

ADVFN's Be Rich

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

Clem Chambers

SAMPLE

Strong Santa Rally Boosts Portfolio

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The proto-portfolio is apparently 5.17% up already. This is, of course, pure luck and a little silly. Aquarius Platinum is up 8.5% and Promethean is already over its 11% cost hurdle and 2% ahead. All this is at the bid and after buying costs.

This is not skill and is of course very nice but nonetheless not what a portfolio building process is all about.

We have been getting a very strong Santa rally created by several factors but the main one being funds balancing their books and some would say pumping them for a strong year finish. This is all fun when it's in your favour but it's just a nice sideshow in a long, often boring, journey.

Last year had six months of returns best considered lacklustre. OK, so the portfolio was up 15% by around February but by June it was back to square one, with hardly a happy or satisfactory moment from its birth in November to then. If it had been a premium service a subscriber would have very likely been extremely sceptical of what was going to happen next.

What's more, there was little to say except, IT'S A GRIM WORLD. Yet this portfolio is now up a ridiculous 50%, all coming from the last six months.

Patience is a virtue.

Don't be misled. 50% return in a year is too high. The target is 25% which is way too much in most people's books. However, I can usually hit that number on average, with 15% being a low floor. Of course, the past is no guide to the future.

This kind of massive alpha is theoretically impossible which is ironic as I'm an adherent to the theory. It is probably because following the ideas of efficient market hypothesis is so rare that the market has opportunities. If so many use the market to gamble then there will be inefficiencies to profit from. Long may that continue.

However, making 5% a week is not going to happen very often and things will go against us, get boring and take determination, positive mental attitude and grit.

Meanwhile, however, we can drink to the father of investment genius: luck.

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