



# WHAT IS AN INVESTMENT STRATEGY?

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So, you want to become an investor? We know it is vital to build the kind of wealth we aim for. But making the first move, is difficult, because we don't know what that move should be.

Successful investment is not a matter of luck, expert knowledge or even having a large sum to invest. Anyone can become an investor. You just need to have a sound investment strategy.

An investment strategy guides your investment decisions based on your goals, risk appetite, timescales and future monetary needs.

You need a strategy to help you decide which stocks to buy, when to buy and when to sell. It can help you avoid expensive mistakes – and even sleepless nights.

At Continuum we are looking at some key investment strategies.

## Value investing

Value investors buy shares when they appear cheap. This is not a matter of guesswork. It is measured by a few financial ratios such as the price-to-earnings ratio (P/E) and yield. The shares are sold once they become more expensive, which is also a calculation you need to make.

Value investors need to understand financial data to make informed decisions, which can make it hard for beginners.

## Growth investing

Growth investing looks for firms that will grow at a faster rate than their industry or the overall market. It is exciting, rewarding – and hard work finding the most appropriate stocks.

Investing in growth stocks can give high returns when the economy is performing well, but value investing might outperform in falling markets.

## Dividend investing

With dividend investing you buy stocks that pay regular dividends.

Dividends give a regular income stream separate from any growth in the market value of the stocks. This can help you make money even if share prices fall. This can be suitable if you are looking for an income to supplement your pension or want to reinvest it for capital growth.

## Pound-cost averaging investing

Pound-cost averaging means investing small sums of money at regular intervals, regardless of what's going on in the market.

You invest the same amount without worrying about the state of the market, which means when the market falls, your regular investment buys more.

## Top-down investing

Top-down or sector investing lets you focus on one specific market sector or asset class.

You need to learn as much about it as you can and then pick the most suitable companies within that sector. So, you could focus on healthcare stocks or on a specific type of investment, like emerging markets, for example.

## Contrarian investing

Contrarian investing involves going against all the current market trends. This idea comes from the school of thought that markets are subject to a 'herd mentality' created by fear and greed. This creates opportunities to buy stocks that are priced below their intrinsic value.

This can be rewarding but it is risky and can take a long time to pay off.

You also need to spend a lot of time researching stocks to find the opportunities if you are to be a successful contrarian investor.

## Impact investing

Impact investing is when you invest to create an impact – not just for financial returns. This impact is usually focused on environmental or social causes.

This is a good investment approach if you have strong moral or ethical views and want to translate them into your investments.

## What's the most suitable investment strategy for you?

While it's possible to explore strategies and make decisions independently, the risks of going it alone can be costly.

Investment success isn't just about choosing the appropriate stocks – it's about building a long-term plan that aligns with your personal goals, lifestyle, and tolerance for risk.

A Continuum financial adviser brings not only deep expertise but a personalised, objective approach that helps take the guesswork – and stress – out of investing.

With professional guidance, you can feel confident that your money is working as hard as it should be, every step of the way.

The simple way to do that? Call us at Continuum.

The information contained in this article is based on the opinion of Continuum and does not constitute financial advice or a recommendation to a suitable investment strategy, you should seek independent financial advice before embarking on any course of action. The value of an investment can go down as well as up and you may get back less than you invested. When investing Capital is at risk.

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