

PORTFOLIO

CASHING IN ON FINANCIAL ADVICE

Market strategist says prepare for the long term in investing

By Suzy Hagstrom

OF THE SENTINEL STAFF

Although investing for the long term is not an especially original idea among stock market analysts, it is a concept that helped Peter Grandich launch a career and several newsletters in the financial services industry.

"A big mistake people make is following day-to-day news like 'Oil prices went lower,'" Grandich said. "That is important if you're a trader, but not for serious investors. Investing is a long-term economic process rather than a series of short-term events."

Grandich spoke a few weeks ago in Orlando during a conference sponsored by Great Investment Seminars of Carlsbad, Calif. As chief market strategist for Affiliated Financial Management Inc., a brokerage in Howell, N.J., he manages about \$14 million in investments for clients.

After publishing *The Grandich Letter* since 1984, Grandich is starting some new newsletters. In September, he began distributing *North of the Border* to focus on Canadian companies that might benefit from the new trade agreement eliminating remaining tariffs between the United States and Canada.

This month, he is starting *The Blue Chip and Income Report*, a newsletter which caters to conservative investors, and *The High Flyer Report*, a publication for speculators.

Because he views the newsletters as a sales tool, Grandich sends them free to about 2,000 people. "The whole philosophy behind *The Grandich Letter*," he said, "is any recommendation I make is going to be in print."

Grandich currently recommends that an investor devote about 25 percent of his portfolio to bonds, 25 percent to stocks, 5 percent to real estate, 5 percent to natural gas, 5 percent to rare coins and 35 percent to cash-equivalent investments, such as money market funds.

Low inflation is the primary reason that the bulk of Grandich's recommended portfolio is invested in financial assets, such as stocks and bonds, he said.

For Grandich, who likes to remove the mystery from personal finance, there are two kinds of investments: financial assets and hard assets, such as real estate, coins, metals and other commodities.

"Inflation is my No. 1 decision-maker on whether I should be in financial assets or hard assets," he said. Low inflation favors stocks, bonds and other financial assets, while rising inflation drives up the prices of land, gold and

other hard assets, he explained.

"After the crash," Grandich said, referring to the Oct. 19, 1987, price plunge of more than 22.5 percent, "people didn't move to hard assets. Why? Because inflation was still low. People switched within financial assets. They went to cash. They went to bonds."

Despite the perception of many individual investors that stocks are not the place to be, almost all measures of stock prices increased at double-digit rates during 1988, Grandich noted. Investors who reject the daily movements of stock-market indexes and study them on a weekly or monthly basis will have a better sense of the market's overall direction, he said.

Grandich will continue recommending heavy investing in stocks and bonds until the inflation rate climbs, he said. Two events could increase the cost of living during 1989, he warned, — higher oil prices and a drought.

If the oil-producing nations within OPEC were to agree to stick to charging higher oil prices, the United States and western Europe could relive double-digit inflation and a deep recession similar to what they experienced during the mid-1970s, Grandich speculated.

If a crop-damaging drought were to occur this year, Grandich will not necessarily buy wheat futures, he said, but he will switch some of his financial assets to hard assets.

Grandich's current career in financial services developed from a childhood interest in stocks. His evolution to stockbroker and newsletter-writer is about as erratic and illogical as any stock market chart.

Although he dropped out of DeWitt Clinton High School in the Bronx in 1973, he continued to read about stocks and the stock market and even toured the New York Stock Exchange.

Grandich, 32, invested in penny stocks while working as a distribution manager for Toshiba of America in Fairfield, N.J., from 1982 to 1984. For fun he obtained a license as a stockbroker. His success with penny stocks, which are highly speculative investments costing \$5 or less a share, was mixed.

Nonetheless, he helped found the New Jersey Investors Club in Morris County in 1983. The organization grew from 37 members to 250.

Bob Knapp, a branch manager for Dominic & Dominic in Fort Myers, remembers getting to know Grandich at a club meeting in 1984. At the time, Knapp operated his own brokerage, the former Brown, Knapp & Co., Inc. in New York. Knapp said he encouraged Grandich to join his company.

"For a guy who wasn't in the business, I was impressed by his knowledge," Knapp recalled. "He was honest, too. If he didn't know something, he didn't try to fake it. I hired him. He was very good. He worked well with clients." ■