# Portfolio Management: Making Decisions about Your Investments

**Date :** March 7, 2012

“Believe me, it’s not glamorous when it’s midnight on a school night and you’re still up worrying about stocks and other securities and second-guessing yourself,” says Patrick Goldin, the 17-year-old general partner of the Alain Value Fund LP, an investment fund that is made up of several different stocks. Goldin’s hedge fund uses advanced investment strategies to try to get high returns for investors. Pooling together money from multiple sources gives him the ability to make bigger buys, while the investors let Goldin make the decisions about where to put the funds. “To actively manage your investments, you have to train yourself mentally and understand your psychology. You have to realize that sometimes there will be inefficiencies or you will make the wrong move, but if you constantly work at improving yourself, you can be successful.”

Goldin, a home-schooled high school senior from Greensboro, N.C., says his mother introduced him to the stock market in 2005, when he was in the seventh grade. In early 2007, Goldin launched his fund, lining up family and friends as investors. “I was inspired to find out more about the companies that made the products I used, and owning shares of their stock seemed like a good idea,” he says. “I started to monitor their financial performance and from there it just sort of flowed. I progressed slowly, studying the market and reading books — and gradually increased my analysis and investing. I learned from my mistakes.” Some of Goldin’s early investments included Lockheed Martin, Starbucks and Wal-Mart.

**‘Not Everyone Is an Expert at This’**

Managing a portfolio, or a collection of varied investments, is serious business, involving investment mix and policy, matching investments to objectives and balancing risk and performance. For professional portfolio managers, a key concern involves matching an individual’s risk tolerance with investment performance in a way that achieves the investor’s monetary goals, according to Boris Khazin, investment oversight officer with TD Ameritrade. “Generally, if you’re seeking more performance, there’s going to be more risk,” notes Khazin. “But hedging and other strategies [to decrease] risk mean that the ratio of risk to performance is not necessarily a direct one.”

Not everyone is an expert at this, he adds. “An individual investor who [also] holds down a full-time job may not know what to look at.”

Khazin says that media investment personalities like CNBC's Jim Cramer suggest that investors spend an hour a week on each of their investments. "So someone who's got a portfolio of 50 or 60 stocks would not have much time for anything else," he notes. "A professional portfolio manager, though, maintains full-time analysis as part of his or her job."

Goldin's portfolio is made of securities "where the downside is very limited and the upside potential is substantial, creating a very attractive risk/reward proposition," according to his website.

His investment outlook is centered on a value-oriented philosophy. Value-oriented investors are looking for companies that they think are trading for less than they are really worth. So a company that has a stock price of, say $1.00 a share, but owns land that's worth $2.00 a share, might be attractive to a value-oriented investor. I look at "smaller companies that are in a situation where an event or other catalyst may drive the realization of value," says Goldin. Realization of value is a fancy way of saying that market watchers hope the stock price rises above its current level to one that reflects the true value of the company's underlying assets, or worth. "I'm not really growth-driven, so I'd tend to keep away from an initial public offering of a company like Facebook. There's no real margin of safety when you're talking about pricing that's equal to 100 times earnings [a high earnings per share ratio that is more risky]. Instead, a share price that's equal to 25 or 30 times earnings makes more sense from a safety point of view."

## Wearing Many Hats as Fund Manager

When it comes to managing an investment portfolio, "you shouldn't feel rushed," counsels Rosella Bannister, a consultant with Jump$tart Coalition for Personal Financial Literacy,a nonprofit organization based in Washington, D.C., that supports financial education efforts. "Do your research, but also check your research sources to determine if they are reliable."

Bannister says she doesn't believe in "market timing," or quickly jumping in and out of stocks as a way to capture short-term stock price movements. "I don't think it pays to try to catch every up and down of the market," she says. "Instead, invest in something you know about because then you may have a better idea of what products or services will win out in the marketplace."

The Alain Value Fund has been averaging a gain of about 10% a year, according to Goldin, who notes that the fund isn't open to the general public. "I find running the fund is a great learning tool, even though there's a lot of pressure and it keeps me really busy wearing many hats as fund manager," he adds.

But Goldin admits he's doing a "precarious balancing act," juggling schoolwork, fund management and outside activities like soccer. "At times it gets to be very tough, but I have to maintain a balance," he says. "I guess the solution is intensive time management. Home schooling helps me to accomplish this since I've got the flexibility to shift courses around, and I've got opportunities that might not be available in a conventional high school setting. It's not easy by a long shot, but I enjoy the puzzle solving" that's involved in portfolio management.

**Want to comment on this story? Answer one or more of these questions to start the conversation:**

How did Goldin build his investment expertise?

What is a value-oriented philosophy and what is realization of value?

Describe some different investment strategies a portfolio manager might take.

Related Links

- The American Association of Individual Investors
- KWHS: What Are the Different Investment Choices: From Condos, to Gold, to Just Plain Cash
- KWHS: The Investor Lifecycle: Changing Priorities, Changing Portfolios
- Financial Rate Information and Financial Education
- KWHS: Understanding Risk and Return: The Roller Coaster Ride of Investing
- KWHS: Why Investors Diversify
- KWHS: Show Me the Money: Analyzing Porter's Five Forces
- Resource Investing News
- New York Stock Exchange
- Real Estate Investing
- Securities and Exchange Commission: Your Investment Options
- New York Times Topics: Investments
- The Future Investor Clubs of America