# A Long-Term View Can Be A Sound Investment

*By John Buckingham,*

(NAPSA)—Patience and self-control can be among an investor's most valuable assets. With the senses constantly bombarded by seemingly rational stock market pitches for instant riches—or by equally convincing warnings of impending doom—it is not easy to remove emotion from the investment process.

**Buckingham**

History shows, however, that suppression of emotion is precisely what is needed to achieve long-term investment success. We have found that by staying disciplined and holding a broadly diversified portfolio of undervalued stocks, investors can often achieve significant returns.

Controlling one's emotions in the face of negative news is not always easy, but it can be beneficial—maybe even profitable. One should not overlook the fact that in the supposedly difficult year of 2001, when the Nasdaq Composite Index was off 21 percent and the NYSE Composite Index dropped 10 percent, there were actually more advancing stocks than decliners. Incredibly, on the New York Stock Exchange, 2,370 stocks rose in 2001 while only 1,569 fell.

While most investors understand that equities have delivered excellent long-term returns, few have bothered to actually study market history. Those of us who have investigated the historical data sleep much better at night.

**Risk Reduction**

| *Holding Period* | *Risk Of Loss* |
|---|---|
| 1 Year Returns | 29% |
| 5-Year Rolling Returns | 13% |
| 10-Year Rolling Returns | 3% |
| 15-Year Rolling Returns | 0% |

*Source: Ibbotson Associates from 1926 to 2004.*

We know that downturns are eventually followed by market recoveries, just as we realize that massive returns are not always in the offing.

Our firm, Al Frank Asset Management, holds stocks far longer than most investors—for more than six years, on average. We believe this lengthy holding period enhances long-term returns and reduces risk.

For example, using the S&P 90 and then the S&P 500 as proxies for the market since 1926, we can see the risk of losing money in any one year has been 29 percent.

However, the risk of loss drops to 13 percent as stocks are held for 5 years, 3 percent if held for 10 years and 0 percent if held for 15 years or more. I strongly believe in our long-term, buy-and-hold approach. Relying on what has worked historically is the foundation of everything we do.

*John Buckingham is president of Al Frank Asset Management, which publishes* The Prudent Speculator. *To learn more, visit www.theprudentspeculator.com*