THE 10 BEST PRACTICES OF SUCCESSFUL INVESTORS

4 Keys to ensuring the best long-term returns

4 Costly mistakes investors make

Safe investment strategies to increase profits and avoid risk

Tips on when to sell stocks

The Successful Investor

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Who is Pat McKeough?

While we have a staff of experienced researchers, all our recommendations are personally reviewed and analyzed by our founder and president, Pat McKeough.

A professional investment analyst for more than 25 years, Pat has developed a stock-selection technique that has proven reliable in both bull and bear markets. His proprietary ValuVesting System™ focuses on stocks that provide exceptional quality at relatively low prices. Many savvy investors consider it the most powerful stock-picking method ever created.

Pat is the editor and publisher of our four investment advisories:

The Successful Investor — An advisory for the conservative investor who wants great gains with prudent risk, mainly in Canadian stocks. Click here to learn more.

Stock Pickers Digest — An advisory that's a little more aggressive than ***The Successful Investor.*** Click here to learn more.

Wall Street Stock Forecaster — An advisory that focuses on conservative portfolio investing, mainly in U.S. stocks. Click here to learn more.

Canadian Wealth Advisor — An advisory reporting "safe money" strategies on royalty and income trusts, exchange-traded funds (ETFs), index funds, TFSAs, RRSPs, RRIFs and RESPs. *Canadian Wealth Advisor* also covers tax- and financial-planning topics. Click here to learn more.

As early as 1980, Pat was recognized as #1 in the world of published investment advice by the Washington, DC–based Newsletter Publishers Association, and he was the first multi-year winner of ***The Globe and Mail***'s stock picking contest.

Both ***CBS MarketWatch*** and ***The Hulbert Financial Digest*** recognize Pat as one of North America's top stock analysts. ***The Wall Street Journal*** calls him "one of only four investment newsletter advisors who have managed to serve their readers well over the long haul."

Pat is also a best-selling Canadian author. His 1993 book, ***Riding the Bull***, predicted the stock-market boom that happened later in the decade. Through his many television appearances, he is well known to investors for his insightful analysis and his candid, unpretentious style.

Bottom line: Pat's conservative, reduced-risk strategy is a proven approach to lower-risk investing.

What is TSI Network?

TSI Network (www.tsinetwork.ca) is the online home of Pat McKeough's highly successful family of investment publications, *The Successful Investor*, *Stock Pickers Digest*, *Wall Street Stock Forecaster* and *Canadian Wealth Advisor*.

While most media outlets only cover the popular investment theories of the day, TSI Network goes beyond the headlines to get to the heart of what really affects you – the individual investor.

The site is based on Pat's rock-solid investing system and his unflinching focus on helping North American investors make the right choices for their own unique investment needs.

Through TSI Network, investors get access to all of Pat's past daily postings, as well as free reports and more helpful financial advice and information.

Plus, when you subscribe to one of Pat's newsletters or his exclusive Inner Circle service, you get even more: aside from his daily posts, free reports and other portfolio-building advice and information, you get full access to all of your paid publications online. As soon as it leaves Pat's desk, your publication is posted on TSI Network. As well, you get full access to your publication's archives, so you can see for yourself how Pat's past picks have performed over the years. You always have Pat's most current advice and information close at hand.

Through TSI Network, newsletter subscribers and Inner Circle members can also quickly and easily get in touch with Pat and manage their subscriptions and memberships online. You are always just a mouse click away from the advice and information you need to make lower-risk, long-term investment choices.

The Successful Investor Family of Publications

In addition to reports like this one, Pat offers a host of other publications to help you make the right investment choices for your own specific needs.

1. ***The Successful Investor*** includes a monthly newsletter, a weekly email/telephone hotline and a monthly portfolio supplement. The newsletter recommends high-quality, mostly Canadian stocks that will surge ahead in good markets and hold their own in the face of market declines. It focuses on low-risk stocks with strong profit and growth potential. Click here to learn more.

