

Colin Nicholson: Newsletter 101

20 July 2010

Reminder

It is now over a decade since I had the pleasure of working with Dr Alexander Elder at one of his traders' camps. As readers will know, Dr Elder has been a friend for a long time and I regard him as the best teacher of short term trading in the world. He has taught me a lot over the years and he has still more to give because, like all great traders, he never stops learning and continues to build on his powerful trading methodologies.

Dr Elder has now invited me to work with him again as a guest instructor at his Pacific Traders' Camp in Macau in early November 2010. I am looking forward to the opportunity to update myself on his latest ideas as well as the opportunity to teach four sessions dealing with aspects of my investment methods.

Dr Elder has already taken a number of bookings, some of which are from Australia. There are only a limited number of places left, so if the camp is attractive to you, please book your place quickly, or you may miss out. All bookings are done through Dr Elder's office. Full details are on his website www.elder.com at <http://www.elder.com/Macau2010/tc-welcome.html>

For details of what I will be teaching, see the **Hear Colin Speak** page on www.bwts.com.au at <http://www.bwts.com.au/index.cfm/resources/hear-colin-speak/>

Hear Colin speak

My speaking program is set out on www.bwts.com.au on the **Hear Colin Speak** page: <http://www.bwts.com.au/index.cfm/resources/hear-colin-speak/>. The following item is the next opportunity:

Gold Coast

Tuesday 27 July 2010

Australian Investors Association Conference Plenary session

Topic: *The need for an investment plan*

Colin believes from his own experience that without a sound investment plan investors will be more likely to fail. He also advocates the importance of having the plan in writing. Colin will discuss the risks that should be managed by the plan. He will then explain why it can be difficult to implement an investment plan in practice. Colin will provide strategies to help you prepare and implement your plan. He will also explain how and why you need to evaluate your actual performance against the plan.

Further information <http://www.investors.asn.au/events/national-conference/> or

Silvana Eccles, AIA Secretariat 1300 555 061 silvana.eccles@investors.asn.au

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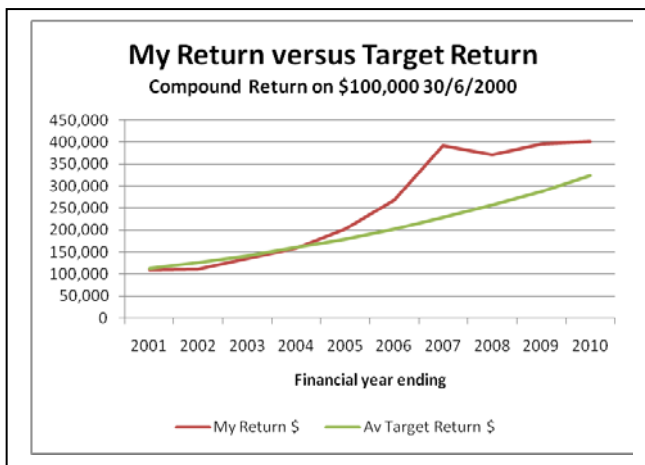
My investment returns

I teach investing. My qualifications to do so rest on my track record as an investor. For that reason alone, I believe that I should publish my investment returns.

In doing so, I stress that this is simply evidence that I know what I am doing and have been successful in the past. This does not guarantee that my methods will work in the future, although I believe that they will.

What is even more important is that each of us is different in many ways. Therefore each of us should develop an investment plan that suits our individual knowledge, experience and temperament. My investment plan and methods are provided simply as a model for each reader to adapt in developing their own plan.

The key measure of my plan is against its objective of an annual average return of 12.5%. This is the long term return from the Australian stock market assuming the reinvestment of dividends. As this is an average target, it is essential to focus on the cumulative return rather than each annual figure. 2009-10 was not one of my best years, but my cumulative return is still ahead of the objective as shown on this graph:



The actual numbers behind this graph and much more is available on www.bwts.com.au on the *My Investment Returns* page at <http://www.bwts.com.au/index.cfm/about-colin/investment-returns/>. See also the item *My Portfolio* later in this newsletter.

It should never be enough to just say, as I did above, that 2009-10 has not been one of my best years. Leaving it like that is ignoring the opportunity to learn from poor performance. Most of us are human enough that we revel in good performance and try to shut out thinking

about poor performance. However, it has been my experience that there is often more to learn from things that have not gone well than from our successes. Success comes from executing our investment plan well. It is important to recognise that. Once we feel good about the ways in which we invested well, we should turn our mind to the opportunity that our failures present to improve what we do going forward. There are two aspects to this:

1. Assess whether our investment plan may need revision.
2. Assess the ways in which we did not execute our investment plan very well and identify how we can work on those aspects in the future.

