

INVESTING AT LEVEL 3 By James B. Cloonan

A Book Report by Bernard E. Scoville

If someone is good at something and they practice it most of their lives, they can get to be pretty good at their specialty. Certainly then, an investment book by James B. Cloonan, founder of AAll might well be worth reading.

Below will be some of the things I learned from this book.

Level 1 investing. Unsystematic, emotional, buying and selling of securities, which averages less than market returns.

Level 2 investing. Buying and holding 60% stocks and 40% bonds, which averages 8% a year.

Level 3 investing A (passive). Buying and holding an index fund such as the RSP, which produces an 11% return. Other passive ETF funds: EQAL, VNQ, VOE.

Level 3 investing B. Investing in index fund such as the RSP, but systematically improving your returns with other proven methodologies. This should produce a 12% to 16% return.

Volatility does not measure risk for a long-term investor. The market normally comes back in four years. Loss is when you plan to buy something, but you have lost the needed money.

Rates of return. Equal weighted S&P funds (RSP) return more than cap weighted S&P funds. On average, hedge funds return less than index funds.

Aids to Better Returns:

James O'Shaughnessy's 2012 "What Works on Wall Street" gives a great review of what works for investors, but he omits smaller cap stocks.

AAll's Shadow Stocks have given a 15.4% annual return over 24 years.

Stock Investor Pro is a comprehensive database of around 7,000 stocks, which implements more than 60 screens, and lets you make and save your own screens. AAll members can access screening results, which are posted on the 15th of each month, on the Stock Screen area of AAll.com.

Level3Investing.com Help is available here including a spreadsheet that will let you easily track and graph your total portfolio on a quarterly basis.