2. ***Stock Pickers Digest*** focuses on the aggressive segment of the Canadian and U.S. markets, where risk is high, but the potential for profit is much greater. As these stocks are faster moving and not as well-established, the service includes a weekly email/telephone hotline in addition to the monthly newsletter. Tech stocks, small caps and junior mining and oil stocks are just some of the types of investments you'll read about in *Stock Pickers Digest*. The newsletter picks aggressive stocks, but at the same time it looks for above-average value — rising sales, good balance sheets and a strong hold on a growing market. Click here to learn more.

3. ***Wall Street Stock Forecaster*** includes a monthly newsletter, a weekly telephone/email hotline and a monthly portfolio supplement. The newsletter recommends high-quality U.S. stocks that will surge ahead in good markets and yet hold their own in the face of market declines. It helps investors build a well-balanced, diversified portfolio whatever their particular risk/reward level. The newsletter also gives a clear, easy-to-read analysis of how economic changes, political decisions and the Federal Reserve affect the markets in general, and your portfolio in particular. Click here to learn more.

4. ***Canadian Wealth Advisor*** is published monthly and deals with lower-risk investments: exchange-traded funds (ETFs), income trusts, conservative large-capitalization stocks, RRSPs, RRIFs, TFSAs, GICs and tax-advantaged investments. The newsletter also looks at financial planning, investment bargains (and rip-offs, too) and many other issues related to making more money with less risk. Click here to learn more.

Special Services

Pat McKeough's Inner Circle is Pat's exclusive service for investors who want more personal attention for their portfolios, plus access to all of Pat's publications. Inner Circle membership gives you the opportunity to ask Pat your personal investment questions and includes his commentaries as he answers questions posed by other Inner Circle members. As a member, you get access to all four newsletters, our full library of special reports and much more. Click here to learn how you can become a member of Pat McKeough's Inner Circle (note: membership is strictly limited).

Successful Investor Wealth Management: If you are already familiar with Pat McKeough and his long history of profit-making advice, imagine how well your portfolio might do if Pat managed it for you! That's what you get when you become a Successful Investor Wealth Management Inc. client. For complete information, please click here or call us toll-free at **1-888-292-0296**. We'll send you a FREE information kit and answer any questions you may have.

Information about all of these comprehensive services is available at TSI Network (www.tsinetwork.ca).

FREE REPORT

The 10 Best Practices of Successful Investors

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THE 10 BEST PRACTICES
OF SUCCESSFUL INVESTORS

If you were about to begin your investing career, you might want to have a list of the most important things you could do to be successful. This is that list.

We have distilled many years of experience into the 10 practices that successful investors most often follow. Many of them are positive steps you can take to achieve the greatest success. Others involve avoiding costly mistakes. And this is no small part of the equation. The last thing any investor wants to do is to spend long periods of time—years even—trying to make up for devastating losses.

There are some successful investors who have followed a different path. Some have taken big risks, for instance, that have paid off. But these are a small minority of the many people who invest their money.

Most investors are content to build wealth steadily and comfortably without taking enormous risks. By seeking investment quality and following sound investment principles (like our 3-part strategy detailed in this report), you actually increase your chances of finding super stocks that move faster than average. There is no fundamental contradiction between making your investments safe and achieving substantial gains.

These 10 practices have shown their worth over many years. Follow them patiently and you will be on the path to investment success.

1. Successful investors begin by choosing the right person to invest their money

When you decide you want to invest on your own in the stock market, you begin with one simple decision. You have to choose the person through whom you will invest your money.

You have to choose whether to use a discount broker, a full-service stock broker, or a portfolio manager. This decision is no formality; it will play an important role in the way you approach your investments.

Here is how the three choices stack up:

- **Full-service investment advisor:** This is the traditional stock broker (although brokers also sell bonds, mutual funds and other investments). Stock brokers are now more commonly referred to as "investment advisors." But in fact, most brokers or investment advisors are commissioned sales people who make investment recommendations that you can accept or reject.

  There's nothing inherently wrong with this arrangement, of course. But it can introduce conflicts of interest that can influence your brokers' recommendations, and you should be aware that this might not always work in your favour.

