

Anthem Financial Club

Mitigating Risk for Investment Portfolios



“I’m not interested in minimum risk! I want long term gains without risk.”

We Are A “For Information Only” Club

John Michel is **not** a Financial Advisor; financial decisions are your own!

Risk Vocabulary

Risk has two elements:

Probability

Undesirable Consequence

Opportunity has two elements:

Feasibility

Benefit

“When we say that someone has fallen on bad luck, we relieve that person of any responsibility for what has happened.”

- Peter L. Bernstein, Against the Gods, The Remarkable Story of Risk

“Quantifiably, risk is usually assessed by considering historical behaviors and outcomes. In finance, standard deviation is a common metric associated with risk. [Standard deviation](#) provides a measure of the volatility of asset prices in comparison to their historical averages in a given time frame.”

Investopedia



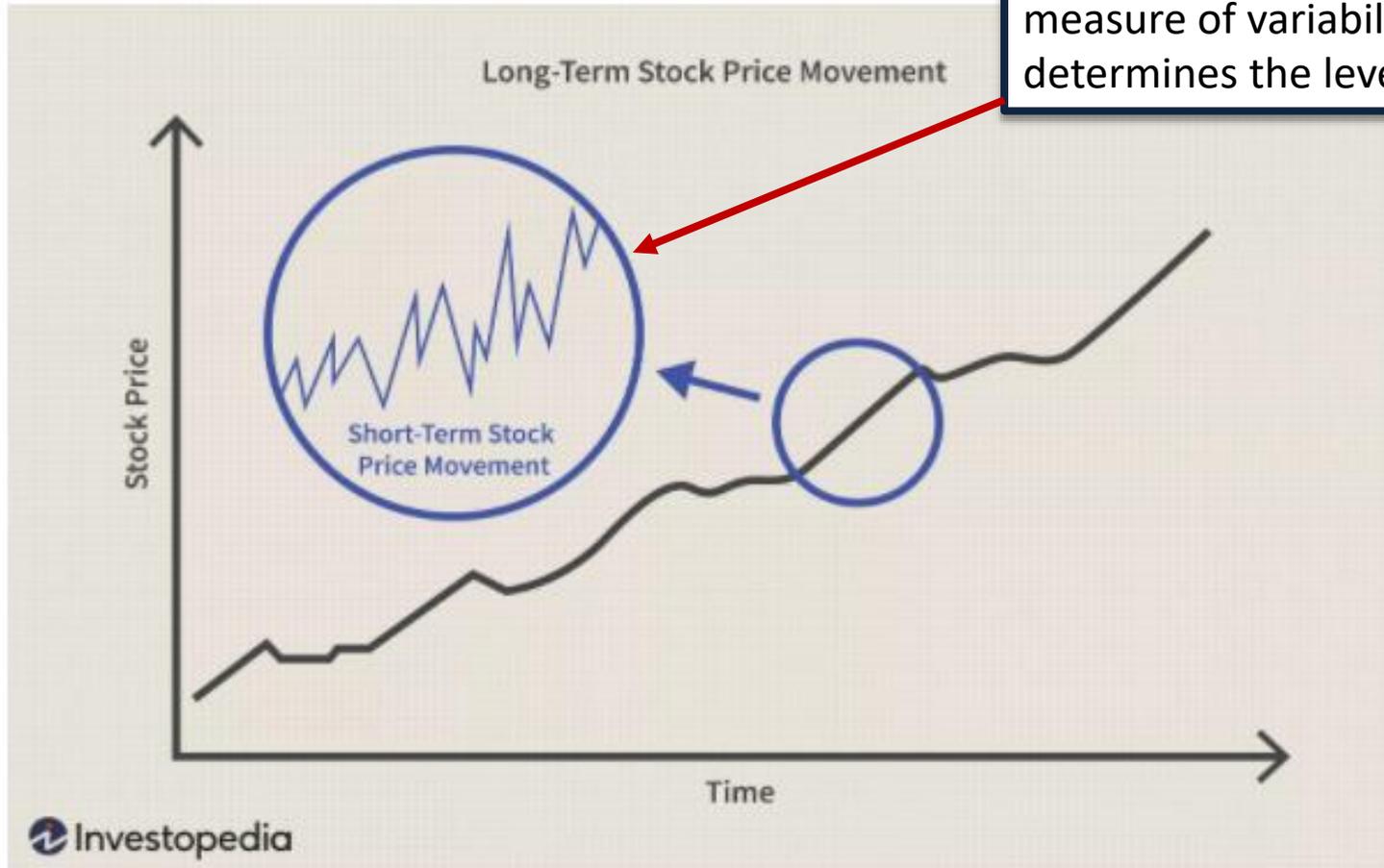
Definition



High Risk
Investment

Risk Assessment

In the world of finance: a measure of variability (volatility) determines the level of risk

