TheMarketCapitalist.com Newsletter

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**Cutting Time Out of the Investing Process**

Any individual investor knows that it is a time consuming process to identify specific stocks to invest in. Yes, it is easy to identify stocks that sound alluring, but it takes time to narrow down a list to a few specific selections that really standout from the crowd and meet your objectives. If time is lacking, then the process may never occur and investments may never be made.

How do you get around this problem? Exchange Traded Funds (ETFs) are probably your most straight-forward solution. ETFs trade like stocks, but have characteristics you'd think of when considering mutual funds. ETFs typically provide some form of diversification because they hold a number of different companies, commodities, bonds or other financial instruments.

If you're an investor pressed for time, here's a basic road map to how I'd approach the investment selection problem. First, define what you're looking for. Are you looking to generate a consistent dividend return and grow your investment overtime? Are you looking for a pure growth play because you figure your time horizon is long enough to weather inclement weather, if it does arise?

Second, think of general themes that you're attracted to. For example, if you're looking to focus on growth, then consider where you see certain trends emerging. This process makes your investment selection more of a high-level process. You need to get the trend correct, but don't have to spend the time identifying the stock or stocks that are best positioned for the trend. The ETF universe is developed enough that you probably will be able to identify a fund that focuses on the area you're considering.

Third, consider some form of diversification, beyond that which is held in a specific ETF. If you have selected an ETF or multiple ETFs that are very board in their scope of diversification, then I don't think this third step really applies. In the case that you are looking at very specific ETFs, such as an ETF that tracks the price of gold, then this third step is curtail. An ETF can be diversified within a particular industry, but, as an investor, that leaves you dependent upon that specific industry for your failure or success. You want a plan B and/or C.

Lastly, make what I would consider to be goals specific to the investments you've entered into. These goal would sound like, "When X ETF has a 20% return on investment, I'm going to sell 50% of my investment." Or, "If X ETF loses 10% I'm going to exit my investment." The point is to make the goals you have very clear and to adhere to what you've set.

You don't have to be an individual stock picker to be successful. ETFs are widely used by all types of investors and can be great tools for saving time, providing diversification and earning a return on your investment dollars.

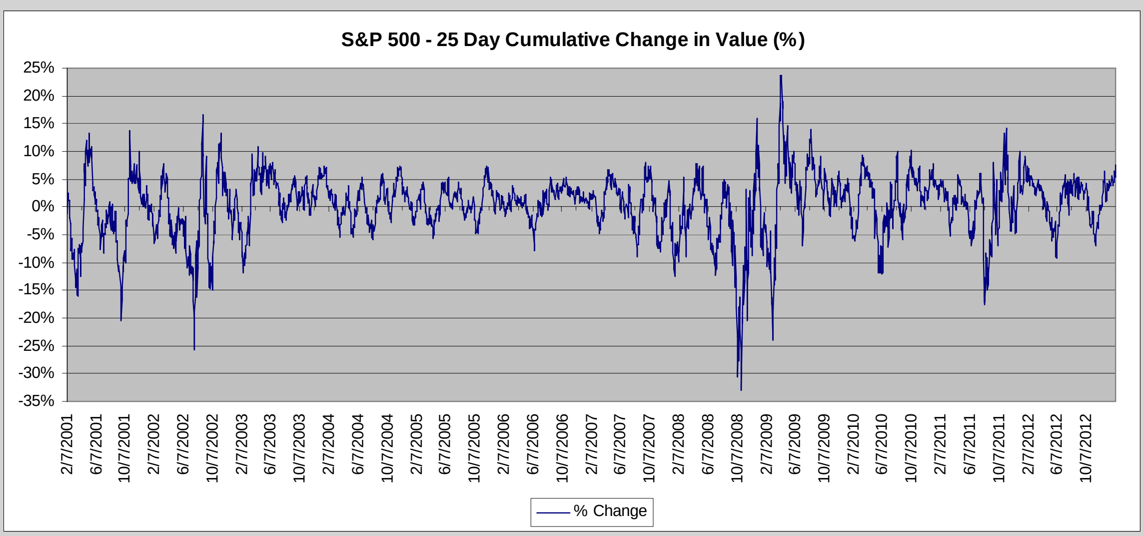
## TheMarketCapitalist.com Portfolio Selection

