SAGACIOUS INVESTMENT SERVICES

How To Invest

The information, examples, and explanations provided by Sagacious Investment Services must not be taken as personal advice. They are for educational purposes only and do not take into account your personal financial circumstances or your requirements or personal goals.

Wisely! Which, by the way is the meaning of 'Sagacious'.

Investing is actually pretty simple, you're basically putting your money to work for you so that you don't have to take a second job, or work overtime hours to increase your earning potential. There are many different ways to make an investment as mentioned in 'Where to Invest'.

1. Get Your Finances In Order

Jumping into investing without first examining your finances is like jumping into the deep end of the pool without knowing how to swim. On top of the cost of living, other payments such as outstanding credit card balances and loans can eat into the amount of money left to invest. Fortunately, investing doesn't require a significant sum to start.

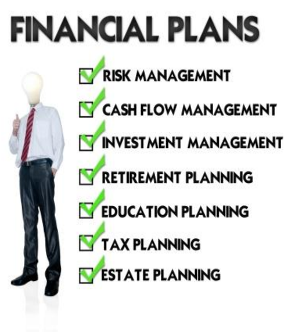
2. Learn The Basics

You don't need to be a financial expert to invest, but you do need to learn some basic terminology so that you are better equipped to make informed decisions.

Basically there are two fundamental elements to the Financial Markets – Assets and Derivatives. Assets include such instruments as shares, cash, bonds, forex, and commodities. Derivatives include such instruments as options, warrants, contracts for difference, and futures. Learn the differences between each and also gain an understanding of the many different strategies for investing in the Financial Markets and Property Markets. Reading books and articles written by successful investors or searching Google for detailed information are great starting points.

3. Set Your Goals

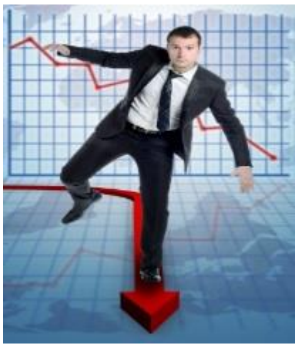
Once you have established your investing budget and have learned the basics, it's time to set your investing goals.



Even though all investors are trying to make money, each comes from a diverse background and has different needs. Preservation of capital, generation of income and capital appreciation are some of the factors to consider. What is best for you will depend on your age, position in life and personal circumstances, and of course your goals. For example a 20 year old university student, a 40 year old business executive and a 70 year old widow will all have very different needs, and therefore will have different goals. It is one thing to set goals, however what is critical is the detailed plans you make and follow to achieve those goals. This is one area where many investors let themselves down by not taking the time to not only construct the plans but to action and monitor those plans.

4. **Determine Your Risk Tolerance**

Would a significant drop in your overall investment value cause you serious concern? Before deciding on which investments are right for you, you need to know how much risk you are willing to accept and understand the specific risks with each investment. Other factors to consider are your 'time horizons', your age, the financial resources you have available, future earnings, and the equity you have in current assets. Your risk tolerance will also vary according to your current financial position and your future financial goals.



What best reflects your investment risk tolerance? Click *'Take the Quiz'* on the 'About Us' page.

5. Deciding Your Investing Style

Once you understand and have determined your risk tolerance and goals, you need to decide your investing style. Many first-time investors will find that their goals and risk tolerance will often be in conflict. For example, if you want an expensive exotic car but your risk tolerance is very low and you are looking for safety of capital, you will definitely need to adjust your goal date!

