



# PORTFOLIO SOUP: FINDING A RECIPE THAT SUITS YOUR INVESTMENT NEEDS

By George Young  
Partner, Villere & Company  
Portfolio Manager, Villere Balanced Fund



Being based in New Orleans, the home of gumbo, it's fitting that we use our native, soupy meal for an investing analogy.

Gumbo is made to the cook's liking—sometimes with rice, always with lots of butter (luckily we aren't here to discuss health). There is a wide variety of ingredients available, but the chef must pick and choose the ones that will create the best final flavors and textures. Recipes may change from time to time based on knowledge and insights shared by others and evolving trends in health and nutrition, but the cook who stays true to the family recipe is likely to win the most praise.

## AND SO IT IS WITH INVESTING

Every investor has a unique set of investment objectives and taste for risk. It's worthwhile to consider that each ingredient in both gumbo and your portfolio add flavor. Consider all the asset classes in which you can invest: bonds (high-yield, government, corporate municipal) stocks (growth, value, income, small-cap, large-cap), real estate, gold, cash and more. Much like a gumbo is not created with one ingredient, one asset class should not a portfolio make.

Diversifying your assets has historically reduced risk in a portfolio. If one sector has a bad year, it won't necessarily derail your entire investment plan if your other sectors

are strong. It's wise to diversify even when your portfolio is small, so you have the potential to reap the benefits of your investment. But bear in mind that diversification may not save your investments should a crisis sweep the entire market.

## DIVERSIFYING

Let's look at the individual ingredients in a well-diversified portfolio. Stocks are generally considered more aggressive as they offer more of an opportunity for growth; because of this, they tend to be riskier. To help counter this risk, many investors add bonds to their portfolio because they have historically been less volatile and typically offer regular income as well. Balancing multiple investment types may provide you with some cushion against the turbulent waters of the stock market.

Much like you wouldn't leave your gumbo unattended on the stove for endless hours, you shouldn't neglect your portfolio either. Reviewing your investment plan at least annually is critical to meeting your long-term goals. You should also review how your portfolio's performance compared with other comparable investments and the market overall during the same time period and over the long term, adjusting if required.

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## THE IMPORTANCE OF CONTEXT

Remember the importance of context—aggressive investors pursuing growth may see more drastic swings, both up and down, while a more conservative investor should see more stable results. As your investment objectives evolve, you may need to make changes to your asset allocation. For example, as you near retirement, you may want to decrease your risk and swap out some stock holdings for bonds. While we do not recommend watching your individual investments rise and fall daily, it's smart to check in a few times each year to ensure you are on track to reaching your long-term goals.

In making gumbo, perhaps anyone with a pot and stove can cobble together the typical ingredients of butter, flour, tomato, okra, shrimp, rice and celery. But a great gumbo will benefit from experience, knowledge and a trained palate and the insight to find those special ingredients that may add some spark. Similarly, we believe the recipe for successful long-term investing requires a well thought out plan, diversification, knowledge and patience – and the insights of an experienced, insightful financial advisor who may have access to lesser known companies or tactics that have the potential to add value to your portfolio.

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**Diversification does not assure a profit or protect against a loss in a declining market.**

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