



Rosenberg's Eight Commandments For Stock Market Success

Most of you have likely never heard of Claude Rosenberg but he certainly left his philosophical imprint on the investing world. Rosenberg founded money management firm Rosenberg Capital Management, grew assets under management to \$40 billion, and made a fortune. Now, Mr. Rosenberg made a lot of money because he was a very disciplined investor and closely adhered to his investing philosophy through thick and thin.

So with that introduction, let me give you Mr. Rosenberg's eight commandments on how to successfully invest.

#1 Do not be concerned with where a stock has already been – instead, be concerned with where it is going. The important thing is what lies ahead, not what has already transpired...

Focus on a company's future – its earning, growth potential. Then make a well-researched judgment on whether you're paying the right price today for its future earnings stream. If a stock is pricier than its future growth potential, do not buy it.

#2 Do not concern yourself as much with the market in general as with the outlook for your individual stocks---and this is key for today's market.

Most investors base their buying and selling on overall market sentiment. Mr. Rosenberg believes this is a fallacy. He believed in *buying good value as it appears and do not let the general market sentiment alter your decision.*

#3 Remember... the public is generally wrong. He said: The masses are not well informed about investments and the stock market. They have not disciplined themselves correctly to make the right choices in the right industries at the right prices. They are moved mainly by their emotions, and history has proved them to be wrong consistently.

#4 Do not make hasty, emotional decisions about buying and selling stocks.

In fact, if you've heard my commentaries on this show, you'll know that I keep insisting that you have peace of mind through all sorts of market gyrations, and always sleep well at night. It is very easy to get caught in the trap of emotions amidst media noise and peer

pressure... build your discipline so you are emotionally detached from the market, and stay focused and attached to your long-term investment strategy, and you will do well.

#5 *Stocks always look worst at the bottom of a bear market when everything is the most gloomy and always look best at the top of a bull market (when everybody is optimistic).*

Again, as many of my listeners know, I recently said **Bad Markets Make Good Friends**, and this is exactly Mr. Rosenberg's point – the best time to buy is when markets are beaten up and no one else is buying. In the man's own words: *Have strength and buy when things do look bleak and sell when they look too good to be true.*

#6 *Remember too, that you'll seldom—if ever—buy stocks right at the bottom or sell them right at the top.*

Not words you want to hear, for sure, but there is a lot of experience, truth and wisdom in them. As I've said in the past, never try and overly finesse the market's every turn. Buy when stocks generally appear underpriced without looking for new bottoms, and sell when stocks reach or exceed your expectation of fair value.

#7 *Beware of following stock market “fads.” (biotech, internet, emerging markets)*

As he says...*“the stock market occasionally develops fads for certain industries. In almost all cases a sudden rush to buy the fad stocks pushes them to price levels which are totally unwarranted. When you buy at the height of popularity you almost always pay prices which have little relationship to value...”* Most recently, Real Estate fit this description. Is it Gold the new fad of the day?

#8 *Concentrate on quality.*

Three simple words with a lot of depth. You've heard me say this too, many times; so this time, let's hear it from the master himself:

While big profits are often made through buying and selling poor quality common stocks, your success in the stock market is far, far more assured if you emphasize quality in your stock selections. Too many investors shy away from the top-notch companies in search of rags-to-riches performers. These low-grade issues are certainly no foundation for a good portfolio; instead, the fine, well-managed companies should form the backbone.... fabulous fortunes have been made over the years in such high quality, non-speculative stocks as Carnation, Coca-Cola, Procter and Gamble, and others.

In fact, as many of you know, I have a similar philosophy and, notwithstanding the risk of getting repetitive and boring – I will keep telling you to stay on the road through highs and lows, to ignore the noise, to not abandon stocks when they are down, and so on. I wanted to share Mr. Rosenberg's investing guidelines with you today, partly as a reminder on sound investing principals in confusing times such as these, and partly as a validation of everything we have been discussing over the years on my show and now my blog.