  For instance, your broker's income is proportional to the frequency of your trading, but increased trading is likely to cost you money. Commission rates vary among investments, which gives brokers an incentive to sell the investments that pay the highest commissions. But a general rule is that the riskier an investment, the more commission a broker earns for selling it.

  In addition, brokers have no "fiduciary relationship" with their clients. They are not legally required to do what's best for the client. They are just supposed to try to make sure that the securities they sell are "suitable" for their clients. "Suitable," of course, can cover a wide range of desirable and not-quite-so-desirable securities.

  A good stock broker is one who understands investing and who has the integrity to settle conflicts of interest in the client's favour. Good stock brokers can provide an effective and economical way to manage your investments. But if you are going to use a full-service broker, take the time to find a broker you can trust.

- **Discount stock broker:** Unlike full-service stock brokers, discount brokers simply carry out buy and sell orders for their clients, and charge lower commission rates than full-service brokers. You pay even lower commissions if you trade stocks online, instead of placing orders over the phone.

The main drawback of using a discount broker is that it gives you unlimited opportunity to make costly mistakes on your own. The clerk or computer interface that takes in your order won’t recognize, much less warn you, if they see you’re about to do something you’ll regret. In contrast, good full-service brokers will try to talk you out of bad ideas.

Discount brokers are your best choice if you make your own investment decisions. Why pay extra for full service you don’t need or use? But if you use a discounter, you may want to secure outside sources of investment advice (such as our newsletters), if only to serve as a second opinion on your decisions.

- **Portfolio Manager:** Portfolio managers take a more active role than brokers. Instead of simply presenting you with investment advice that you can accept or reject, they generally make and carry out investment decisions for you, for a fee. Consequently, portfolio managers are more stringently regulated than full-service or discount brokers. In particular, portfolio managers must maintain a fiduciary relationship with their clients. Rather than simply choosing suitable investments, they must always try to do what’s best for the client.

  The best portfolio managers take pains to eliminate conflicts of interest between themselves and their clients. However, some portfolio managers rely on brokers to find clients. This can reintroduce conflicts of interest that you hoped to avoid by dealing with a portfolio manager instead of a broker.

Our investment advice: Even if you intend to make most of your investment decisions yourself, your choice of a broker or advisor will make a big difference. Trust is obviously the key factor. If you also have a broker whose advice you can rely on to be fair and disinterested, you will have an advantage that, frankly, many investors don’t enjoy with their financial advisors.

2. Build a portfolio gradually—owning the right number of stocks at the right time

The right number of stocks for you to own depends in part on where you are in your investing career.

When they’re just starting out, most investors have modest amounts of money to invest. Even so, it’s a good portfolio management strategy to invest at least several thousand dollars at a time, even if this means you can only buy a handful of stocks. Otherwise, your broker’s minimum commission will work out to too high a percentage of your investment on each purchase.

As part of your initial portfolio management approach, you should aim to invest in a minimum of four or five stocks — one from each of most, if not all, of the five main economic sectors (Manufacturing & Industry; Resources; Consumer; Finance; and Utilities). But you can buy them one at a time, over a period of months or even years, rather than all at once. After that, you can gradually add new stocks to your portfolio as funds become available, taking care to spread your holdings out as we advise.

Our investment advice: Add new stocks as your portfolio's value increases. When your portfolio gets into the $100,000 to $200,000 range, you should aim for perhaps 15 to 20 stocks. If you're married, it's best to treat your family holdings as one big portfolio, even if you and your spouse keep your money separate. That way, you can be sure you aren't operating at cross purposes, or investing too much of the family fortune in a single area.

When you get above $200,000 or so, you can gradually increase the number of stocks you hold. When your portfolio reaches the $500,000 to $1 million range, 25 to 30 stocks is a good number to aim for.

Of course, you may fall a few stocks below that range, or go a few above it, particularly when you're making changes in your holdings. That won't matter if you follow our three-part investment advice: invest mainly in well-established companies; spread your money out across the five main economic sectors, and downplay stocks that are in the broker/public relations limelight.

Our upper limit for any portfolio is around 40 stocks. Any more than that and even your best choices will have little impact on your personal wealth.

