The investment strategy of the SwissInvest GmbH (Inc.)

Investing funds is fundamentally a simple activity: undervalued stocks are purchased, overvalued stocks are sold off and unattractive markets are avoided. Whoever is successful is exploiting the exaggerated fluctuations on the securities’ exchanges in a consistent and disciplined manner, is bound to make above average profits in the medium term. There are, after all opportunities enough, as financial markets are seldom ”correctly” valued on the whole. Securities’ exchanges often fluctuate to an exaggerated extent, sometimes upwards, sometimes downwards.

<u>Such market exaggerations should be better exploited</u>

This formula for success has, of course long been known to you as well as ourselves. It is nevertheless not quite so simple in practice to implement the formula to a profitable extent. There are various reasons for such a phenomenon.

There is the valuation and the insufficient exploitation of the available opportunities. There are, of course criteria for the analysis of securities, which give some expression to value. There is, however no generally applicable yardstick for determining whether a stock is over- and/or under-valued, respectively. It is often a matter of assessment. Valuation is therefore no absolute criterion. It is precisely in the phase of overvaluation, that the price may sometimes rise again strongly, or, on the other hand, nothing can save an already under-valued stock from even suffering further or even massive falls in price. In this respect, the question of timing comes into play.

The question of when to buy or sell is a decision, which has to be taken by the investor individually, The opportunities provided by the financial markets – namely, that there are almost always under-valued stocks – is far too little exploited on a consistent basis. It then requires courage, a preparedness to accept risks and, above all, discipline:

The courage has to be found to purchase a security identified as under-valued precisely at that moment when little can be said of it in general and, above all, at a time when no purchase interest is being shown in it. This risk is, that perhaps the security will also soon thereafter be available at a lower price. Discipline is therefore demanded in selling and the implementation of the best intentions is also in such a case often defective. When prices rise and many analysts decide to carry the security in their lists by reason of arguments of excellent prospects and aggressive price forecasts, it is always difficult to come to a decision to dispose of such stocks.

Nevertheless, in the one or the other case, the hesitant investor forgets how rapidly the markets can correct an under- and/or over-valuation, respectively. Whoever buys and/or sells too late, usually misses out on the decisive movement in price. Investors then leave the matter there – and again regret another lost opportunity.
Too many investors only look at the purchasing opportunities or concentrate their attention on undervalued stocks. They purchase such securities in the hope, that they can then sell them again later at a profit. It is mostly the private investor, who applies such a ”long” strategy. It is essential to take profits promptly and to sell off the securities in cases of above average price rises, especially in times of high volatility on the exchanges, as has been experienced for some time now and this tendency is likely to become even more predominant.

Point of departure: during the past few decades, annual yields of 13% on average have been obtained. In our opinion, the tendency to sell off should be practised in cases of short-term price rises in this sector.