The "Group of 7"
Women Investors

by Dorothy Rusoff and Kate Stark

Cet article décrit la formation, les structures et le fonctionnement d'un groupe d'investissements formé de et par sept femmes. Les auteures discuttent de ce qu'elles ont apprises sur l'art d'investir, sur elles-mêmes et sur l'esprit d'équipe.

The "Group of 7" started out as a group of seven individual women with little or no experience in investing money and little or no knowledge of financial terms such as equity, dividend,s and share price. But we had a keen interest to learn and perhaps, in the back of our minds, even visions of wealth and financial independence.

The idea of an investment club first came to one of our members when she learned of a club of women in Mississauga with as many as 20 members. Later, an article from a women's business magazine explained what an investment club was and identified what steps to take to start such a club. Through networking, other individuals were approached, each responding with enthusiasm to the idea, and the group met for the first time in November 1989. It was clear in our minds that the primary reason for the club was to provide a vehicle for learning about the world of investing and all it entailed.

Who are we? Each of us had little or no knowledge of investing. Each of us had a strong interest in learning about money. Each of us was willing to invest some money on a monthly basis. We all work in social services, or teach in social services. Some of us have private practices or other businesses outside of our "permanent" positions. We are educated women, with graduate level degrees. Our ages range from mid-30s to mid-50s. Some of us are mothers, all of us have partners, none of us have grandchildren, and we each have to work to support ourselves.

Over the course of five years we have become knowledgeable about the world of investment and money management, are participants in the Toronto Stock Exchange and the New York Stock Exchange, have acquired international investments both as a group and as individual members, make decisions about playing the markets, and have managed through our investments choices to receive an average of 12 per cent annual return on our group investments during the recession. It has been a wonderful, enlightening, and empowering experience.

In the first few months of forming the club, we focused our discussions on items such as membership and size, the development of by-laws for the group, and the selection of a broker. Because of our lack of knowledge in the area of investing, on occasion we would find ourselves in the middle of an exhausting discussion, unsure as to where to go next, uncertain as to the importance or purpose of the discussion. For instance, how many members need to be present for the group to decide to sell a stock? At the time the significance of that type of decision was unclear to us.

Investment clubs are akin to a business or a company. Some investment clubs are even incorporated. It is very different from a social club. While we have fun together, laugh, and hear about each others' lives, we also make important decisions about our money. Our by-laws help in things like how we make certain kinds of decisions. In the beginning we spent a number of meetings drafting our by-laws. We needed to decide how often we would meet, what number constituted the membership of our club, what decisions required voting, and how many people had to be present to vote. The by-laws provided some of the structure we needed to launch the club.

We had been advised that the optimal size for a group was between ten and 15 members. The rationale for this was the larger the group, the more money there would be to invest. Clubs can be much larger and many are. They can also be smaller ,as ours is, but small clubs, unable to sustain themselves, often collapse. For our group, the issue of membership size was directed by our common goal of learning about investing. We needed to establish a size that would facilitate this learning. We felt this meant no more that eight members. A larger group, we believed, would negatively influence the members' comfort level in participating and would affect our ability to learn.

The club meets every six weeks, at a different member's home each meeting. We do not meet in the summer months or during the month of December, which results in nine meetings per year. The member hosting the meeting provides refreshments for the group. Although we had been warned to keep the club at a business level, we have been able to combine both the social and financial aspects without harming our original investment objectives.

Each meeting follows a structure, albeit an informal one. Once everyone arrives, we usually start with reports from members who at the previous meeting had committed to researching a particular stock or particular area of interest. Questions and general input help the group determine whether or not we should actually buy the stock in question. The report will usually include an analysis of the business' annual report, newspaper articles about the business, and a presentation and analysis of the "value-line" statement of the stock (financial experts' predictions about a stock). In the first few years, we often discussed topics such as what ratios could help in determining a stock's value, or the differences between preferred shares and common shares; topics that helped us learn about the world of investing. The reports are followed by a general discussion of stocks members have heard about that should be considered as a possible investment. If we decide to follow up on a particular stock, someone will volunteer to do the required research and present it at the following meeting.

Lastly, our designated treasurer presents our valuation statement which tells us what our total assets are, or our club's market value, and what our available cash balance is in order to make new purchases. Before we get into any serious socializing, we decide if we're going to buy any new stocks or sell any we're presently holding which aren't performing as we would like.

Initially we tried very hard to develop specific guidelines that we could use to make decisions on which stocks to buy and when. We started with an approach that seemed like common sense but has been packaged and presented in the investment community as "ethical investing." This method looks at a particular company's record in a variety of areas. The areas that have been important to us have included the company's environmental stand, its record on the hiring of women managers, and whether or not the company is Canadian. We can't always follow this criteria, either because we don't have enough information about companies' records on these issues, or we're not sure we trust the information we do have. Or, in truth, sometimes members become so interested in the activity of particular stocks that the ethical issues become less significant or of secondary importance. Finally, we cannot ignore the financial question: does the stock have a track record on which we want to take a risk?

We are small investors, starting with a $100 membership fee and then a $30 investment each month. While this means we have a significant time period to build up enough equity to purchase new stock it also means that we have time to research and consider our decisions about what stock to buy, how much, and when. Even at $30 per month, an amount we each felt comfortable with investing each month, we have learned a great deal while watching our investments grow steadily. Today we have a market value of approximately $15,500. Our portfolio includes shares in a bank, junior oil companies, a medical and health supply distribution company, pulp and paper manufacturing, pipeline production, and food services. We also have some stock that we bought on pure speculation. Our best performing stock is one that we selected by following our instincts about what would be an important and necessary commodity in our economic climate. We recently purchased a newly issued stock and bought stock through leverage. The share price in the "Group of 7" has increased in value one and half times since we started investing in June 1990.

Two of our members comment:

As the club has grown and matured, I have enjoyed watching confidence and knowledge grow within our individual members. When we first joined only one member had investments outside of the "Group of 7." Now, five years later, most of us have our own investments that range from mutual funds to stocks trading on the Toronto Stock Exchange. We talk about events going on in the world and how that will affect our holdings on the Toronto Stock Exchange. We grapple with issues as how much profit is enough and how much loss is too much. We make decisions about ethical matters and decide if we want to buy stock that is harming our environment or a company whose record on treatment of women employees is poor. The knowledge that I have gained from our discussions and the risks we have taken together has lead to a confidence about myself and my ability to manage my money so that it works for me and my family. I look forward to sharing this knowledge with both my son and my daughters.

As I prepared to write this portion of the article including discussions with the co-author, I am astonished at how much I and the group as a whole have actually learned. Not only have I learned how to read the business section of the local newspaper and struggle through a valuation statement, I have also learned how to participate in discussions about the relationship between economics and world political forces. As a group, we have learned what questions to ask, what to be wary of and finally, how to make decisions and investments.

We have had fun learning about something that has typically been thought of as a male domain and we have done this in a womanly way—in a supportive and respectful environment. We have been together for almost five years and as we look to the future we realize what continues to keep us together is the connection among us, the special meanings, the recognition and knowledge of the choices we've made together and the opportunity for more learning.

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