



Getting the Philosophy Right

A frequently asked question: “What is the difference between an investment club and a ShareClub?” It is in the

approach to selecting and holding securities. The security holdings in the former are selected and held collectively, whereas each member selects and holds securities in his/her own portfolio in a ShareClub. Is that important? Well yes, because when things go wrong (as in asset losses) investment club members begin to point at each other. The blame game starts. It may be difficult to change an existing Club’s culture. Here are considerations that are valid causes for you to re-think your ShareClub’s philosophy.

The principle behind a ShareClub is the sharing of investment skills, data and know-how. As arcane and simplistic as it may sound to suggest such an approach, it has merit beyond belief and reason. However, the parallel feature is that each individual member makes one’s own investing decisions for portfolio management. It relies on the building of trust between one member and another, the provider of data and recipient, often to the advantage of both.

No one person has an exclusive on investing know-how on the stock market of that I am sure. The member with low skills is relying on a trusted person for techniques, advice, comments, and opinion. He or she has likely “done the rounds” with so-called financial advisors and wants to learn more. No one feels better about learning the skills of money management than you, with your money, given the time and training to do so.

Therefore, the desired atmosphere in a Club should be such that:

- there is an opportunity to acquire skills;
- the skills’ transfer is normal and mutual;
- a strong element of member trust exists;
- the interface with other members is open; and
- a training/learning environment exists.

It should be understood that the investment learning curve is lengthy (for most) and if initiated from a zero base, much support is needed. Nothing discourages a new member more than being made to feel foolish or afraid to ask a question. In those cases, withdrawal and refraining from participation is the usual end result.

If some or most of the above characteristics are absent in your Club, consider a strategy to change and thereby add zest and meaning to the shared aspect for a true ShareClub environment. But remember, that change takes time and is often opposed because it represents a departure from past practices. If you are starting a new Club, consider the above carefully.

It will prove to be very helpful because the blame game is absent and the sharing of skills is accepted.