a significant portion of your investment strategy directly into individual blue chip stocks can end up being very disappointing.

The Risk Of Picking The Wrong Blue Chip

Large, established companies can and do lose value. They just might do it more slowly than smaller enterprises. Ask anyone who's bought GE in the past few years.

Forbes contributor Brett Owens recently identified five blue chips that have the status of "safe stocks" and yet have lagged behind the overall market as measured by broadly diversified indexes reflecting the value of hundreds of stocks. He says that Walmart, Kellogg, General

Mills, IBM, and Ford are stocks that everyone owns—and shouldn't.² They might make their investors feel safe, but a look at their numbers tells a different story.

Stock markets are remarkably efficient pricing machines. Nearly instantaneously and continuously, the market sets the price for blue chip stocks based on all available information. So there's almost no chance you're going to cash in on some unknown mispricing that millions of other market participants overlooked. In fact, because they carry the reputation for being a good investment, these stocks are heavily traded and often their higher valuations reflect the increased demand.

Underperforming Their Peers

Several years ago, Ronald Delegge did an analysis of the performance of 50 randomly chosen blue chip stocks, comparing their performance with ETFs (Exchange Traded Funds) in their own sector. ETFs are like a basket of scores or even hundreds of individual stocks in one fund.

What he found, he says, "should make shareholders mad." All 50 underperformed for their sector, with many category leaders like GM and HP lagging far behind.³

Own Blue Chips, And Everything Else

So while it might be fun to buy your kids or grandkids a share of Disney or McDonald's for the novelty of framing the stock certificate on the wall, concentrating your portfolio in individual blue chips is a strategy that carries with it far too much risk for the long-term, prudent investor.

It's not that you shouldn't own them at all. You should own them as part of owning the market through truly diverse funds that include asset allocations around the globe, across company size, and relative value.

Have a great weekend!

Source: Efficient Advisors

Golf Tip of the Week



How Can Older Golfers Improve their Game?

Your joints may get stiffer, your eyesight dimmer, and your energy level lower, but your zeal for golf will never diminish—not while you're on this side of terra firma.

Here are some tips to keep you a few shots ahead of Father Time:

- **Go for the short shots:** While the years may rob you of some of that strength and agility, preventing you from sending your tee shots soaring into the big blue, concentrate instead on developing your short game.
- **Stretch those tired muscles:** While we don't need to remind you that some of the old joints may not be as willing to take to the greens as during earlier times, you should recognize the importance of a good and thorough warm-up before play. Remember, an ounce of prevention can offset weeks of sore shoulders and backs.
- **Reconsider your equipment:** You may not be Dustin Johnson anymore, but you'll certainly settle for Jack Nicklaus. Older golfers should consider reexamining their equipment. Restricted mobility and less cooperative muscle groups shouldn't stand in the way of energizing your game and restoring that old passion. New clubs may be all you need to put the fire back in those bones.

You may not have the Masters Tournament in mind when you're hitting the links, but there's no reason why you can't have an enjoyable and exhilarating time on the course at any age—with a few minor age-related adjustments.

Tip adapted from PGA.¹

Recipe of the Week



Cherry Tomato Casserole with White Beans and Basil

Serves 6

Ingredients:

2 cups cubed (1-inch pieces) hearty whole wheat bread (5 ounces)
2 tablespoons extra virgin olive oil
2 pounds cherry tomatoes, halved
2 cans (15 ounce each) no salt added cannellini beans, rinsed and drained
¼ cup packed fresh basil, chopped
3 cloves garlic, chopped
½ teaspoon crushed red pepper
Kosher salt and black pepper
¼ cup grated Parmesan cheese

Directions:

1. Preheat oven to 350°F.
2. Toss the bread with oil on a large rimmed baking sheet.
3. Bake 8-10 minutes, stirring midway through, until golden brown.
4. At the same time, put tomatoes, beans, basil, garlic, red pepper, 1 teaspoon salt, and ¼ teaspoon of black pepper in a large bowl.
5. Toss with bread.
6. Put mix in a shallow 6-cup baking dish. Lightly add cheese on top.
7. Bake for about 40 minutes until golden brown.
8. Let cool for about 10 minutes.

Recipe adapted from Good Housekeepingⁱⁱ

Health Tip of the Week



Tackling a Sore Throat

Winter may bring wonderland to the world outside, but the bluster and tumult of ole Jack Frost certainly bring along some unwelcome guests. The sore throat is one of the most common health complaints during the colder months of the year.

A sore throat can take three forms:

- **The common sore throat precedes a cold.** Other symptoms include a runny nose and congestion.
- **Strep throat causes a sore throat.** Streptococcus bacteria cause strep throat.
- **A sore throat can be caused by tonsillitis.** Tonsillitis is a painful inflammation or infection of the tonsils.

How do you treat sore throats?

Viruses do cause sore throats, so antibiotics won't help. Rest is the only treatment for a sore throat that's not strep throat. Antibiotics do help treat strep throat. Seek a doctor's treatment if you think you have strep throat.

Tip adapted from WebMD.ⁱⁱⁱ

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ⁱ <http://www.pga.com/news/news-feature/three-tips-senior-golfers-looking-improve-their-game>

ⁱⁱ <http://www.goodhousekeeping.com/food-recipes/a45698/cherry-tomato-casserole-white-beans-basil-recipe/>

ⁱⁱⁱ <https://www.webmd.com/cold-and-flu/sore-throat-treatment>