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Winning Isn't Guessing

“Nine out of ten women will be solely responsible for managing their finances and start businesses at twice the national rate”. *Source: Oppenheimer Funds ‘Women and Investing’ March 1999.* Parallel data can be found in the Women’s Institute for a Secure Retirement as well as the National Center for Women and Retirement Research.

Collectively these sources reveal most women wish they had learned more about money and investing as they grew up, are paid 75% compared to men and live 7 years longer. Derry Business Expo and the Small Business Development Center surveyed sole proprietorships after 3 years in business, 47% with female owners were still around versus 25% of the businesses.

Here, at Tully & Co., our experience over the years has taught us that when investors possess a strong understanding of investment fundamentals, they are better prepared to accept investment risk and volatility. They make solid ongoing investment decisions based upon knowledge and information, rather than emotion. Because of this observation, we are deeply committed to educating investors on the basics of investing.

Now, here we go, Tully Fundamentals 101 – and the magic word is **P. A. R. T.**

- **P is for performance. Based on the kind of performance delivered by each asset class’ historical returns, what kind of asset classes should I choose?**
- **A is for how much I allocate or combine among these asset classes to suit my needs. Of the four basics, this is the most important factor in determining your total return.**
- **R is for risk management – how to find a solution to risk. The key is to manage risk to work for you. You can do this by finding the right risk-to-reward ratio that you are comfortable with.**

- **T is for time – is now the right time to invest?**

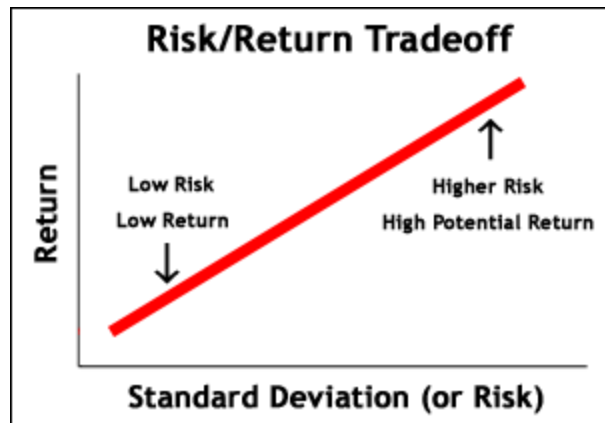
Your understanding of these four facets of investing is what we use in strategically planning together for your financial future. Good diversification among different asset classes is the key to a balanced portfolio. You do your P.A.R.T and with a good financial advisor you can have a portfolio customized to fit your goals, needs and even special interests.

1) **Performance** – understanding the historical performance of asset classes. Asset classes include:

- Stocks vs. Bonds
- International vs. Domestic
- Developed Markets vs. Emerging Markets
- Growth vs. Value
- Small Cap vs. Large Cap

2) **Allocation** – Asset Allocation is the process of allocating investment funds to specific asset classes so that expected returns are maximized for a given level of risk. In other words, by investing in various directions, you are cushioned from volatility. There is balance and counter-balance in your portfolio.

3) **Risk Management** – The key is using investment techniques which can help us manage these risks within acceptable levels. An inescapable part of investing, risk creates the opportunity for investors to achieve higher rates of return.