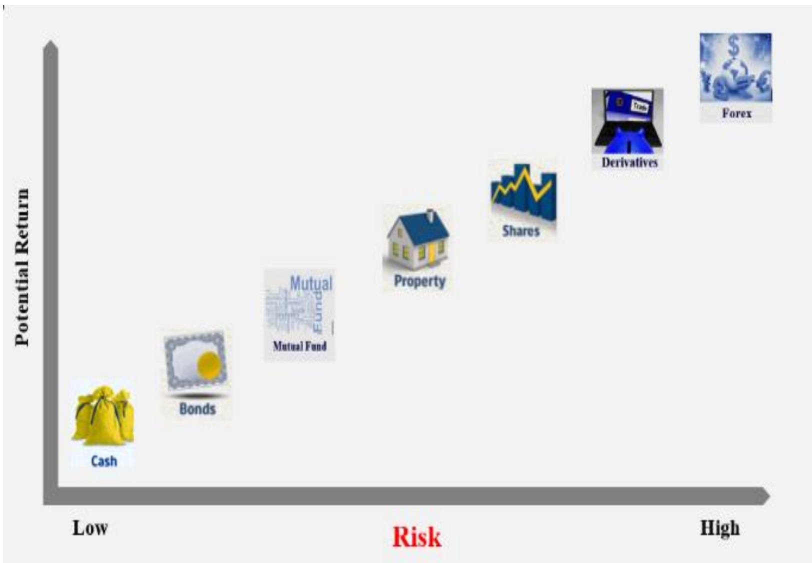
Conservative investors will generally invest 70-75% of their money in low-risk, fixed-income securities such as bank Term Deposits, Treasury Bonds (also traded on the ASX), and Treasury Notes, with 15-20% dedicated to blue chip Shares, Mutual Funds, or Property. On the other hand, very aggressive investors will generally invest 75-90% of their money in high yield assets and leveraged derivatives. An example of investing styles is the portfolio choices that Superannuation funds offer, such as ‘Balanced’, ‘Growth’, ‘Emerging Markets’, ‘Income’, etc. You, the investor get to choose where your money is invested, and in what proportion, to suit your investment style. Sadly many investors miss out on improving their returns simply by not understanding or being proactive in determining which option is best for them.

6. Understand The Costs

It is equally important to understand the costs of investing, as these can diminish your investment returns. Generally passive investing strategies tend to have lower fees than active investing strategies such as trading derivatives and shares. Stock brokers charge commissions. For investors starting out with a smaller investment and wanting to invest in shares a discount broker is probably a better choice than a full service broker because they charge a reduced commission. If you are investing in mutual funds keep in mind that funds charge various management fees, which is the cost of operating the fund, and some funds charge load fees. In recent years many people experienced a significant decline in their Superannuation value due to a downturn in the financial markets and the fees charged. The costs remain regardless of the result! Some astute investors changed their investment choice to fixed interest and were able to maintain their portfolio value!

7. Choose Your Investments

Now comes the fun part, choosing the investments that will form your investment portfolio.



If you have a conservative investment style, your portfolio should consist mainly of low risk, income producing investments, such as Term Deposits (Cash), Treasury Bonds, and Mutual Funds. The key consideration is to understand the investment choices that fit both your risk tolerance and your goals to maximize the opportunity of having your money work for you. With asset allocation, you are balancing risk and reward by dividing your money between low risk low return and higher risk higher return investments. By diversifying among different asset classes and different derivatives, you avoid the issues associated with putting all of your eggs in one basket.

8. **Understanding Your Emotions**

It is commonly accepted there are two key emotions that drive the Financial Markets Fear and Greed!

The third one which is so often overlooked is Hope! Don't let fear or greed limit your returns or inflate your losses. Expect short-term fluctuations in your overall portfolio value. As a long-term investor, these short-term movements should not cause panic. Greed can lead an investor to hold on to a position too long in the Hope of an even higher price – even if it falls. Fear can cause an investor to sell an investment too early, or prevent an investor from selling a loser in the Hope of a recovery!

If your portfolio is keeping you awake at night, it might be best to reconsider your risk tolerance and adopt a more conservative approach.

9 **Review Your Portfolio**

The final step in your investing journey is reviewing your portfolio on a regular basis.

The assessment frequency will vary from investor to investor depending upon the nature and values of the various investments. Once you've established an asset-allocation strategy you must review it to ensure you are on track with your plans and goals. You may find that your asset weightings require a change since the previous review as the value of the various investments within your portfolio have changed. This can be modified easily through rebalancing.