Firstly, has anything come out of consideration of what I did in 2009-10 that suggested that I should revise my investment plan? The short answer is no. My results for that year were less

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than ideal because I did not execute my investment plan as well as I might have. The plan seems fine.

That said, there is one small issue that I will continue to mull over. My objective is to time the market and therefore beat passive investing results. Otherwise there is no point to the whole exercise, which involves great time and effort. While I have beaten passive results cumulatively over the last decade by a large margin measured against the ASX market accumulation index, I have not beaten my 12.5% annual average return target quite as well. What I need to mull over is whether I should be assessing my investment performance against the market rather than its long term average return over last 110 years. The main reason for this is that the return from the market can deviate from the long term average over long periods. In addition there is the question of whether markets are changing and therefore whether returns from periods up to 110 years ago are relevant for my objective.

I am still undecided about this because I feel that I may be semi-consciously looking for an easy way out. One way to beat a target return is to lower it. Then again, my general objective is to beat the passive return, which is the market, so should my objective be restated in relation to the market as it turns out each year rather than its past long-term return? This is not an easy issue to resolve. On this and other issues raised below with respect to my execution of my plan, I welcome constructive comment from readers. I will respond to any reasonable comment because we both learn from the exercise

Secondly, I need to assess how well I executed my investment plan. This must be done in hindsight, which is always a big problem. Once we know what happened, we are no longer seeing the past situation the way it looked at the time. We are seeing it as it looked after the event. It is devilishly difficult to clearly understand what we really knew then compared to what we know now. The issue is that we tend to assume afterwards that we knew more at the time than was actually the case. This is known as hindsight bias. In its simplest expression, we say we were stupid to do what we did because it was obvious what was going to happen. However, it really was absolutely obvious at the time. We have to act in conditions of uncertainty and what will happen is rarely totally obvious.

One of the best ways to deal with hindsight bias is something I learned from Dr Alexander Elder. This is to keep a diary of what we were thinking at the time we made decisions to buy/sell or not to buy/sell. I do this by keeping records of the key information I knew at the time, which guides implementation of my investment plan. As far as time allows, I also write up case studies of my market analysis and stock investments, which are published on my paid website. Some of them are perforce written up after the event, but to minimise hindsight bias (which cannot be completely avoided), I refer back to my records which were made at the time of the decision. I cannot emphasise how valuable it has been for me to do this and I try to give it a high priority in what I do with my time in general.

This is a long way of saying that the following flows from my thinking at the time, albeit with some element of hindsight.

This is where I believe I fell down in executing my investment plan in 2009-10:

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One: I moved too late

I thought that we were still in the second phase of a bear market in late 2008 – early 2009, when it is now obvious that we were in the third phase (distress selling or capitulation) of the bear market. Is this just hindsight bias? No, I don't think so. I had been in this phase many times before and got it right most times. In particular I had been involved in the market on a daily basis in 1974 and had resolved never to forget it. That was a long time ago, and a kind soul might say I am excused. However, over the years I have spoken about that time to many people on many occasions. I don't believe that I can weasel out of it by saying it was a long time ago. 1974 was the last time I had seen the opportunity of a lifetime, but missed it because I did not have the experience to use or any significant investment capital at that time. In the first three months of 2009 especially, I should have been on high alert for buying opportunities. I bought two stocks, which did very well, but that was nowhere near enough.

What I was looking for – I said so publicly at the time – was some wide (up to twelve months wide) accumulation patterns. This, after all is in my investment plan in the value model and the filter I use which is new 52-week highs. So, I was not finding any stocks like that and was very conscious of it. I was so conscious of it that I recall using other methods to look for stocks to buy. One was the fundamental analysis filter of low price earnings ratios. The other was 26 and 13-week new highs. I did find stocks in those ways that met my criteria on value grounds (some were amazingly cheap), but the extremely narrow sideways patterns prior to an upward breakout worried me so much I did nothing about them. Three and a half decades since the last great buying opportunity had led me to forget the lesson. When you forget a lesson, the market has a way of plunging in its knife and twisting it until you resolve never to forget it next time, if I have enough years left for there to be a next time. In short, I should have known that I was in an historically great opportunity, but I missed it again. Warren Buffett didn't miss it, though he admits he should have bought more than he did. He bought when others, including me, were fearful or asleep at the switch.

