

The importance of following the investment strategy

What are we talking about when we refer to an investment strategy?

It is the plan to be followed by the portfolio manager, financial advisor or whoever is in charge of managing the investment portfolio that guides the decisions. It is not a plan drawn to chance, the strategy must be based on two fundamental variables: the investor's profile and long-term market expectations.

“When talking about the investor profile, we refer to the risk and return objectives that the investor has, while with market expectations we intend to establish in what phase of the economic cycle are those markets in which we have a thinker to invest,” says Ryan Donovan Granger, who [specializes in helping companies and people create investment strategies](#).

From the strategic asset allocation, Ryan Donovan Granger determines the desired distribution for the long term together with the exposure to systematic risk (market risk that cannot be diversified).

Following a plan or strategy is not an easy task, which is why Ryan Donovan Granger shares the following recommendations:

It is important to put the strategy in writing. What is this for? So we can see it frequently and check that it matches our long-term goals. [Ryan Donovan Granger](#) shares that if the objectives were to change, the strategy should accommodate them as well. In times of chaos in the markets it is also useful to read it again to avoid making emotional decisions.

When a strategy is not giving the desired result in the short term, it is very tempting to want to part with it. For this we have to ask ourselves in advance, does the chosen strategy work in any scenario? In the event that we go through an unfavorable period, do we trust the soundness of our strategy to maintain it in the long term?

Ryan Donovan Granger indicates that tactical asset allocation occurs when we deviate at some point from the main strategy in order to take advantage of a short-term opportunity. Tactical allocation involves taking additional risks that should be offset by a higher expected return (alpha). But be careful not to fool us. [Investor](#) Ryan Donovan Granger points out that the success of an investment portfolio is mainly determined by the strategic allocation (more than 90% of the result is explained by this). Also, the tactical allocation could move us slightly from the strategy and for a short period, but without producing drastic changes.