



# Brainy's Articles on Share Trading\*\*

## Monitor your positions

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### Introduction

When holding an investment position such as shares in a blue chip company, many investors have been used to putting their shares "in the bottom drawer" and simply forgetting about them. Many people in the past have ascribed to the long-term view of "buy and hold".

However, over time a company can change in many ways. It can become unloved by the market (eg. Telstra from 2000 to 2010), or government policy can affect the viability of a company. The economic cycle of the day can cause a company to perform better, or worse.

Take a look at the price chart of Telstra in Figure 1 below as a good example. It is one thing to accept everyone's good intentions and nominal suggestions and advice and buy into a public float, or simply buy some shares; but to continue to hold them while the share price falls and falls and falls is a totally different proposition.

These situations mean that the old buy-and-hold strategy of yesteryear is no longer as valid as it used to be. Many investors have seriously called it into question. Many investors have realised that some of their investments are benefiting the responsible fund managers a lot more than themselves.

So, it is important to form a firm opinion about our *investment* or *trading strategy*, and whether there are any circumstances under which we might consider selling an under-performing investment. Then with a firm opinion in place, we need to take appropriate actions to implement our views.

The other consideration is to do with our defined *exit strategy*, which ought to specify how to "monitor" our positions day-to-day or week-to-week in order to be able to quit an under-performing position.

This Article in Brainy's series on Share Trading and Investing (number ST-5510) discusses the importance of pro-actively monitoring any investment position to maximise performance, and provides some thoughts about implementing this.

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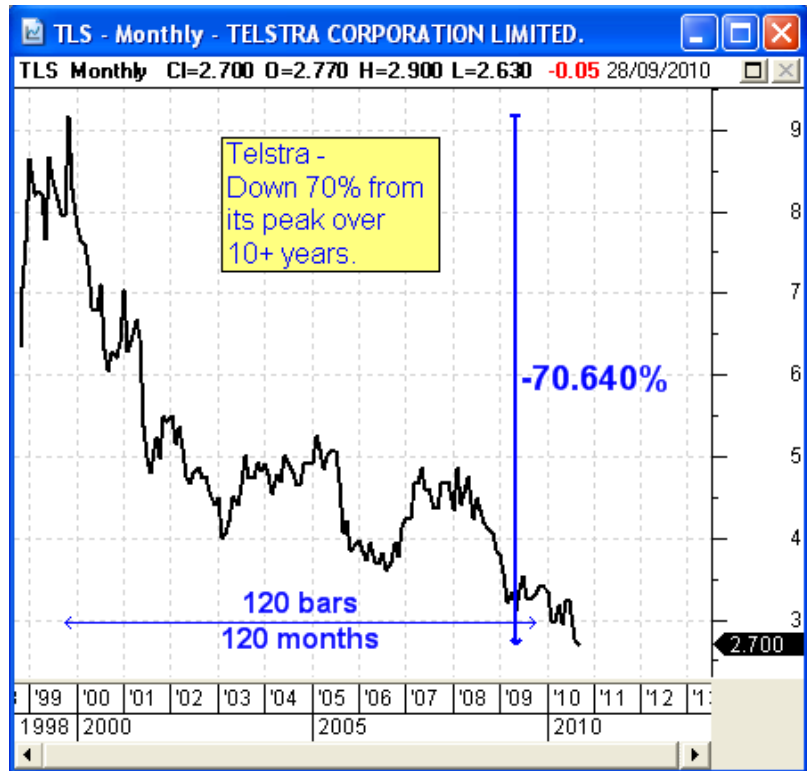


Figure 1: Telstra's share price performance over 10 years.

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\*\* - The two words *trading* and *investing* are often used somewhat interchangeably.



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