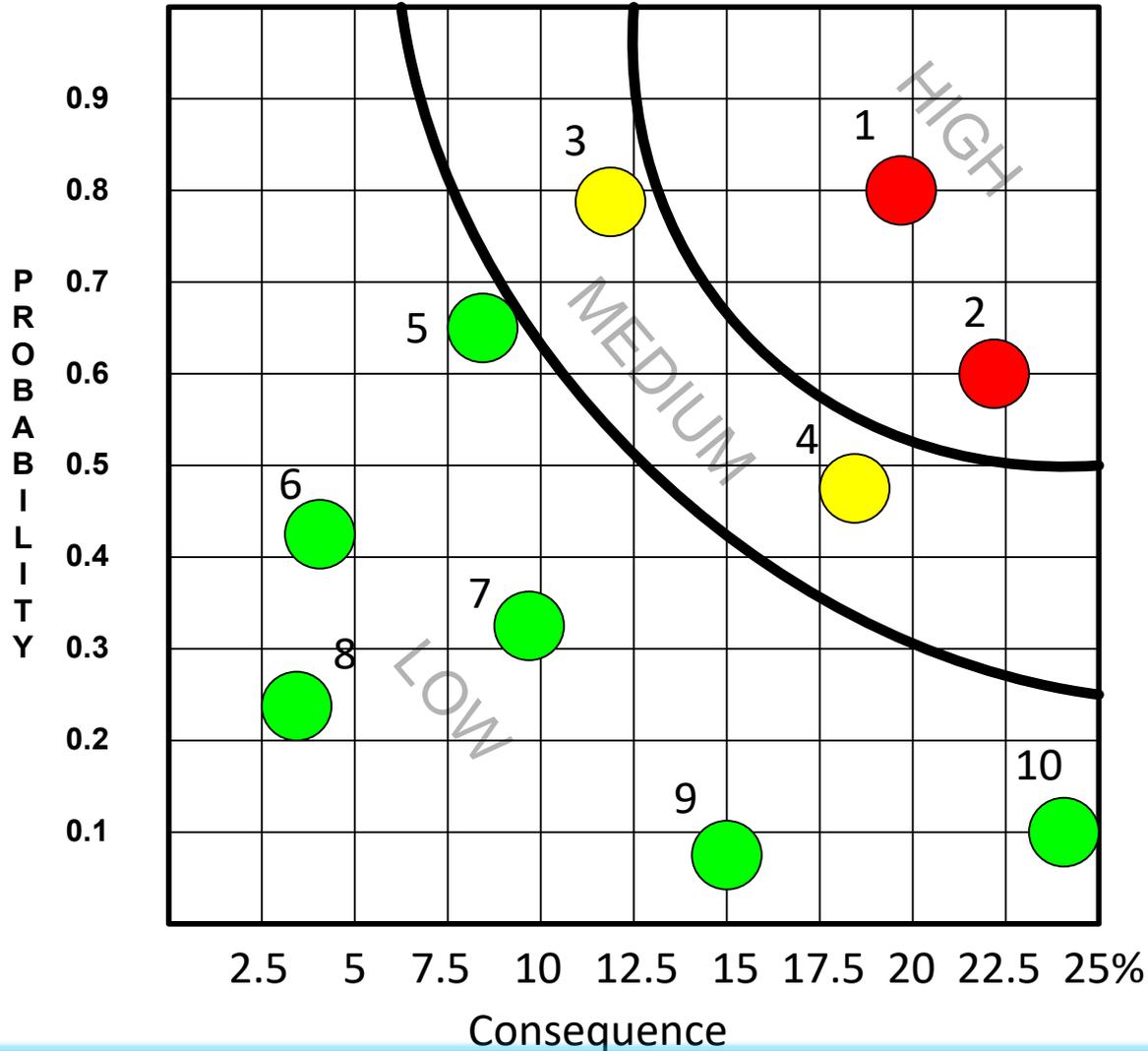


Portfolio Diverse Investments



Time Frame is 4 Months

Standard Risk Chart



Investment 1 = High
Investment 2 = High
Investment 3 = Med
Investment 4 = Med
Investment 5 = Low
Investment 6 = Low
Investment 7 = Low
Investment 8 = Low
Investment 9 = Low
Investment 10 = Low

“Fear of harm ought to be proportional not merely to the gravity of the harm, but also to the probability of the event.”

- Amtoine Arnauld (1662) Logic

My Rules for Sector Investing

No more than 10 % of assets in any one sector

No more than 4 % of assets in any one investment

Example: In the precious metals sector:

Gold – no more than 4% of assets

Silver – no more than 4% of assets

Palladium – no more than 4% of assets

Platinum – no more than 4 % of assets

Total assets in sector are NO MORE THAN 10%

My Rules for Sector Investing

We need:

- 1) a time frame
- 2) what constitutes a high consequence
- 3) What constitutes a high probability

1) Check in on investments every 4 months

2) A high consequence is a drop of 25% which equals 1% of my portfolio (since no investment is greater than 4%)

3) A high probability is assessed as consistent down trending during a down market

Data Taken from these Charts

EWY

Feb-09-2022 O: 74.00 H: 74.51 L: 73.96 C: 74.50 V: 5.75 M

Events 



Sector Investing



Communication Services



Consumer Discretionary



Consumer Staples



Energy



Financials



Health Care



Industrials



Information Technology



Materials



Real Estate



Utilities



Precious Metals

Sector Investing

Agriculture/Commodities

European Mkts (Euro)

Consumer Products

Currency

Developed Countries

China

Japan

Other Asian Mkts

Middle Eastern Mkts

South & Central American

Bonds

African Mkts