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Weathering turbulent markets with prudence and patience

By Times-Dispatch Staff
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… "Risk-averse investors should already have a fairly conservative portfolio in place going into this," observed David Kudla, CEO and chief investment strategist for Mainstay Capital Management LLC in Grand Blanc, Mich. "You don't want to make a knee-jerk reaction to any big market move, but rather see what, if anything, has changed in the market fundamentals."

U.S. Treasurys are still one of the world's safest investments, and Kudla has been putting some money into bonds as well. Yields are low, yet they provide some certainty in the waiting game.

Since gold has remained a haven, he has been adding gold bullion to portfolios over the past several months.

In an exchange-traded gold fund, he likes SPDR Gold Shares (GLD), up 48 percent over the past 12 months. Its shares are backed by actual gold bullion and it does not invest in equity or derivative securities. Each share represents about one-tenth of an ounce of bullion at current market prices.

Keep in mind that precious metal is volatile and should therefore not comprise more than 5 or 10 percent of an individual's portfolio. It goes up quickly but comes down quickly, too.

In the stock market, there are long-term investment positions worth taking in technology, industrials, energy services, consumer staples and health care, according to Kudla. He recommends "dollar cost averaging," in which a set amount is invested on a regular basis to smooth out the effect of fluctuations.

"There's a tremendous amount of fear out there, and people must remember that fear is not an investment strategy," Kudla said. "This is a gut-check, in which you must ask yourself if you're comfortable with your portfolio allocation in light of your long-term goals, time horizon and risk tolerance." …