3. Increase profits and decrease risk by cultivating sound investment habits and attitudes

To succeed as an investor, you need to cultivate three personal mental strengths:

- **A healthy sense of skepticism:** A cardinal rule: If an investment sounds too good to be true, it probably isn't true. Recognize too that some of your most promising investments will disappoint you, since no one can predict the future.

  Remember, the investment business deals in intangibles and relies on trust, so it attracts more than its share of crackpots, dreamers and crooks. They have an uncanny ability to home in on trusting investors who accept dubious claims at face value. But if you follow an easy investing strategy of diversifying and focusing your investments on well-established companies, your gains will overwhelm your losses.

- **Persistent curiosity:** Investment professionals know more about investing than you do, because they devote their lives to it. But you can get more knowledge than most investors if you simply read widely and ask lots of questions.

  Read books and visit investing web sites. It pays to read as widely as possible, especially when you're just starting out and need good easy investing advice. Most local libraries have at least a six-foot shelf of investment books. Browse that shelf and borrow an investment book on each visit.

You'll also find a wide range of Canadian and international investing information online. You could start with our web site, TSI Network (www.tsinetwork.ca), which boasts more than 5,000 articles on investment strategies and individual investments.

Make it fun. Don't feel obligated to study every web site you visit or finish every book you borrow. The easy investing knowledge you need appears in many places, but quality and readability vary widely. You might as well absorb the knowledge from sources that are pleasant to read.

- **A realistic sense of optimism:** To succeed as an investor, put matters in perspective. Despite wars, recessions and market setbacks, stock prices generally reach successively higher levels over long periods.

  You can't foresee the next downturn. But you can buy high-quality investments gradually during your working years, sell them gradually in retirement, and reinvest your dividends along the way. Follow that easy investing strategy and you will automatically buy more shares when prices are low, and fewer when they are high.

Our investment advice: It is relatively easy to cultivate good habits when things are going well and the markets are up—although good habits can help prevent you from making the mistake of buying only when strong markets have made stocks expensive.

But good habits are probably most helpful when there are setbacks in the markets. They help you avoid making anxious choices on the spur of the moment. Above all, they help you stick to a long-term investment plan, which is the only way to ensure that you continue to build wealth.

4. Follow through on these good habits by practicing 4 safe investment strategies as you build your portfolio

We've long recommended these 4 safe investing strategies in our newsletters and investment services. They can help you cut risk — and increase profits — in your stock portfolio.

- **Look beyond a company's share price:** It's a mistake to base your decision to buy or sell a stock on past stock-price performance alone. Rising and falling trends come in many shapes and sizes, depending on what's going on in a company, its industry and the world.

A stock never gets so high that it can’t keep rising, or so low that it can’t keep falling. That’s why you have to look beyond price changes and focus on investment quality when deciding whether to buy or sell.

- **Be skeptical of companies that mainly grow through acquisitions:** Making acquisitions can speed up a company’s growth, but it also adds risk that can undermine a conservative, safe investing approach. Great acquisitions are rare finds. Many acquisitions come with hidden problems or risks, or they turn out to have been over-priced.

  Despite the risks, some acquisitions turn out hugely profitable. So, your safe investing strategy shouldn’t automatically discount companies that have grown through acquisitions. Just keep the risks in mind, and avoid companies that seem unaware of them.

- **Sell if you doubt the integrity of insiders:** It’s always a good safe investing strategy to sell your shares in a company if you have any doubts about the integrity of the people in charge. In other words, if you think a company is run by crooks, you should sell right away, no matter how attractive it seems as an investment. There are no limits to the ways in which unscrupulous operators can and will cheat you.

  To profit from this safe investing rule — that is, to use it to enhance your long-term returns, not just avoid loss — you need to apply it in a moderate fashion. You need to distinguish between lack of integrity on the one hand, and naivete or poor judgment on the other.

  Many public companies eventually run afoul of tax rules or regulatory decisions, for instance. If you take that as a sign of low integrity, you can wind up selling solid investments at market lows.

- **Resist the temptation to copy prominent investors:** Sometimes you’ll hear that a stock is a good buy because some prominent investor (a company, family or individual) has a stake in it.

