

## Manage The Portfolio As If It Were An NFL Team

**Portfolios heavy with under-performing stocks almost never outperform the market. Ignat's Law**

**“Winning isn't a big thing. It's the only thing.”**

**Vince Lombardi**

**Long time coach of the Green bay Packers**

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### Market Dynamics

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Assuming you were the coach of an NFL team, how would you select and manage the players to produce a winning season. The game of institutional investing is just about as competitive as the NFL.

First of all, you know that you can only have so many players on your roster and you have to attract the best talent you can within the financial limits of the organization. You can't commit all of your resources on a single player or even a few players, you have to build a team that can work together to accomplish the goal, a winning performance.

You also know that athletic performance at the level of the NFL is not accidental. That kind of performance requires years of hard work and natural ability. That kind of football skill can be demonstrated in various drills and practices and workouts. You are not selecting players based on what they might become. You are picking players for what they can do now. Naturally you expect them to develop and improve over time and with experience but you have to have good football performance now.

There is a lot more to managing an NFL team than just picking good players. The performance of the players must be measured and evaluated as the season progresses. When the performance of a player starts to deteriorate due to injuries or fatigue or for any reason, then you as the coach must make a difficult decision to make a change at that position to improve the performance of the team as a whole. The evaluation process is continuous and it often requires intense study of game films and observations at regular practices to find opportunities to improve the performance of a player or the overall team. To hope that a player who is having trouble performing as expected will regain his ability to perform, is to waste an opportunity when

MARKET DYNAMICS - RELATIVE STRENGTH vs S&P 500  
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a better performing substitute is available.

An institutional stock portfolio manager faces many problems that are similar to an NFL coach. You have to pick stocks that can perform and you know that good stock market performance is not accidental. The best indication you can get is that the stock has been performing well recently versus the overall market. Once the stock makes the team and is added to the portfolio, your job as the portfolio manager/coach is to observe the performance of that stock/player over time. Stocks that can't maintain an acceptable level of performance need to be replaced with another stock/player that can perform (i.e. get the job done!).

This portfolio upgrading process is key to achieving a winning season and generating good investment performance. Your game films, so to speak, are the charts of the stocks relative performance in the market. These game films can be based on a long-term time frame to avoid excessive turnover of the portfolio.

The portfolio manager/coach needs to anticipate the activities of his opponents in the game, primarily the overall market. But anticipation is not nearly as important as the measurement of the player's /stock's performance and making adjustments when necessary.

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