Two: I compounded the error

Of course, as the market continued to roar upwards, I soon realised my misjudgement. However, the best of the opportunities had passed. Gradually, the evidence mounted up and by the start of 2009-10 I knew I was well behind the game. My returns for 2008-09 looked fine, but were very poor against the missed opportunity. At this point I knew I had to be in there, not watching from the sidelines.

At first, I bought well, and by the end of calendar 2009 I had a fair return against my plan, though well behind the market because I was so late getting anywhere near being fully invested. Then we ran into the widely swinging sideways market in the second half of 2009-10. I sold stocks which hit my stop loss levels. I bought other stocks on the next rise and so on for several iterations.

By the end of the year (June 30) I had a number of quite profitable positions running, together with some losing investments that were still above their stop loss levels. However, the downward swings had hit a lot of stops and the losses had mounted up. For the year as a whole my capital losses wiped out most of the dividend/franking credits earned.

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As I looked through my records, I could also see that my urge to play catch-up with the market had taken me into some stocks which were a bit marginal on my investment plan criteria. Patience and discipline were at least partly missing.

The thing I take away from this is that it is very difficult, if not impossible, to make up the lost time. I said so publicly many times through 2009 at Expos and other places. I could see what beginners had missed and felt keenly how important those missed opportunities had been, because I had largely missed them too, and I am not a beginner. However, missing the opportunities is not the real point here. It is the follow on action of an undisciplined and impatient attempt to make up the lost ground. It wasn't possible to do it, but I made it worse by trying – I compounded the error.

Where to from here? Well, 2010-11 is a new year. I have resolved to put the poor year behind me and focus on a disciplined execution of my investment plan going forward. I have missed a great opportunity, but I cannot go back and change what has happened. I must instead concentrate on disciplined and patient execution of my investment plan going forward.

Important Caveat

I have already had some email from readers suggesting that in the wide swinging sideways market in January to June 2010 I would have done better to have ignored my sell stops and ridden it through. I am sorry, but this is a totally wrong way to approach investment. In my plan I buy stocks that, on my models, should develop an upward trend. My sell stops are where I am wrong because the upward trend has failed on my definition of a trend. Long experience has taught me that when I am wrong, I should sell without delay as the most important thing I must do that day. Sure, I can fudge the stops and get away with it a lot of the time, but I know that sooner or later one or more of the fudged stops will be a disaster that wipes out a large chunk of my capital. If readers do not understand this at the deepest level of their psyche, they have much to learn.

Just because I am shaken out of a stock does not mean that I cannot buy it back if the trend reasserts itself and I did buy a couple of them back later in those circumstances.

Lessons I have learned from 2008-10:

1. The great crises throw up opportunities that look different to less severe bear markets. Be aware of this and be ready to invest like the great man in Omaha. I knew this before and I did not learn the lesson well enough.
2. When I get something wrong, trying to catch up lost ground with lax discipline and patience is just compounding the error. Stick to the plan – it works if I let it.
3. Any temptation to avoid acting on stop loss levels is an invitation to severe loss. Not every time, but sooner or later. Stick to the plan – guard against the losses growing and the profits will look after themselves - if I let them run.

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Recent additions to the website

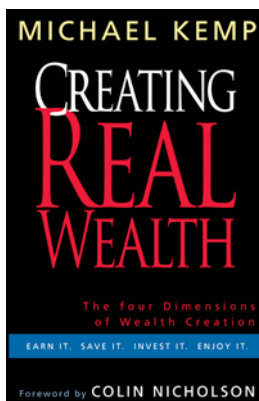
Since the last newsletter the following have been added to the website:

- 20 July 2010 A market case study as of the close of 16 July 2010 has been uploaded to the Market Case Studies page on the paid section of the website
- 14 July 2010 The case study of an investment in Metcash has been updated to 13 July 2010 and uploaded to the Stock Case Studies page on the paid website
- 14 July 2010 The Portfolio Details page on the Building Wealth Resources section of the paid website has been updated to reflect a purchase on 13 June 2010.
- 5 July 2010 The My Investment Returns page in the About Colin section of the free website has been updated to 30 June 2010.
- 5 July 2010 A new page called Portfolio Details has been added to the Building Wealth Resources section of the paid website. I have uploaded details of my portfolio and the underlying transactions from 1 July 2000 to 30 June 2010 plus details for the current year to date.
- 1 July 2010 The end of June 2010 files have been uploaded to the Resources page on the free website and the Interesting Charts page on the paid website.
- 22 June 2010 The review of the book *Creating Real Wealth*, originally published in Newsletter 100 has been uploaded to the Book Reviews page on the free website.

