



It's Time for a Mid-Year Portfolio Check: Here's What to Do

Description

Investors who are either [starting out](#) or seasoned long-term investors know that rebalancing their portfolio once in a while is a good idea. Seeing as we just passed the midway mark of the year, now's as good a time as any to consider a portfolio check.

Assessing one's portfolio in terms of diversity, position sizing, and risk tolerance are three key components to consider. Let's dive into each of these and discuss some options investors can consider when thinking about a portfolio review.

Mid-year portfolio check: diversification

Every portfolio ought to be diverse, in order to maximize risk-adjusted returns. Having too much of one's portfolio weighted toward one specific sector, region, or group of stocks could provide significant volatility, over and above what investors may want to see.

Over the long-term, stocks tend to revert toward a longer-term mean. Accordingly, picking up [high-quality value stocks](#) such as **Alimentation Couche-Tard** (TSX:ATD.A)(TSX:ATD.B) when they're cheap is a great way to add a bit of growth, value and income all at once.

Position sizing is important

Keeping positions within a specified range is a great way to maintain balance within one's portfolio.

Indeed, every portfolio will have winners and losers. Generally speaking, it's a great idea to let one's winners run. However, having too heavy of a weighting in one specific stock can reduce the benefits of diversification we previously mentioned.

Accordingly, seeking balance by trimming some positions or adding to others can help keep one's portfolio in a steady state. Long-term investors with a focus on generating long-term returns may want to consider beefing up their underperforming holdings from time to time.

After all, if a stock was purchased at a given level and drops 20%, it's on sale. Bringing that holding up to its specified position size could provide greater value than adding to stocks that have seen their valuations get stretched. At the very least, this reduces one's portfolio risk in times like these of expanding valuation multiples.

Risk tolerance is important to consider

How aggressive or risk-averse an investor is could determine which holdings to focus on generally. Indeed, buying stocks that investors can sleep well at night holding is important.

Focusing too much energy on watching one's portfolio can be a daunting task. Investors can get mentally and emotionally fatigued from watching the daily movement of stocks. Having a thesis and sticking to it over the long term, despite what happens over the near-term, generally produces the best results.

Buying when the market's fearful and selling when the market's greedy is simply a way of amplifying returns over time.

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TICKERS GLOBAL

1. TSX:ATD (Alimentation Couche-Tard Inc.)

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