



The Pathway



Your money... *in a changing world.*

Ken MacNeal

This is written for those who are sensing big changes in the world. How do we find a successful pathway through these changes for our hard-earned wealth?

You've become frustrated, as I have, that old ways of choosing investments aren't benefiting from the stunning advances we experience all around us. Instead those tactics underperform by owning those areas of the economy that are hurt by change.

*Journey with me on a proven path to a positive and profitable future. You will learn a straightforward academically proven method that is producing a great return for my portfolio managed clients by staying on the winning side of the future. This is our '**Pathway**'.*

I truly believe that utilizing even a portion of what you learn will improve your results. The more you adopt, the greater your chance of financial freedom.

Ken MacNeal, March 2017

ThePathway.ca

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Preface

I believe this book will give you, not just the ideas to invest more profitably in our changing world, but also the necessary tools to make better informed decisions. You will be shown how to find the right path and given a compass to stay on it.

So many new factors are affecting financial markets today: the digital revolution, globalization, new Central Bank policies like negative interest rates, Middle East politics, Brexit, Donald Trump, to name a few. How can an investor or portfolio manager find a safe pathway through this jungle and make a

decent rate of return? This book offers a successful easy-to-use investment approach that adapts to any future. It makes sense. It will fit your personal viewpoint.

In the long run, the stock market has given a good rate of return. Most investors, including professional portfolio managers, do **worse** than the general market indexes. This is especially true over the last few years. This book will show how to make better investment selections with a good chance of outperforming. It is designed to help every type of investor — from a disinterested person who wants to spend little time following financial markets, to professionals and keen investors who watch closely to squeeze every ounce of performance from financial markets. I believe every level of the strategies outlined will improve your results. But you have to decide how much time and effort you wish to apply.

What you will learn is the result of over 35 years of trial and error accompanied by a constant thirst for knowledge and improvement. You will learn how I take the academic research on the best investing methods and bring this science into the real world. This really does work in the real world. I have used these ideas to make my clients money when markets are going up and to protect their wealth when markets are in turmoil.

Many have asked me how I did it. For example, my clients saw their portfolios go **up** when stocks crashed in 2000 to 2002 and 2008 to 2009. They also went up during the bear market in 2015. Our national newspaper carried reports of our party celebrations in [November 2002](#), [December 2008](#) and [January 2016](#) (click on links to see the clippings) which were held near the bottoms of these nasty markets that went down 23-50%.

The strategy is also great for capturing bull market gains, not just avoiding downswings. We had a big party January, 2017 celebrating achieving a 23.6% return in the model growth and 20.4% in the model balanced portfolios in 2016. This book tells how it's done.

TSE Composite Index



Like so many things today, the internet and advances in technology have made the methods I will share with you possible. [Exchange Traded Funds \(ETFs\)](#) and internet accessible stock charting make doing well surprisingly easy.

You will notice many URL internet links highlighted in various colors in the text. **Red links** like the one above for *Exchange Traded Funds*, are important points that need to be understood. Sometimes there will be **Orange links** to my videos, explaining the same concepts stated in print for those who prefer the spoken word. **Blue links** are to miscellaneous charts and articles.

I have tried to make this book as short as possible with a minimum of investment industry jargon.

Introducing Momentum-style Investing

This book will explain two strategies. To aid you in putting the strategies into action, it will provide you with amazing custom internet linked charts that *update daily* ... THE TOOLS.

The first strategy, used most of the time, is Momentum-style investing. Academic research has found over the long term that this approach has outperformed other styles such as value and small company investing. A Momentum-style investor simply buys and keeps owning stocks and ETFs in sectors that are outperforming the general stock market average. For example, if an industry ETF that you think is good to own, is up 11% when the general market is up 10%, then theory says own it. On the other hand, if that ETF you are tracking is up 9% when the market is up 10%, wait to buy or if you already own it, sell. It's that simple.

It used to be difficult to track the prices of many stocks and ETFs and compare their performance versus the general stock market to employ the Momentum strategy. But new charting technology makes it simple to scan pre-made charts for opportunities and then track your picks easily. These are THE TOOLS, mentioned above that you will be given.

Research has proven that ***trends of outperformance persist***. These Momentum outperformers, I call 'Winners'. Research also has proven that ***trends of underperformance persist*** also. You want to own the former and avoid the latter. This can improve your investing performance in two ways. I have total conviction that every step that an investor takes to include Momentum-style more into their investment process will result in better and better results. That is your pathway to a successful financial future.

If you are an investor who wants a simple effective investment approach that takes very little time to monitor using the amazing charts provided, use only the basic '***Winners***' strategy with ETFs outlined in the first part of this book. This should do fine with little time needed. You don't have to be a reader or observer of financial media. You will put your personal stamp on your investment choices by owning industries and stocks that speak to your values and personal viewpoint.

Are you willing to spend more time following the financial news and your portfolio? Use the other three strategies outlined in later chapters that are my improvements to the basic Momentum strategy. These are also supported with custom internet linked charts for keen investors and professionals. The first buys investments that I call '***Crash Victims***.' These *Crash Victims* are industry sectors that have experienced severe declines over a length of time and now you expect have hit rock bottom,

deep bargain valuations. The second is what I call, '**Fine Tuning**'. This guides you in how to make changes to your holdings when you see new events occurring that are affecting the trading pattern in certain stock charts of a company or industry. The third is what I call '**Bubble Watch**' which shows how to handle extremely high Momentum investments that have gone up in price a long way. It offers a method of exiting an investment that is up dramatically before it crashes back to earth.

I have used these three proactive strategies to override the basic Momentum strategy very seldomly but very effectively.

