

INTRODUCTION: NEW OPPORTUNITIES

The world is changing.

If you have any doubt, just check out any major daily newspaper.

You will see the nexus of economic and political power shifting from Europe—possibly even from the United States—to China, Korea, South America, and other developing areas. You will see threats to world security emanating from such relatively minor powers as North Korea, Iran, and even Brazil, which has been contemplating its own nuclear development.

Some of this is bad news. Some not. Change is often associated with problems, anxiety, and fear. It is also associated with challenge. It may also be associated with progress, improvement, and opportunity.

Which is what this book is about. It is designed to help investors make the most of opportunities that lie within the United States and outside of the United States. Such opportunities include the usual—stocks, bonds, mutual funds, and money market instruments. Such opportunities also include areas with which most investors remain relatively unfamiliar—commodities, overseas bonds, foreign stocks, real estate-related instruments, and investments in developing countries. You will learn where such opportunities lie, of excellent vehicles in which to invest, how to time your purchases and sales, and how to

create well-diversified and balanced portfolios that are appropriate to your stage of life and financial situation.

Perhaps even more important, you will learn how to contain and reduce risks associated with investing—timing techniques, diversification strategies, ways of recognizing “bargain-basement” prices, and strategies for profiting from inflationary trends as well as from deflation.

The Need for Active Management

The need for investors to be informed and active in their own management has, if anything, been increasing and is likely to continue to increase in the future. Movements are already under way to delay and/or reduce retirement benefits that accrue from Social Security, which would remove a major economic prop for many families. In addition, there have been initiatives to “privatize” Social Security, to make the individual beneficiaries rather than the government responsible for the financial growth of their Social Security assets, mirroring the responsibility for decisions that many investors now make within their 401K and other retirement plans. Many areas of decision making and risk are likely to be transferred from the government to the individual. The consequences of uninformed investing may well prove considerable.

Active, Informed, Self-Management

The passive investor may place his investment capital into one or two well-known mutual funds, hoping for the long-term best. Perhaps he may rely on his stock brokerage to select his investment portfolio. In both cases, he is likely to be relying on management whose interests almost certainly lie with encouraging investor passivity, in promoting

buy and hold strategies through thick and thin, and who, because of the large amount of capital and large numbers of investors under their management, will tend toward investing conformity. This approach may have been fine during the 1980s and 1990s, two outstanding decades for the stock market. It has not worked well since then and may or may not serve investor purposes in the future.

The actively managing investor may seek information—and even some guidance—from many sources. Such investors, however, will process and evaluate such information themselves, will come to their own decisions, and will act based on long- and short-term plans for investment that are modified as new investment opportunities develop and as old ones recede.

They will adapt a true management style, establishing long- and shorter-term investment objectives, balancing potential reward and risks, remaining flexible—ready to change course if and when investment conditions change. They will learn and apply investment techniques that are useful in this regard.

The purpose of this book is to help *you* become one of the *they*.

How This Book Will Help

Opportunity Investing has been structured to provide benefit to readers who have only limited inclination/time to monitor their investments and even more benefit to investors who are willing to put additional time and effort into their investment programs.

The initial sections of *Opportunity Investing* show you a range of more familiar and basic investment areas, profit potentials and pitfalls, and strategies for constructing portfolios for greater returns at lower risk. We review which investments are likely to produce greater returns during periods of inflation and which during periods of deflation. You will learn where you can secure high levels of income commensurate with risk and the benefits of and strategies associated with

diversification (including diversification by time, investment sector, and geography). You will learn how to select open- and closed-end mutual funds and exchange-traded funds (ETFs) most likely to succeed and will be provided with a “starter portfolio” of the less than 1% of mutual funds that have met certain criteria for long-term excellence in performance. You will also learn how you can improve your investing performance considerably—quite considerably—by the application of just one investment technique alone.

As the book progresses, more active and involved investors will learn general and investment-specific techniques of market timing—which are designed to help you know when to enter the various investment arenas and when to hold assets in cash and cash equivalents. You will learn how to measure the relative strength of different investments so that your portfolio may be rebalanced to emphasize those areas that are performing the best while de-emphasizing investment areas that are underperforming.

In short, you will first learn techniques designed to help you decide what to buy and how to structure your investment portfolio. This, alone, should improve your investment results. You will then learn when to invest and when to stand aside. This should further improve returns.

We live in a world of change, of challenges, and of opportunity. Let’s move along now to enter into that world!