  However, it’s important to remember that prominent investors don’t expect to profit in every investment they make. For example, sometimes they invest for strategic or political reasons, rather than profit.

  To profit by copying the decisions of prominent investors, you have to copy what they do with *the bulk of their money*, not with token amounts of it. That’s hard to do, since prominent investors often keep their best investments hidden until they want to sell.

Our investment advice: Each of these safe investment strategies implies that you watch your investments closely. Every investor will see a lot of misleading information and sensational headlines over time, but time and experience helps you spot the real positive and negative signals regarding your investments.

5. Know how to find the best long-term values—look for investment quality

When you start investing, you may think the secret to investment profit is “buy low, sell high.” But that’s hard to do. You’ll often buy just before prices fall, or sell just before they rise. If you stick to high-quality stock picks, however, your short-term gains and losses can average out and you’ll still profit greatly in the long run. Here are nine factors to look for when judging a stock’s investment quality.

Financial factors:

- **5 to 10 year history of profit.** Companies that make money regularly are safer than chronic or even occasional money losers.
- **5 to 10 years of dividends.** Companies can fake earnings, but dividends are cash outlays. If you only buy dividend-paying stocks, you’ll avoid most frauds.
- **Manageable debt.** When bad times hit, debt-heavy companies go broke first.

Safety factors:

- **Industry prominence if not dominance.** Major companies can influence legislation, industry trends and other business factors to suit themselves. Minor firms, on the other hand, have to take what’s there.
- **Geographical diversification.** Canada-wide is good, multinational better. There’s extra risk in firms confined to one geographical area.
- **Freedom to serve (all) shareholders.** High-quality value stock picks must be free of excess regulation, free of dependence on a single customer, and free from self-dealing insiders or parent companies.

Survival/growth factors:

- **Freedom from business cycles.** Demand periodically dries up in “cyclical” businesses, such as resources and manufacturing. That’s why you need to diversify. Invest in utility, finance and consumer stocks, along with resources and manufacturers.
- **Ability to profit from secular trends:** These trends outlast ordinary business booms and busts, because they reflect ongoing social change. Free trade and rising environmentalism are just two examples of secular trends.
- **Ownership of strong brand names and an impeccable reputation.** Customers keep coming back to these businesses, and will try their new products.

Few investments possess all of these factors. And even a stock possessing all of these attributes is not immune to a market downturn or an economic slump from time to time. But the more of these factors you find in a stock, the better.

6. Apply these 4 investment tips to ensure higher long-term returns

Certain aspects of investing are hidden from view in the sense that they cannot be perceived immediately, but only become evident with time and experience. This is true of things that work in your favour—compound interest, for example—and things that don't, like conflicts of interest. That's why these 4 tips are enormously helpful in your long-term investment plan.

- **Compound interest — earning interest on interest — can have an enormous ballooning effect on the value of an investment over the long term:** This stock trading tip's benefits apply to both stocks and fixed-return, interest-paying investments, like bonds. When you earn a return on past returns, the value of your investment can multiply. Instead of rising at a steady rate, the number of dollars in your portfolio will grow at an accelerating rate.

  To profit from this tip, you need to pay attention to steady drains on your capital, even seemingly small ones — like high brokerage commissions, say. If you're losing (or missing out on a profit of) even 1% a year it can have an enormous draining effect on your investments over a decade or two.

- **As a group, investment long shots are overpriced:** If you have nothing but long shots in your portfolio, you are likely to make meagre returns or lose money over long periods, rather than making the high returns you seek. That's why you need to be particularly cautious and selective when adding anything to your portfolio that offers the potential of high returns.

- **Financial incentives have an enormous impact on the beliefs of otherwise honest people:** That's particularly true when it comes to what they are willing to say in order to spur you to buy something. Failing to spot these conflicts of interest can be very damaging to your investments. We're not just talking about stock brokers. As the saying goes, never depend on your barber to tell you that it's too soon for you to get your hair cut.

