CAPITAL MANAGEMENT

5 WAYS TO INVEST UNSUCCESSFULLY

Invert, always invert

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Warren Buffett's business partner Charlie Munger is extremely fond of quoting the 1800s German mathematician Carl Gustav Jacob Jacobi who once said "man muss immer umkehren" which translates to "Invert, always invert." The idea is that by looking at problems backwards in addition to forwards, one can identify ways to avoid the problem entirely. Munger is a very wise man and this is extremely sound advice when it comes to investing. I thought it might be a good idea to utilize Jacobi's principle to examine Five Ways to Invest Unsuccessfully:

KEEP YOUR MONEY IN CASH

BE A MARKET TIMER

CHASE WHATEVER IS HOT

INVEST IN HIGH FEE PRODUCTS

PANIC

#1: Keep Your Money in Cash

Since the creation of the Federal Reserve in 1913, the U.S. dollar has lost roughly 97.8% of its value. When market participants stay in cash they are making a clear investment decision. This doesn't mean that cash is always a bad idea, but there is a huge amount of opportunity cost that occurs by the holding of too much cash. 401K programs where huge amounts of money sit in money markets are a perfect example of this, as many participants don't really understand that these money markets aren't even likely to keep up with inflation.

#2: Be a Market Timer

The early 20th century financial titan Bernard Baruch might have said it best with "Only liars manage to always be out during bad times and in during good times." Peter Lynch also said "Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves." These quotes exemplify my ten-plus years working in finance and investment, as so much time is spent worrying about short-term trends that the big picture of investing gets lost. This is a great way to invest unsuccessfully while wasting a great amount of time and energy.

#3: Chase Whatever is Hot

Stock market history is really a collection of psychological patterns of behavior that replay themselves over time. Typically, it starts with a new technology or service that has tremendous long-term potential; first-movers, who are often insiders or professional investors, generally are the quickest to identify these trends and reap the bulk of the investment returns. At some point the general investing public identifies the trend and jumps in with increasing force. Depending on when they get in, the stock could continue to trend higher, but ultimately those that stick around get caught holding the bag when the stock crashes down. Usually, it is quite obvious that these stocks are overvalued but the market participants involved believe that they can time it correctly. Please see Rule Number 2 if this describes you.

#4: Invest in High Fee Products

Nothing spells investment failure quite like investing in high fee products. These take capital immediately out of your product and generally place it into that of an intermediary such as a broker, sales representative or sales manager. Believe me when I tell you that guys like Warren Buffett, Carl Icahn and David Tepper aren't putting their money in load funds, annuities, CTA's or Private REITS. These are generally suckers investments but the reason it isn't publicized as much as it should be is that there is a huge amount of money backing these products. Exchanges and regulatory agencies, let alone financial firms and salesmen, have extensive conflicts of interests that perpetuate the issuance of these types of products. This doesn't mean that an individual fund or private REIT can't make money, but generally there are better investment options with far lower costs and when you invest in high fee products, your odds of successful investing decline in direct correlation with the percentage of fees being charged.

#5: Panic

At T&T Capital Management, we are buying securities that are trading at discounts to their intrinsic value with the idea that over time, the discount to intrinsic value will correct itself, leaving us with the expectation of making a profit. We aren't making a prediction about the next week, month or quarter even. If you buy a stock, you should expect volatility. I can guarantee that over time, you will experience volatility in stocks, which by definition means short-term losses. It is completely insane to buy stocks as an investment and panic when you face short-term mark to market losses that have nothing to do with fundamentals, and that you should be expecting at some point before you even bought the stock in the first place. This doesn't mean that it isn't human nature to feel fearful, particularly if you are new to investing or lack confidence, but fighting the psychological battle and understanding the definition of investing is absolutely essential if you want to actually be successful over the long-term. Panicking results in market participants getting out of securities when they are cheap and getting in when they are dear in price and the pattern tends to continuously repeat itself. Panic and market timing often go hand in hand with one another.

Summary

If you as an investor can avoid these pitfalls, you are significantly increasing your odds of outperforming over the long-term. Markets are filled with noise and emotion, but the key to investing is having the discipline to only focus on the issues that are important to driving your investment returns. How is the business performing and what price am I paying for the security? Does the security trade at a significant discount to intrinsic value and provide me with a strong margin of safety? These are just a few of the key questions that should enter your mind in periods of panic. These inverse rules are employed by TTCM to avoid critical investing mistakes and we leverage comprehensive research and analysis to identify the companies that are trading at large discounts to intrinsic value.

Why T&T Capital Management

Focused Portfolios

We build focused portfolios based on maximizing risk-adjusted returns, as opposed to the overly-diversified approach others take. We do not allocate our clients into cookie-cutter asset allocation models as we only invest in attractive opportunities with risk return parameters.

Thoroughly Researched

Every investment is hand-picked and thoroughly researched based on deep-value principles. On a daily basis T&T Capital Management is actively managing your positions to adjust accordingly and to find new opportunities as they pop up. We utilize our sophisticated investment and trading strategies to constantly add value in order to help grow your portfolio. The bottom line is that your money should be working far harder than you are and no service exemplifies this as much as the T&T Capital Management managed account program.

Unique Strategies

We use proven strategies of selling covered calls and cash-secured puts, which can potentially generate returns in poor market conditions, and which generally result in less losses in bear markets. This is another way we add substantial value to our clients and it gives them a unique competitive advantage. Always Expect Excellence from T&T Capital Management

Investing with T&T Capital Management involves risk, including loss of principal. T&T Capital Management is less-diversified, meaning it invests in a smaller number of securities in comparison to index funds and, therefore, is potentially exposed to greater volatility than a diversified fund. T&T Capital Management may invest in special situations involving out of favor securities which may entail greater volatility risk. T&T Capital Management focuses on minimizing the risk of permanent losses of capital but is willing to take short-term mark-to-market risk, which we deem to be temporary in nature. The composition of T&T Capital Management's holdings and sector weighting are subject to change and should not be considered recommendations to buy or sell any securities. Current and future portfolio holdings are subject to risk. Past performance is not indicative of future results. Options are not suitable for all investors.

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