

Andy Killion: Bankers Investment Counseling Company

Mr. Market and changing lanes at high speed

By Andy Killion
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A wise mentor once told me that expensive stocks tend to get more expensive and cheap stocks tend to just get cheaper, which explains a great deal about Mr. Market's behavior. The yardstick to which the U.S. investment world prefers to measure is the S & P 500 Index.

Simply put, the index is composed of 500 of the largest companies trading in the United States capital markets, and to be one of the 500 is a huge accomplishment for any corporation.

What's unusual is that although the membership is vast, a mere seven companies have contributed half of the index's return in the last year, which means the other 493 companies may as well have just stayed home.

Put another way: imagine a professionally managed portfolio as a car traveling on the freeway en route to its investment objective, but its lane is moving slow (possibly even going backward) while the Magnificent 7 are blasting by at full speed.

The portfolio manager, seeing this, decides to jump over to the fast lane, along with countless other managers doing the same

thing, and before you know, it these seven companies have grown exponentially.

Money seeks return and in so doing leaves the remaining 493 great companies along our hypothetical freeway shoulder, with their hoods popped up.

As these Magnificent 7 continue to grow in size and accelerate toward a horizon that we just can't quite make out, we take stock of who is riding in these vehicles, everyone.

This is something worth paying attention to.

It is always better to own a portfolio of overpriced great businesses than to own a portfolio of undervalued businesses, but how do we get there? Certainly not by purchasing a portfolio of overpriced businesses? No, the simple answer is by using a process with patience and persistence.



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Of course, a little luck helps too!

Opportunities abound when markets are so narrow, like right now.

Remember those 493 companies pulled over on the side of the highway? Stick to your process and seek out great businesses trading for reasonable prices.

Before you act, make sure you compare your prospective investment ideas to a risk-free return (what your bank is willing to pay you for time deposits). The risk-free return today has not been seen by many in their lifetimes and for many of you not seen since you had a little more hair and a slimmer mid-section.

Be patient, use your process, persist and remember the birds will chirp once Spring has sprung!

I hope this was helpful and that you will return when I discuss how a chirping bird relates to our economy and investing. Have a great day and be safe out there!

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