

Fearless Investing

As always, we want to make sure investors are "On Track" for their investment goals. Most advisors establish "Rate of Returns" needed for investors to reach their goals. The growth rates can range from 4% to 5%, 7% or 9% as the rate of return needed annually.

Whatever that figure is, investors need to know that they won't hit that exact number every single period.

To ease investor minds, Grand Capital Management provides investors with a simple way to monitor and ensure that they are on track to reach their goals.

In an investment portfolio, there are two important components to consider & monitor: Drawdown & Range of Fluctuation.

- Drawdown

A portfolio can experience periods of "Drawdown" which is a peak (Highest Value) to trough (Bottom Value) loss while it is growing over time. A portfolio allocated towards growth can experience drawdown risk of approximately **-30%**. **Meaning, it is completely normal for a growth portfolio to experience fluctuations down of approximately -30% over a specified period.**

- Range of Fluctuation

Every portfolio will experience fluctuation. Investors are essentially "Risking Money" to "Make Money". A sub-par portfolio has potential to lose as much as it gains. To illustrate a sub-par portfolio, an investor would risk **-14%** of their money for a chance to gain **+14%**. A well-constructed portfolio would risk **-14%** but have a chance to gain **+28%**. **A good advisor will only build a well-constructed portfolio.**

How can investors ensure they are on track?

Investors can ensure they are on track by monitoring both metrics.

Using the growth portfolio example above, if the portfolio stays within the Drawdown figure (-30%) & Range of Fluctuation (-14% & +28%), they can expect to achieve the rate of return needed. This is expected because there is a higher probability of growth than there is of loss. In other words, the odds are stacked in the investors favor!

Conclusion

Following these metrics is the best way investors can feel comfortable with their investments during difficult times. The probabilities win out & investors participate in the winning. So, no longer do investors have to wonder about their investment performance or if they are on track. They simply need to establish a customized Drawdown figure and a Range of Fluctuation, so they can know exactly what to expect from their advisor and their portfolio.