Please note that the hyperlinks to pages on the paid website require paid members to login before the pages can be accessed.

Readers may check additions to the website at any time. The last couple of additions are listed on the home page www.bwts.com.au and there is a full list on the **What's New** page at <http://www.bwts.com.au/index.cfm/whats-new/>. For many additions readers may use the RSS channels which is explained in the link on the home page under the News items. Stock case studies are also flagged by asterisks on the *Portfolio Disclosure* page: <http://www.bwts.com.au/index.cfm/portfolio-disclosure-warning/>

About every ten years, we have
the biggest crisis in 50 years. Paul Volker



I am selling Michael's book *Creating Real Wealth* off my website www.bwts.com.au. There is a description of it there and an illustration of the book.

There is also a review of the book on my website at: <http://www.bwts.com.au/index.cfm/resources/book-reviews/>

To buy the book either go to the website and click on **Buy Books** or use this link to go straight there: <http://www.bwts.com.au/index.cfm/buy-books/creating-real-wealth/>

Forecasting Competition

The last two newsletters invited entries for a competition to predict the value of the ASX All Ordinaries index on the last trading day in September and December 2010 and also March and June 2011. These are the prizes I have offered for the person whose forecast is closest to the actual figure:

Paid Material

Membership allows you to read the advanced material online, print it or download it.

Join Now!

Once only joining fee of A\$44.00 plus annual fee of A\$55.00 including GST.

What is available in this section?

Presentations — my slides from presentations I have given

Market Case Studies — market phase and trend analysis for market exposure strategy decisions

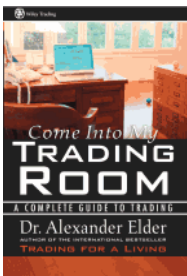
Market Scan Examples — technical and fundamental analysis and market scan examples

Stock Case Studies — analysis and discussion of investments I have made

A library of more than 750 *copyright articles* and columns that I have written for various publications

First Prize

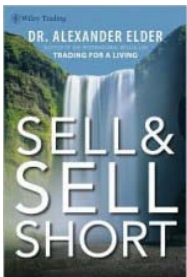
One year's free membership of my paid website if you are not an existing member (value: \$99) and two years extension of your membership if you are an existing member (value: \$110).



Second Prize

A new copy of Dr Alexander Elder's book ***Come into my Trading Room*** that has been signed by Dr Elder. The book has been donated by Dr Elder. For my review of the book see <http://www.bwts.com.au/text.cfm?27>

Did you know that the Book reviews page has been moved from the paid to the free section of www.bwts.com.au?



Third Prize

A new copy of Dr Alexander Elder's book ***Sell & Sell Short*** and the ***Study Guide*** that have been signed by Dr Elder. The books have been donated by Dr Elder. For my review of the book see <http://www.bwts.com.au/text.cfm?27>

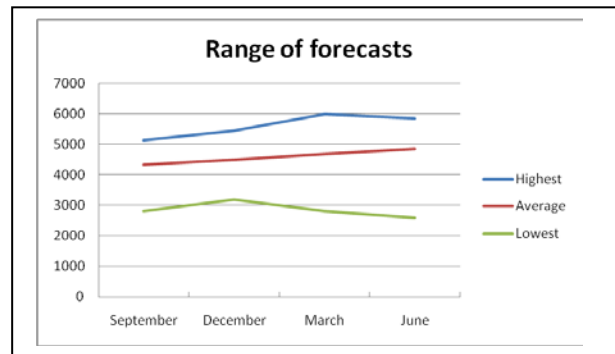
Did you know that the ***Book reviews*** page has been moved from the paid to the free section of www.bwts.com.au?

I asked each entrant to provide a nickname. Some did not, so I gave them one. There were 39 entrants who have made a wide range of predictions. The full list is on the next page. A summary of the range of forecasts looks as shown on the next page.

