

RISK

Small Talk
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Disclaimer

- All companies mentioned in this presentation are for educational purposes only.
- Please do your own research before deciding to buy or to sell.

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Risk, what is it?

Definition—Measurable possibility of losing or not gaining value

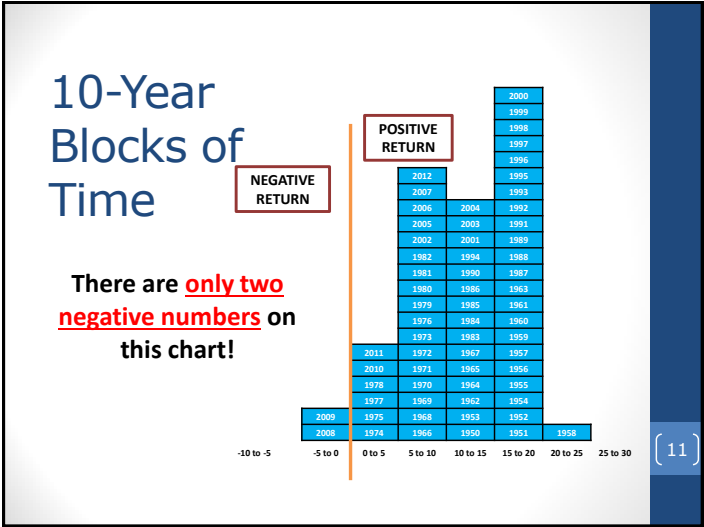
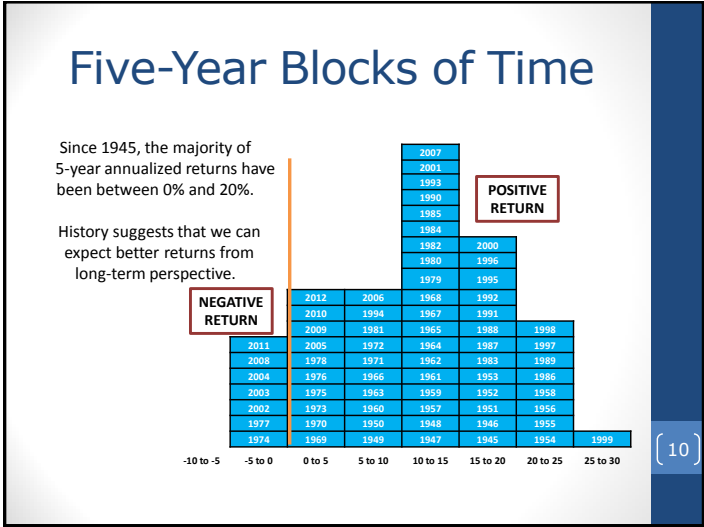
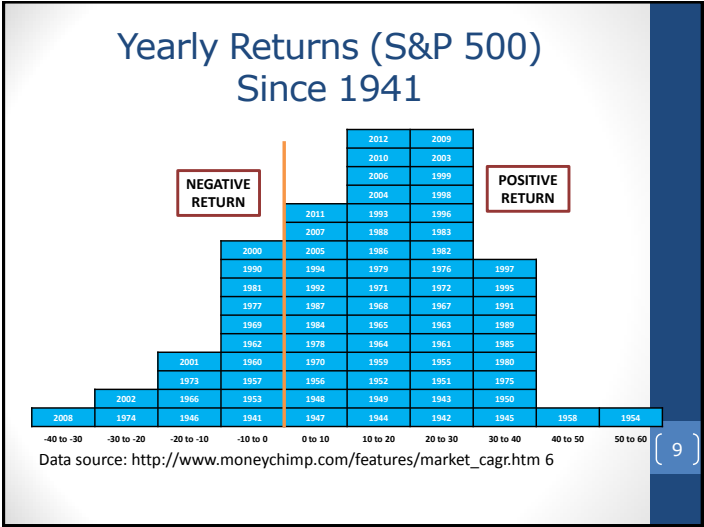
Barron's Dictionary of Business Terms

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Types of Risk

- Equity Risk
- Economic Risk
- Interest Rate Risk
- Inflation Risk

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- ### Looking at Risk with the SSG
- Risk in Section 1 – Sales and Earnings History
 - Risk in Section 2 – Management History
 - Risk in Section 3 – Trends in earnings, P/E
 - Risk in Section 4 – Upside/ Downside
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Diversification

- The definition of diversification is: the **reduction of risk** by putting assets in several categories of investments
- Diversify by size, sector, industry and geography
- See 9/16/2013 Small Talk

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You the Investor

Who is this investor---

The you that is risking your money?

What kind of risk are you willing to take?

What is your risk tolerance?

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The Investor-Risk Profile

Conservative—willing to tolerate very little risk of loss

Moderate—willing to take some risk

Aggressive—Prepared to withstand high risk

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Benjamin Graham Intelligent Investor

Defensive—
Want to avoid serious mistakes or losses

Enterprising—
Willing to devote time and care to the selection of securities that are both sound and more attractive than the average

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Risk for YOU

How much are you willing and able to bear loss in investing?

Ability is financial

Willingness is behavioral

What is your risk tolerance?

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Risk Tolerance

Best guideline: Yourself

What did you do and how did you feel?

In Jan. 2014?

In 2008-2009?

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Make note of:
your self evaluation of
your risk tolerance in
your written investment plan
for future guidance

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For expanded thinking on this subject:

- BI Handbooks:
 - Using Portfolio Management Wisdom
 - Stock Selection
- Intelligent Investor by Ben Graham
- Stocks for the Long Run by Jeremy J. Siegel

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Thank you

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Risk And You

All investment involves
some risk

You are doing the investing

You can manage the risk by
how you invest

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