If you are really keen, add the section on buying outperforming individual stocks in outperforming industry sectors. Dynamically internet-linked stock charts of the ten biggest companies in each industry are provided to aid in monitoring. Adding this will lead you to your personal optimal level of using sector ETFs and individual stocks to maximize your results.

Before we go any further, let me say that the ideas in the book are not investment advice for any particular reader. They are meant as an aid to your investment process of building your portfolio. The portfolio management process consists of the following steps:

1. Deciding on **what** to buy and sell,
2. Deciding on **when** to execute the trade, and
3. Deciding on **how much** to buy and sell.

I will discuss steps 1 and 2 endlessly in the next few pages. Step 3 is the reason why what I write in these pages is not investment advice, namely that I know nothing about you.

- I know nothing about your cash flow or your spending needs;
- I know nothing about your return objectives;
- I know nothing about how much risk you are willing to take, or your pain threshold;
- I know nothing about your tax situation, or even what tax jurisdictions you live in;
- and so on ...

If I know nothing about any of those things, how could I possibly know what is appropriate for you?

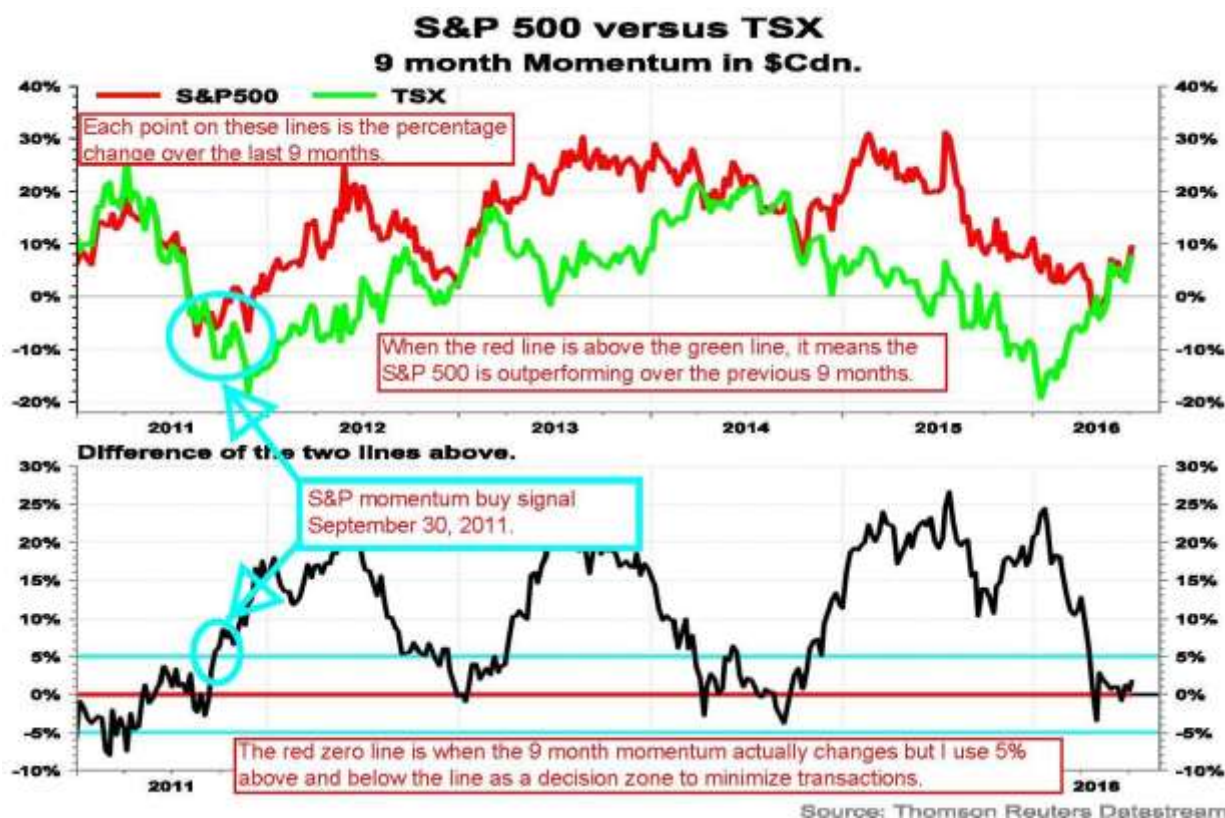
'Winners'

Momentum-style investing has been proven academically to outperform value and small company styles of investing over the long term. It simply states that **trends persist**. This has been proved in over 200 academic studies using data going back hundreds of years for stocks, currencies, and commodities. At the end of the book, you will find links to a number of these academic studies. Momentum works because of our human psychology. If something is outperforming its group, it tends to continue outperforming. Conversely, if it is underperforming, it will likely continue underperforming. Keep remembering: **Trends Persist**.

Recent research has found that the sweet spot for a trend is a combination of one-year and six-month performance. This is the reason why I use nine months. In the case of an ETF or a stock, if its price change plus dividend paid out is outperforming both the S&P 500 and TSX over the last nine months, it is a candidate for ownership. All performance numbers should always be done in Canadian dollar

terms regardless of whether an investment is trading on the TSX or U.S. stock markets. Here is an example of a buy signal on one of my personally designed and constructed charts.

Video Explanation of Buy Signal



This is a busy looking chart but the message is clear hopefully. The red and green lines at the top are the two investments being compared. Each line is a continuous nine-month percentage change. For example, the green TSX line indicates that at the last point it is up 9% from nine months previously. Near the beginning of 2016, the TSX was down almost 20% from nine months earlier. So each point along the line measures from the point nine months earlier.

End of this sample of the book.

Send comments or questions to info@thepathway.ca