- **The markets for fungible goods like oil, interest rates and gold are inherently unpredictable.** Markets like these are so enormous that there is no practical limit to how much you can trade in them. It follows that if you could predict them, you could wind up acquiring a measurable proportion of all the money in the world, and nobody ever does that. That's why it's a mistake to build your portfolio in such a way that you have to accurately predict the future direction of fungible goods like oil, interest rates or gold.

Our investment advice: Investing with these 4 factors in mind can go a long way toward enhancing your long-term total returns and avoiding the kinds of serious losses that can take a great deal of time and effort to overcome.

7. Sell as little as possible—but know when to sell

Investors often ask, “When should I sell my stocks? If I sell now, I’ll nail down big profits. But I’ll have to pay heavy capital gains taxes.”

The answer is different for every stock. The general rule: you should be eager to sell speculative stock market picks, because their successes may not last. But you should be reluctant to sell high-quality stocks that have a well-established business with a history of profit and, better yet, dividends. That’s because these stocks should make up the bulk of your portfolio.

Here are three reasons why you might want to sell a prosperous, well-established dividend-paying stock.

- **The company’s outlook has deteriorated.** It has taken on major projects that appear headed for failure. Or, it shows signs of bad management or lasting external difficulties that will cut into earnings. Or it has borrowed heavily, perhaps to make itself unattractive to companies that might have wanted to bid for it.

- **The market outlook has deteriorated.** You would, of course, sell if you knew the market was headed for a broad setback that could go on for a year or two, or possibly longer. However, market declines like these are rare and hard to predict. At any given time, somebody is predicting that a market decline like this or worse is just around the corner. Most of these predictions turn out wrong.

- **Your circumstances have changed.** You need cash now more than you need future growth or dividends. Or you have retired or lost your job, and you need to cut your investment risk by selling some stocks. This is usually your soundest reason for selling a high-quality stock.

- **Remember, selling costs money.** You have to pay brokerage commissions. You also lose money to the bid-ask spread. You may have to pay taxes on gains in investments you hold outside your RRSP. To avoid these costs, invest mainly in well-established stock market picks that you might want to hold on to more or less indefinitely.

Our investment advice: For aggressive stocks, we believe it pays to apply our “sell-half” rule. That is, sell half of a stock that has doubled in price. That way, you lock in your gains on a stock that is not likely to maintain the same momentum over time.

But to make serious profits, you need to hang on to your best performers for years. Sell these stocks only if they are subject to the deteriorating conditions we list above.

8. Avoid frequent trading and the high costs that come with it

Investing costs money: the goal is not to make it cost too much. And that brings to mind one very important question we get from investors on a regular basis. How often should they sell investments they own and buy new ones?

Our answer never varies. Do it as rarely as possible. That's because turnover in your portfolio cuts into your profits.

You face three costs every time you buy and sell a stock:

- **Brokerage commissions:** Every transaction you make in your portfolio involves brokerage commissions or similar costs, even if these costs are hidden or built into the price you pay or receive.

- **Losses to the bid/ask spread:** If you want to carry out a transaction right away, you have to accept the highest available "bid," or pay the lowest "offer." You can enter your own bid or offer. But this means you have to wait for another investor who is willing to do business at your price. Meanwhile, prices could move against you.

- **Taxes:** If you sell at a profit in your taxable account (outside your RRSP or tax-free savings account), you usually have to pay capital gains taxes.

Adding up the numbers for portfolio turnover

To measure your portfolio turnover, add up the value of all the investments you bought during the year and all the investments you sold. Next, add the beginning and year-end values of your investment portfolio. Divide the first number by the second.

For example, say you sold $24,000 of investments in 2010. You held on to $4,000 to pay capital-gains taxes, and bought $20,000 of investments. That's a total of $44,000. Your portfolio is worth $55,000 at the beginning of the year and $62,000 at year's end, for a total of $117,000.

Now divide $44,000 by $117,000. The result: 37.6%. That means you replaced an average of 37.6% of your portfolio in 2010. That's on the high side. Many successful investors have portfolio turnover of 25% or less a year—often much less.

Our investment advice: Knowing how much it actually costs to trade stocks can be a useful corrective. It can help investors think twice before making trades. It pays to seek out stocks that you believe you will be prepared to hold on to indefinitely. You'll change your mind on some of them, of course. But you'll hold others for decades, and these stocks will give you your biggest profits.

