



# “A PENNY FOR YOUR THOUGHTS”

“Look after the pennies, and the pounds will take care of themselves.” – English Proverb

In the complex world of investing, it is often difficult to explain many of the mechanics involved in the investment process.



One of the most common questions I receive from investors when they view trading activity in their portfolios is, **“Why do you only buy a few shares of a stock or sell a few shares of stock at time? Investing so little doesn’t have any impact on my portfolio, so why do it?”**

Although I believe the question is warranted, I do not agree with the statement that it doesn’t have any impact on a portfolio.

**After all, have you ever had a penny jar? Remember when you started putting pennies into the jar? You started with a few, then, one day you decided to take it to the bank and cash it in only to be surprised by how many pennies you had accumulated over time!**

That being said, it is not any one position in our client portfolios that makes up the majority of the portfolio performance. **It is the portfolio allocation that is most important long-term.**

**Investing in companies over time should be viewed in the same manner!**

Of course an important idea behind the “investing pennies” process stems from a component of our investment philosophy at Nepsis which involves continually “Strategic Cost Averaging™” into the companies we want to own over time.

## What is “Strategic Cost Averaging™?”

Unlike dollar cost averaging (DCA) which is the process of investing a fixed amount on a regular schedule, Strategic Cost Averaging™ (SCA) is the process of continually investing unequal dollar amounts specifically targeted into companies we want to own more of when appropriate.

## Why is SCA So important?

The ability to SCA is extremely important as it allows the **flexibility** needed to take advantage of buying more of a company you want to own when it is on sale. This is why **stock market volatility**—or more importantly, stock volatility—is so important and **needed** in the investment process on a longer term basis.

However, at the same time, remember there are many mechanical components that assist in a successful LONG-TERM investment process!

If you have an appropriately diversified portfolio, no ONE position should “make or break” the long-term performance of the portfolio.

Therefore, while many investors focus on each position in a portfolio – or what I would refer to as tactical components of a portfolio, they don’t realize that each position in a portfolio should be a “tactical component” of an overall **portfolio strategy**.

Having the ability to **“know what you own and why you own it,”** along with the flexibility to strategic cost average into companies you want to own over time, are key components to providing the potential for successful investing over time!

**Invest With Clarity!**

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