Mathematics is ordinarily considered as producing precise and dependable results; but in the stock market the more elaborate and abstruse the mathematics, the more uncertain and speculative are the conclusions we draw there from. Benjamin Graham

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	September	December	March	June
Highest	5130	5450	6000	5862
Average	4332.3	4496.1	4687.1	4848.6
Lowest	2800	3200	2800	2600



I thought it was interesting that the average of the forecasts had a general upward trend.

Below is the list of entries in the order in which they were sent to me:

Nickname	September	December	March	June
First	4286	5020	5275	5366
Disso	4822	4622	4922	4982
Harry	5130	5265	5355	5535
Abundance	4611	5110	5400	5862
Second	5100	5450	6000	5800
MattMattMatt	4802	5098	4673	4311
Bruiser	4625	4815	4725	4970
Third	3300	4100	4500	5100
Max Mail	4732	4845	5123	4967
Smiley	4650	4700	4750	4800
Frillneck	5000	5250	5513	5788
Kangaroo	4100	3300	4500	5100
nBores	4742	4883	5012	5195
Popski	2800	3200	2800	2600
Stevo	3870	4180	4490	4820
Marty2001	4700	5000	5300	4600
Restless	4655	4995	5240	5450
Reasons	4325	3850	3420	3090
Warren Buffoon	4420	4990	4850	5600
Babs51	3974	3876	3778	3969
Paco	4506.4	4589.7	4609.1	5021.9
Dungessen	4160.4	4574.9	5396.9	5841.7
Platypus	4200	4100	4450	4700
Sylvester	4843	5011	5144	5289
Keno King	4564	4931	5382	5613
Tooraloo	4641	4824	4896	5261
Boofhead	3654.9	3595.6	3648.8	3750.1
Zadok	3950	4160	3610	3230
FunnyWalker	4436.8	5000	5172	5406
Possum	4436	4588	5104	4568
Andy101	4720	4850	5400	5450
Bella	4316	4460	4108	4672
Elephant	3530	4610	5000	4870
Logical Brian	4445	4635	4832	5037
Funforecaster	4003	3429	3302	3573
dragon88	3688	3288	2968	2638
DDAAJMCM	4000	4000	4500	5000
anonyms22	4350	4551	4999	5800
Koala	3870	3600	4650	5470
Average	4332.3	4496.1	4687.1	4848.6

I will report on progress and announce the winners for each quarter in future newsletters.

I thank all readers who took the time to send me an entry for the competition. I hope each of you also gained something from the exercise.

One or two entrants expressed surprise that I would run a forecasting competition when my views on the impossibility of accurately and consistently predicting future prices were so well known.

In my defence, my view is not shared by everyone. While the competition is unlikely to prove anything, I thought readers might be interested to see some forecasting activity in action.

With such a wide range of forecasts one might expect that the actual value of the index will fall within the range of the forecasts. However, previous exercises by so-called experts have shown that it is difficult to do – the actual result fell outside the range of all the forecasts. I will be very interested to see what happens in our little experiment.

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- In the login box which opens, click [Forgot your password?](#)
- Enter your username. Unless you have changed it, 99% of usernames will be the part of your email address **before the @ sign**.
- An email will then be sent to your email address with the username and a new password.

If that fails for some reason, send me an email using the Contact Colin link at the bottom of every page on the website: <http://www.bwts.com.au/index.cfm/contact-colin/>

I can't sell the stock for less than I paid!

The subject of selling losing investments seems to be very relevant in the market conditions that we have been enduring in Australia over the last six months. The market has swung up and down in a generally sideways to down pattern. This can only be described as one of the most difficult of markets to manage as an investor. When markets are rising consistently investing is easy. It should be just as easy when markets are falling consistently, but it isn't for most novice investors, who find it difficult to act on their stop loss levels. However, when markets go generally sideways with significant up and down swings, even quite experienced investors come under real pressure to follow their investment plan and to act on stop loss levels faultlessly. So, this seems a particularly appropriate time to revisit this article that I wrote in a brief form in 2006, before the 2007-2009 bear market. I have revised and expanded the article.

Successful investors have learned that one of the keys to high returns is to let profits build and to cut losses quickly. They are ruthless in quickly selling investments that fail to unfold as they expected. On the other hand, if an investment begins to pan out as they thought that it would, they will prudently build on their initial position and show great patience in allowing the investment the time needed to meet their expectations.