9. Be aware of these 4 costly investment mistakes

Like the 4 investment tips we detailed in #6, these 4 mistakes may not seem obvious at first sight, but not being aware of them can be very costly. It could cause you to lose out on some of the biggest investment gains you can make over your career.

Focusing too heavily on cutting costs: Cutting the costs of investing has an immediate, obvious benefit: it leaves you with more money. But some cost-cutting investment techniques can wind up costing you money in the long run.

For example, some investors routinely refuse to pay the market price for stocks when they buy. They always put a bid in below the offer price, in hopes of buying at a slightly better price. However, some of your good investments are going to go up as soon as you buy, and keep going up. Other investments will go down. If you always put in a bid below the current market price when you buy, you'll filter out all your good investments. You'll save a few cents from time to time. But you'll always buy all your bad investment choices, and none of your good investments.

Ignoring hidden assets: We continue to have a high opinion of high-quality investments that come with hidden assets. These are assets that carry only a fraction of their true value on their balance sheets, if they appear there at all. Buying stocks with hidden assets is a little like getting something for nothing, at least for patient investors. These investments can gain like any stock when the market rises. But they tend to hold on to their value in a market setback. They also tend to bounce back nicely when conditions improve.

Putting predictions before strategy: All stock market predictions are sure to fail you from time to time, often when you've bet most heavily on them. That's why we advise you to downplay predictions when looking for good investments to add to your portfolio. Instead, focus on following our strategy of investing mainly in well-established companies, spreading your money out across the five main economic sectors (Finance, Utilities, Manufacturing, Resources and Consumer) and avoiding stocks in the broker/public-relations limelight.

Our strategy has a double benefit: First, it lets you tap into the market's gains. Second, and just as important, it limits your losses during market downturns, which always strike some sectors much more heavily than others.

Selling good investments out of boredom: Stock prices tend to move in short spurts, interrupted by lengthy periods when they mainly move sideways. If you focus on price and fail to stay informed about the fundamentals of your investments, there is a risk that you will begin to make changes just to see some action.

Selling stocks just because you are bored with them is not the kind of mistake that brings immediate losses. But it is sure to cut deeply into your long-term returns. That's because the market's top performers over a period of years, if not decades, can bore you to tears for months at a time. They may go sideways for months or years before setting off on a big rise.

If you can't resist the temptation of selling due to boredom, our advice is to set up a separate account with money you can afford to lose. That's the place for dabbling in penny stocks, options, short-term trading or whatever. Focus your recreational-investing urges on this account, so that boredom has no impact on decisions you make for the "serious money" that should make up the bulk of your investments.

Our investment advice: These 4 mistakes may not be the ones you read in many "how-to" investment manuals. But they are mistakes that can seriously hinder your long-term returns if you are not aware of them. In particular, it pays to remember that predictions are notoriously unreliable, no matter how authoritative the person making the forecasts may claim to be.

10. Follow these 3 key portfolio rules

This is the heart of our investment philosophy. These 3 portfolio rules have stood the test of time. You will find very few successful investors who do not follow these important principles.

1. Invest mainly in well-established, dividend-paying companies with a reliable history of earnings, strong business prospects and proven management.

2. Spread your money out across most if not all of the five economic sectors (Manufacturing & Industry, Resources & Commodities, the Consumer sector, Finance and Utilities). This cuts your risk of getting too heavily invested in an industry or sector that is headed for a slump. It also increases your chances of investing in a super stock with returns that are two to five times or more higher than the market averages.

3. Downplay or avoid stocks that are in the broker/media limelight. This limelight inflates investor expectations. When stocks fail to live up to those inflated expectations, downturns can be brutal.

Our investment advice: If you did nothing else but follow these 3 rules, you would put yourself in an excellent position to achieve your financial goals.

You would avoid big losses that might take years to overcome. You would have a portfolio made up of stocks that go down less during market downturns, and lead the market out of a downturn. You would have a much better chance of owning one or more super stocks that rise well above the market averages.

In short, you would be a successful investor.