| Company | Ticker | Buy Date | Buy Price | Last Price | Performance | Dividend % | Buy Target |
|---|---|---|---|---|---|---|---|
| SeaDrill Limited | SDRL | 9/7/2011 | 30.25 | 38.26 | 26.48% | 8.10% | Up to 38 |
| Weatherford International Ltd. | WFT | 9/7/2011 | 16.31 | 13.03 | -20.11% | 0.00% | Up to 26 |
| American Tower Corp. | AMT | 9/7/2011 | 53.75 | 75.89 | 41.19% | 0.00% | Up to 68 |
| PowerShares Water Resources | PHO | 9/7/2011 | 16.42 | 22.11 | 34.65% | 0.64% | Up to 22 |
| Cisco Systems, Inc. | CSCO | 9/7/2011 | 15.42 | 21.09 | 36.77% | 1.20% | Up to 21 |
| Deere & Company | DE | 9/7/2011 | 78.97 | 92.17 | 16.72% | 1.90% | Up to 92 |
| Chesapeak Granite Walsh Trust | CHKR | 2/3/2011 | 25.19 | 18.12 | -28.07% | 9.30% | Up to 26 |

### Where Is the Market Headed?

I don't have a crystal ball, but I do have the ability to pull data and do some simple analysis of previous trends. With that being said, the market has made a significant jump in the first month of the year. If the historic trend holds true, February will not be as bright a month as January. Bet on either a sideways market or a pull back.

Sell-offs are healthy and actually should be looked forward to. They offer opportunities to accumulate shares at 'discount' prices. As long as you know at what price you should be buying at and you are willing to enter into the investment.




Secondly, you don't necessarily need a sell-off to identify an opportunity. A perfect example of this is **Specta Energy (SE)**, which did not rally in January, but has rallied in early February. This stock couldn't muster much positive momentum when the market was rallying and now has found its legs when the market has fallen. (Note – The stock's dividend yield is over 4%.)

Even though the market may be moving up down or sideways, outliers exist. It's sort of like analyzing people. Your average person is X, Y and Z. Generalizations cover a lot of bases, yet you and I know some very *different* people. They defy the norm. The difference is that it's a lot easier for a stock to go from being an outlier to become more in the 'norm' than it is for a person.

Don't get too carried away with the recent market surge and don't panic if we experience a pull-back in the near future.

**Personal Finance: *…the real cost of cable…***

I happened across an article the other day and was surprised to read that the average cable television bill in 2011 was $78 per month. This surprised me because my Comcast bill is *significantly* less than this figure. In fact, my Comcast cable, ATT internet, and Netflix bill total less than $78 per month - $62.28 to be exact.

This had me thinking*…what is the real cost of those extra channels?*

Out of curiosity, or pure boredom, I decided to find out.

Last month my Comcast bill was $20.21[1]. The difference between the average cable bill in 2011, $78, and my cable bill is $57.79.

When this difference is saved for a year it totals $693.48.

If someone saved this yearly amount for a 30 year period, without earning interest, they would have $20,804.40. Of course this isn't accounting for inflation, but it's not accounting for possible interest earned, either. Not a bad little nest egg.

But what if we did earn a bit of interest on our money?

$57.79 invested each month for 30 years, earning a modest 5% return, would total just over $48,000. Ah…our nest egg grew a bit.

When building a budget it is important to think about the *small* things. When committing yourself to a fixed monthly payment, take a moment to reflect on the *real* cost of that particular service or product and what value it brings to you. Do you receive that much joy from a few extra channels? You know…there's really nothing on anyways.

[1] We have a limited basic cable package and receive all of the major network channels in HD. This is not a promotional price.