ADVFN's Be Rich

How to Make 25% a year investing sensibly in shares – a real time demonstration

Clem Chambers

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Welcome to Clem Chambers' Premium Blog

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This is my first post on my premium blog.
Firstly, welcome. I am a value investor and I am a portfolio builder. I aim to get returns of between 15-25% and in the main hit 25%, though some years can be much better. This is a huge outperformance and strictly speaking should not be possible. Perhaps this is because we live in special times.

Occasionally I leave the market – it happened three times in the last ten years – and I might be out for six months. This could prove trying for any of my readers but we will deal with that if and when it happens.

Currently I am very bullish short and long term, though there is a medium term question mark as you might expect in a cyclical and volatile market.

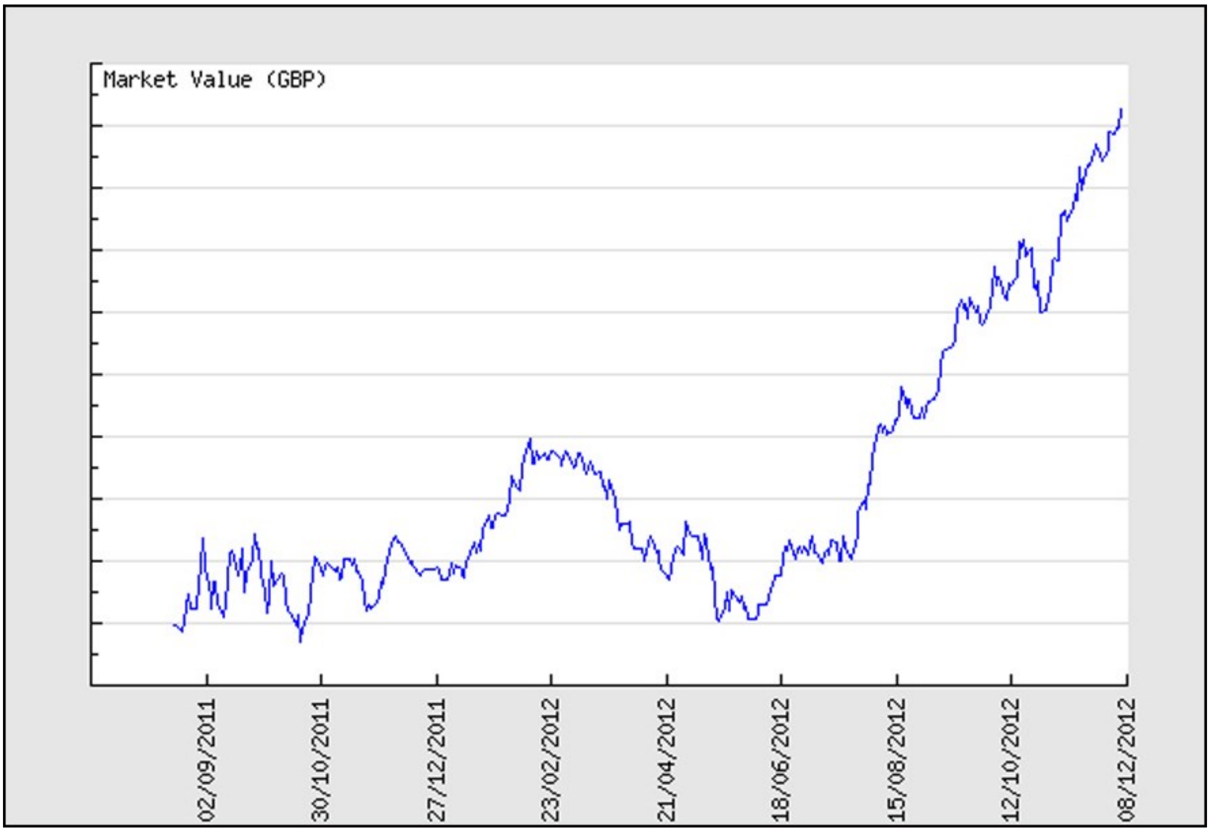
I hold my positions on average for about a year, but it can be longer or shorter depending on performance, events and news. This means I don't churn my investments, which helps returns.

I do not operate stop losses as I have a portfolio and do not need to. I will let companies go bust rather than sell. It happens but it makes no difference to returns. I will avail you of some amusing stories later about why stop losses are not your friend.

I often average down, but never to the extent of becoming concentrated.

Many people would suggest I am a contrarian investor and they are probably right. Betting against the pack is where the great returns are. I am also contrarian because I believe in the efficient market hypothesis and I will go to great lengths to use the theory to highlight how to use it for profit. There are great profits to be had when the efficient market breaks down or gets bent, because efficiency is always pulling on prices to get them back to the right level.

From this blog I will start a new portfolio, which will be of my buys and sells from here on in. They will in effect be a continuation of my latest portfolio started last November which is now up a ridiculous 45%. Here is a chart of its performance which is very illuminating:



You can see how the volatility declines as the portfolio is built. It contains 32 stocks. You can also see it went nowhere for the first six months, which was incredibly frustrating. It is now off to the moon with plenty of upside. There are thirteen losers as of today in the portfolio. There have been ten sales, all winners, representing about 15% of the current profit. There has been about 2% worth of dividends in there too.
However, in effect we will be starting a new portfolio, all the while continuing the process I will be following for myself. I will tell you what and when I buy and sell and my reasoning.

It is the technique that you should focus on, rather than the stocks themselves. What I think and what stocks do are not strongly linked; it is the final profit that is the key and that is driven by investment principles.

Firstly I will be buying in "clips." We will call a clip £3,000. You could scale that up or down to suit your pocket. £1,000 is the smallest comfortable number; any less is not good as costs will eat into your returns.

I will track returns including trading costs and spreads.

Alongside buying and selling I will burble on about my opinions on the current markets and what is affecting them. As such you will see my ideas in advance of what I write for folks like Forbes, The Scotsman, Mac Format and Gulf News.

Please feel free to comment and throw in questions and ideas.

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