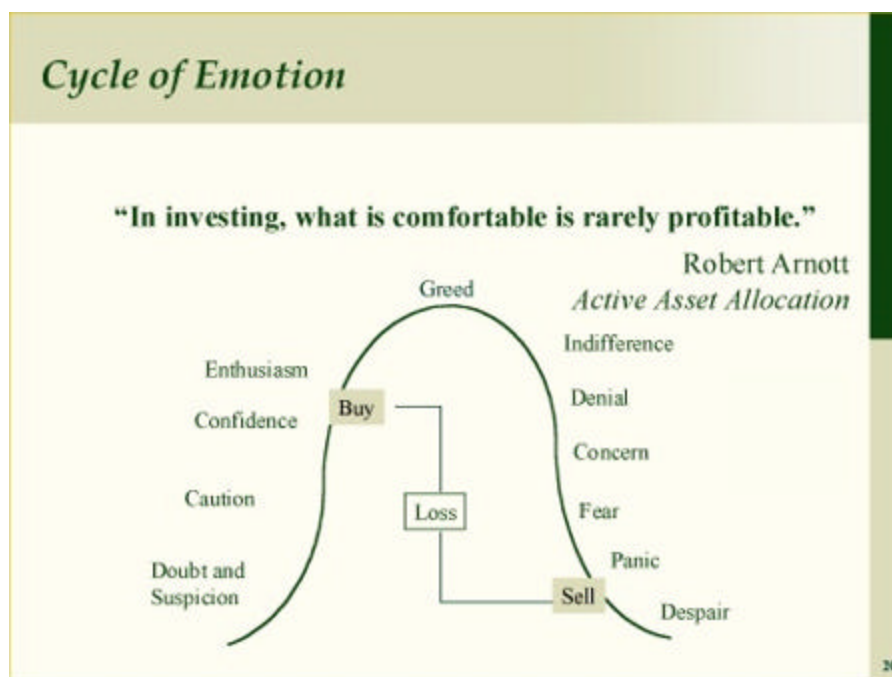
Each asset class has its own Risk-to-Reward characteristics. Your financial advisor should help you find an allocation that meets your own optimal tolerance level so that you are taking on enough risk to meet your financial goals while finding ways to reduce unnecessary risk through diversification and investment selection.

4) **Time** – Focusing on your long-term financial goals and objectives helps eliminate making an emotional response to short-term volatility and periods of declining markets. Utilizing a consistent investment plan over time takes the emotion out of investing. Investing for the, long term is pivotal in “growing your money”. You factor in the movement of the market which prepares you for fluctuations, knowing that you will be buying more securities during down markets and minimize your anxiety. What a concept!

Women’s traditional saving patterns affect their financial shortfall. Oppenheimer Funds research revealed women start saving later than men and often save less; they start investing later and where they do invest, traditionally, it’s been too little invested, too conservatively. The bottom line: women face financial risk to a much greater degree than men particularly in terms of financial security later in life.

We believe that most often investors experiencing disappointing returns have an emotional, undisciplined approach to investing. As Robert Arnott notes in his book entitled Active Asset Allocation, “In investing, what is comfortable is rarely profitable.”

To illustrate Mr. Arnott’s point, let’s look at the cycle of emotion in investing.



When the investment cycle is at its low point, investor sentiment is filled with Doubt and Suspicion about the future potential return of the market. As the market rises Doubt and Suspicion change to caution. As the market continues to rise, investors become more confident. This confidence turns into enthusiasm and investors become more comfortable buying into the market. Upon buying into the market, many investors say to themselves, “You watch, now that I am an investor, the market will go down.”

As the market continues to advance, Greed inevitably sets in – lots of buying takes place at this level, when investors are extremely enthusiastic about the market. In the next phase of the cycle, the buying momentum has been exhausted and the sellers begin to step in. A new set of emotions begins to prevail. First, there is Indifference, followed by Denial and Concern. As the market continues to decline, due to an over abundance of sellers, Fear and Panic set in next and the investor sells his position at *precisely* the worst time to sell. The investor driven by the cycle of emotion has experienced a loss in his investment as he bought high and sold low.

Again this is a common experience for many investors and demonstrates how an emotional response to volatility and risk can lead to disappointing performance. It is, in essence, guessing. The best way to avoid being caught in the cycle of emotion is by having a financial plan and sticking to it. Working with your financial advisor can help you establish the right plan for you and your family's investment needs. Then, just let your P.A.R.T. (Performance, Allocation, Risk Management, and Time) do it's work, and be free from the cycle of emotion and on your way to winning your financial freedom.

The opinions expressed herein are not necessarily those of Cantella & Co. and do not constitute investment advice or the recommendation of any specific investment or product.