

Mental Reset at 20%, not 10%

When I saw the SNV Focus Fund YTD return hit the double digit mark at 10.5%, I was really excited. If the fund coasted at the double digit return over the course of the year, I would have been satisfied, because the fund's return was horrible in 2012. The US equity market rallied to 18%, but we were at +4.0%. So, holding on to an alpha of 1% was not bad for us, since the market was about 9% YTD.

This is the scary part about investing. We don't push for more once we hit a certain target goal, or we perform well relative to a benchmark. If the market return is 4%, and we realized a 5% return, we will pat ourselves on the back. But on an absolute basis, we would have seen a real return of maybe 2%, if inflation is at 3%.

Or, we are happy with 10% returns, when our target is 20% on an absolute basis. It is like a sales man being content with \$100,000 in sales, when the target is \$200,000. \$100,000 is great, but it falls short of the mark. We feel investment returns are manipulated and manipulative. They are thrown around so easily, and carries very few weight.

Therefore, we want to advocate a 20%, absolute return on our investments. If we can't generate it off of our investments, then we should make up the rest through our business operations (SN Tutoring, Import/export, side businesses).

Let's say we have 100,000 invested as our starting capital. 20% return is 20,000. Let's say we invest 50,000 from our starting, or seed capital in stocks and generate a 10% return. Then, we would have made 5,000. This leaves us short 15,000, that needs to be generated through our business operations to reach our 20% return. We will not be held back by adopting an investment policy where we congratulate ourselves on relativity and positive thinking, if we are performing better than the previous year. We must have discipline and clear targets that must be reached.