

# When selling is a selling point

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Open most financial newsletters and you will be confronted with a plethora of “it’s time to buy” a particular share opinions. The investment cycle begins with buying as it is the starting point of performance measurement.

However, whilst buying at the right price may ultimately determine the profit gained, **selling at the right point** guarantees the actual profit, when a profit is made. Thus, failure to sell at the appropriate time results in the benefits of correctly timed buying disappearing!



As a general rule, buying should be made with a long term view of at least 3 years, but the sell decision is even more difficult. An investment plan does not always roll out as anticipated, it very seldom does!

**Let’s look at some of the reasons for selling shares as listed below:**

## **Analytic mistakes**

It can easily be determined when to sell in this instance. There was an obvious error and it needs to be corrected.

**Rapid price appreciation**

Rapid price appreciation is still fairly easy to exploit and earn profits, but can become difficult when an investor becomes greedy and continues to believe that it will continue to rise even further or rise again after a share has fallen in price.

**Shares hit target price**

When shares hit a target price it is easy to sell if you can keep to your set limits. The issue comes in when you think it might continue to run and you keep it, just to see it drop afterwards. You should always assess the situation as it currently stands since various elements can (and will) change in times even as short as a day.

**Better opportunity**

When a better opportunity comes along, careful consideration should be given as to what to sell, as it may still perform in the longer run. Selling something to buy something else also adds to trading costs.

**Valuation is no longer justified by the price**

Valuation is the most difficult instance to determine when the optimal time to sell is, since valuation is part science as well as part art. Although some valuation is based on historic performance, the future is still uncertain and thus valuations will always have a degree of imprecision. If it was easy everyone would be selling at the top and buying at the bottom, and maximising their profits.

An important consideration when selling shares, specifically, is having a time frame in mind. If you will be trading on a daily basis you may catch sharp daily rises into which you can sell. If you however do consider regular trading it is important to keep trading costs in mind since this might affect your overall performance figures.

In essence when selling shares from your portfolio, you have to consider three things; what to sell, when to sell and what to replace it with. **You have to have a plan.** As Warren Buffett once put it, "*Inactivity strikes us as intelligent behaviour*". As long as there are specific reasons and it is part of the plan, not selling at a specific time is an intelligent selling strategy.

Selling at the right time can add real value to performance and create additional wealth to your investors. If you put time and effort into establishing principles and procedures that identify optimal selling points for shares it can become a real selling point for your fund or portfolio.

## Conclusion

Any sale that results in a gain is a good sale. When a sale results in a loss, and is accompanied by an understanding of why that loss occurred, it too may be considered a good sell. Selling is bad when it is dictated by emotion instead of data and analysis and you end up selling too early when you could have gained a far greater return by holding on for a little longer.

Remember not to judge your selling strategy by whether or not you are selling at the top, as this is difficult even for the best in the business. Instead focus on selling for reasons dictated by rational reasons of valuations and price.

By doing the above and focussing on the selling part of any position held, *selling might become a selling point for your company*, similar to what it is at Reitway Global. **REITWAY**

References:

[www.investopedia.com](http://www.investopedia.com)

[www.kiplinger.com](http://www.kiplinger.com)

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