The Stan Clark Financial Team's

PERSPECTIVES

*An excerpt from "Perspectives" - Volume 3 - Issue 4*

Investing

# Our *Moneyball* system – and how what it teaches can work for you

*By Michael Chu – Associate Investment Advisor*

**Last month we talked about the movie Moneyball, and how the Oakland A's succeeded by using a logical system to choose their players. Like the Oakland baseball team, our investment team bases our system for stock selection strategies on objective factors rather than emotional ones.**

We seek out stocks in companies with good characteristics and reasonable pricing. We have many rules in place to remove the subjective measures that would likely hurt us. In our process, we look at things like earnings, dividends and other measures of value; we look at variables that are factual and have predictive ability – to determine if a company is worth investing in.

Each of our strategies has a long-term track record. This is essential in making decisions. We don't want to use strategies that have only worked recently or in certain types of markets. All our strategies are time-tested, having endured all sorts of market ups and downs. Also important: the variables we use make sense in how and why they work.

Our five Canadian strategies have a 26-year track record. They have averaged 14.2 percent versus 8.3 percent for the market benchmark.

Our five U.S. strategies have an 18-year track record. They have averaged 11.4 percent versus 6.5 percent for the benchmark.

For our International Developed Markets strategy, the track record is 37 years, with returns averaging 15.2 percent versus 10.8 percent for the benchmark. Our International Emerging Markets strategy has a 16-year track record; it has averaged 10.6 percent versus 5.1 percent for the benchmark.

When we combine all our strategies, we get an 18-year track record, with average returns of 11.7 percent versus 6.5 percent for the market benchmark. Our strategies outperformed the benchmark by a yearly average of 5.2 percent. Furthermore, we include fees from all of our strategy returns.

What about risk? Again, our strategies come out ahead. Over one-year periods, our strategies beat the market 75 percent of the time. We do have off-years; these are unavoidable. But when looking at any two years together, our strategies beat the market benchmark 81 percent of the time. When we look at any five-year period, our strategies beat the benchmark 97 percent of the time. This means that, with our strategies, most underperforming years are made up for in the following year; if not, then soon thereafter.

There are two main reasons why our strategies reduce risk: 1) we don't rely on just one strategy or style of investing. We use different ones, such as value, momentum or a blend of each. And, 2) we use these different strategies all over the world – in Canada, the U.S. and internationally.

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