This is diametrically opposed to what most novice investors do quite naturally. It is far more common to see tyro investors losing money because they do the exact opposite. If an investment they make begins to show good results, they usually snatch small profits quickly and miss out on even bigger gains. This is bad enough in terms of the opportunity missed, but when things go wrong beginners are most likely to freeze and to be unable to cut their losses, which grow ever larger as they ride the stock downwards.

This is one of the many ways in which the best investors have learned to think in opposite ways to the natural instincts that we all start out with as we begin the journey from novice to mastery as investors. It is a big subject, which we will return to many times in subsequent articles in this series.

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For now we will focus on one of the most important aspects in which the best investors excel over the novices: dealing with investments that go off the rails. Warren Buffet famously said *Rule No 1: Never lose money. Rule No 2: Never forget Rule No 1.* This is how important the great investor believes it is to avoid losses. The irony that escapes many beginners, though, is that the counterintuitive way to avoid losses is to accept them. If we take the loss from a bad investment while the loss is still small, it can't go on to become a much larger loss.

The reasons why most people find it difficult make the decision to cut a losing investment are complex. Possibly the most interesting one is what Richard Thaler described in 1980, as the **sunk cost fallacy**. It is one of the more important reasons why investors ride losses rather than making a more rational decision.

Sunk cost is a well established idea from economics. It is a cost that has been incurred, but which is largely not recoverable. Where the sunk cost fallacy comes in is when the largely unrecoverable cost is used mentally to drive an irrational decision. At some time we will have all seen the sunk cost fallacy in action without realising it.

James and Dianne bought their house ten years ago for \$450,000. Since then their family of four children has outgrown the house and they need more bedrooms. James has also changed his job and now lives a long way from where he works. The time lost and expense earned in travelling to and from work has started to get him down. He would dearly like to move closer to his work, which would also favour Dianne, who would be closer to employment as she rejoins the workforce. They put the house on the market, but after many months, the best offer they receive is \$410,000. Their real estate agent argues this is the market rate. Even though Dianne wants to accept the offer and move on, James is adamant that he will not let them have their house for \$410,000 when he paid \$450,000 for it. He digs his heels in on that point alone and they take the house off the market. They commission an extension to the house and James and Dianne are doomed to expensive, long and tiring journeys to and from work for many years.

The way to see past the sunk cost fallacy is this: Money that has already been paid is a sunk cost. It relates to the past. It has gone and the transaction cannot be magically reversed. The rational way to deal with such a situation is to assess the options that are now possible. For James and Dianne the two most obvious options were to either: take the price at which the market was now valuing their house and move to a new suburb near James' work, or to stay put, extend the house and suffer the cost and inconvenience of travelling. Clearly, the first was the better option, demonstrated by their desire to put the house on the market so they could move. What blocked the rational decision was when James became stuck on the original cost of their house; the sunk cost that was not a relevant consideration, because it related to a different market at a different time.

In investing, the original price paid for a share is a sunk cost. If the share falls in price over time, there is no certainty that the sunk cost can ever be recovered. The sunk cost fallacy comes in when an investor is reluctant to make a rational decision to take a loss on the share because "the current price is less than I paid!"

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Most of us will have heard this reasoning and even used it ourselves in the context of investing, or about various other aspects of life. It comes up almost any time people have a choice of continuing on a bad course or cutting their losses by changing course.

To avoid the sunk cost fallacy as investors, it is necessary for us to change the way we think about the situation. We have to internalise that nothing we do today or tomorrow, no decision we make now or in the future, will ever change something that has happened. The only thing we can do is to affect what happens from now on. We can never change the past, but we can affect the future.

What we paid for a stock is a sunk cost. It is gone. What we now have is a tranche of stock which is worth what we can sell it for. It is seductive to imagine that if we just sit out the loss, the price may go back to what we paid and we can then sell and get out even. This is the most common and utterly natural way most people think. It is the sunk cost fallacy writ large. Yes, it is possible that the price may rise again in the future. It is equally possible that the price might continue to fall. In fact, a chartist will tell you that if the stock is in a downtrend, it is more likely to continue to fall than to rise, because trends tend to persist.

The solution lies in changing the way we think about losing investments. We have to list the options open to us, which are:

1. Hold on, hope and pray.
2. Sell and switch into a better investment opportunity.
3. Sell and sit in cash awaiting a better investment opportunity if there is not one available at the moment.

Options two and three are the rational decisions. Option one is the sunk cost fallacy in action.

