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Portfolio *Confidential*

Barbara Stewart

Here are three real world confidential portfolio discussions.

I have a portfolio of about USD $1 million. Last year I bought 800 shares of Zoom for approximately USD $50,000. The rest of my portfolio is down about five per cent, but Zoom has zoomed, and is now worth $170K, or nearly 20% of my whole stock portfolio. What should I do now?

Zoom Video Communications, Inc. (NASDAQ:ZM) is a Silicon Valley company founded in 2011 that provides videotelephony and online chat services through a cloud-based peer-to-peer software platform and is used for teleconferencing, telecommuting, distance education, and social relations.

Full disclosure: I love Zoom! I have been using it daily since the lockdown and because of Zoom I haven't missed a beat doing my global research interviews with women around the world. But even though I love it and millions of other people love it as an amazing communications tool, this doesn't mean it should be a fifth of our investment portfolios.

One of the most common mistakes investors make is falling in love with a stock and having a disproportionate amount of money in their beloved. And one of the most common rationales for doing so is "this company is changing the world!" But the trouble is anything can happen at any time to any company…including Zoom. So what to do?

My advice is to re-balance the position in order to maintain a sensibly diversified portfolio. Sell half right away and then half again on a pre-determined date in the near future. The goal is to pare back to the original 5% weighting in an orderly fashion so as not to be driven by emotion.

As fun as it seems now to have 20% in a high-flying momentum stock such as Zoom, this is unlikely to be the case forever. For the sake of risk management, it is best to recognize that holding a 20% position in one stock is in fact deciding to speculate, not invest.

Finally, if you just can't bear to sell, move your Zoom position to a completely separate account and label it "speculative"—look at it as a standalone holding that could win big or lose big. Also, you will no longer be skewing the performance return or strategy of your "normal" investment portfolio.

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