

Stocks as Friends?



© Capstrive 2019

What if we chose stocks in the same way that we chose our friends?

Might an ideal stock portfolio resemble a solid friendship network?

After giving this some thought, the analogy of stocks as friends resonates in several respects:

1. The best friend, and best stock, is always getting better, often better than you expected.
2. They are frequently at their best in bad times. When the going gets tough they are growers rather than victims.
3. Having just one or two great friends can make all the difference (multi-baggers make up for a multitude of mistakes elsewhere).
4. A bad friend will drag you down and probably take a disproportionate amount of your time and attention. Having low expectations may help, but this is a lousy way to go through life. (It's interesting to observe how many investors ultimately shift from a 'value' style to a 'quality/growth' style, but rarely do investors move in the opposite direction).
5. A great friendship network will be diverse and trustworthy (but manageable, see next point).
6. To have a great friend you need to be a great friend (we can only give ample attention to a limited number of stocks).
7. We should rarely, or perhaps never, part ways with a great friend.

While this approach is not for everyone, if we look at stock investments through a friendship lens, I suspect our choices will be more discerning, our attention will be more focussed, and our results will be more satisfying.