Another, albeit extreme, way to grasp this point is: Suppose that I held a gun to an investor's head and gave her a choice to sell the loss-making investment or be shot. She would now see only two options and make the rational choice. What I would have done here is to have forced the investor to put out of her mind the sunk cost, which is what she paid for the losing investment.

If I now invited the investor to make a choice between buying that same stock back or buying some other stock, she would most probably now make the rational decision to consider all of the alternatives, free of the sunk cost fallacy.

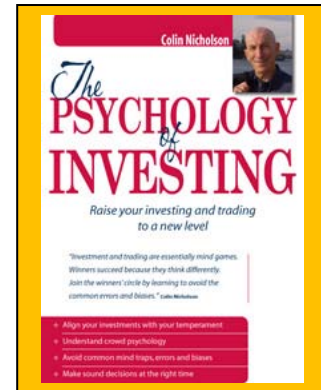
The rational investor should work at developing a habit of forgetting the sunk cost and focusing at all times on the full range of alternatives open: to continue, to switch or to liquidate.

Perhaps we should give Warren Buffett the last word: *The most important thing to do when you find yourself in a hole is to stop digging.* Richard Thaler would add: *and start to consider all the alternative ways out of your predicament.*

A shorter version of this article was originally published in AFR Smart Investor March 2006

More discussion of the many ways in which we make decisions using quite natural biases and errors in thinking are to be found in my second book: *The Psychology of Investing.*

It may be purchased from my website www.bwts.com.au at Buy Books/Psychology of investing. This is a direct link to the page: <http://www.bwts.com.au/index.cfm/colins-books/psychology-of-investing/>



[It is] impossible to produce a superior performance unless you do something different from the majority. John Templeton

My portfolio

One of the most popular pages on my website is one of the legal pages which lists the stocks that I personally own. This page is there for no other reason than to satisfy my legal obligation to disclose any stock I own and mention on the website or elsewhere. If you have an interest in this page, it is still where it was on the old website – scroll down to the **foot of every page** on the website.

Over time, I had been adding information to the portfolio disclosure page. Bit by bit, I had crept closer to the edge of what is allowed by law. This is because some of the added information could have fallen within the definition of advice in the legislation. To remedy this, I have taken the portfolio disclosure page back to its original purpose by showing only an alphabetical list of the stocks that I currently own. The only additional information there now is in the form of asterisks to indicate which stocks I have written a case study for on the paid website. One good thing about this change is that it no longer needs a disclaimer wall (the page on which readers had to click “agree”) before getting to the portfolio disclosure page. This impediment has been removed.

However, I have not simply removed some information. I have placed it elsewhere and at the same time added to the amount of information provided. This has been in response to a number of requests. The requests were specifically to:

1. List my recent purchase and sale transactions in chronological as well as alphabetical order. (The format of the portfolio disclosure page did not lend itself to doing this)

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- without greatly complicating it by breaking down each listing into its component buy and sell trades. The relating obfuscation of the data would have been a further distortion of its sole purpose as well as being very time consuming for me to provide.)
2. Show more accurately what percentage of my portfolio is in any one stock. This data changes dynamically and it was just too time consuming to do it on the portfolio disclosure page.
 3. Provide details of all past investments for the period from July 1 2000 to date. This has taken a great deal of time to prepare, but it is now done.

Some of the new data could be seen by a reasonable person to imply a view about the market, so it needs to be behind a disclaimer wall, so readers of it are required to acknowledge that they know it is not advice. Such a wall is already in place on the paid website, so I have moved all the information listed above to that section of the website. This is available to anyone who pays a joining fee of \$44 and an annual fee of \$55. These charges reflect the huge amount of copyright material already there and partly recompenses me for the time needed to prepare and upload the additional information which users have requested. Even more importantly, I am now better protected in terms of the law relating to advice.

I will be updating the portfolio disclosure page as soon as an order on the market has been completed. It is not possible to also immediately update the paid website page because I need to wait for my broker to send me a confirmation note. This may take a few hours. However, this seems to me to be immaterial in the sense that anyone requiring it earlier could be using it as advice, which would be illegal for me to provide without an adviser's licence and meeting the "know your client" rule. Please remember in this context that I do not make the law. If you feel that the law should be changed, please talk to your federal member of parliament.

I hope members of the paid website are gaining additional educational insights from the additional information provided.

A loss never bothers me after I take it. I forget it. But being wrong - not taking the loss - that is what does damage to the pocketbook and to the soul. Jesse Livermore