

Investment Strategies, *Game by Game*

Twenty-nine strategies by return engine, horizon, edge and scoreboard — and why two of them in one account give opposite orders.

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The word *investor* describes the arena. It does not describe the game. This reference lists twenty-nine distinct investment strategies, sorted by where the return is supposed to come from, and then does the part most strategy lists leave out: it explains why two of these running inside the same pool of money will give you contradictory instructions on the same day, and what to do about it.

How to Read This Reference

Every entry below is described by the same five attributes. They are the five questions that make any strategy legible, and a description that cannot answer all five is not a strategy — it is a security (the thing you buy), or a story. Types of Securities defines each kind of security.

ATTRIBUTE	THE QUESTION IT ANSWERS
Return engine	Where is the money supposed to come from? Contractual cash flows, business earnings, rent, revaluation, a later buyer, spreads and services, or control.
Horizon	How long must the capital stay committed, and how long can the thesis take to mature?
Claimed edge	What advantage does the player believe they hold? Patience, analysis, information, execution, access, structure, behavior — or none, deliberately.
Scoreboard	Is success measured against a life goal, a liability, purchasing power, a benchmark, or other investors?
Principal danger	The specific failure mode that ends this game, as distinct from ordinary price movement.

A security is not a strategy. The strategy is the combination of thesis, price paid, horizon, position size, constraints and exit rule. Two people holding the identical fund can be running entirely different strategies, and only one of them may be running a strategy at all.

The Five Families at a Glance

FAMILY	RETURN ENGINE	TYPICAL PLAYERS	CENTRAL RISK
1. Preserve and fund	Interest, contractual cash flows, diversification, risk reduction	Savers, retirees, insurers, pension funds, anyone with a dated obligation	Inflation, default, reinvestment risk, a hedge that does not match the exposure
2. Own and compound	Economic growth, business cash flows, reinvestment, valuation normalization	Indexers, quality, value, growth, factor, contrarian, real-asset owners	Overpaying, permanent impairment, weak diversification, impatience
3. Trade price and information	Price movement, catalysts, spreads, liquidity provision, volatility	Momentum, macro, event-driven, arbitrage, market makers, options traders	Timing, competition, costs, leverage, nonlinear losses
4. Control and build	Operational improvement, governance, financing, exceptional growth	Activists, private equity, venture capital, founders	Illiquidity, execution failure, leverage, concentrated outcomes
5. Optimize the household	Coordinating the whole balance sheet against future spending	Asset location, tax and estate planning, goal-based portfolios	Optimizing a portfolio while missing the investor's actual life objective

No family is automatically superior. A game is suitable only when its required skills, horizon, liquidity and risks fit the player. A household usually needs several of them working at once:

- preservation for near-term spending,
- ownership for long-term growth,
- insurance for risks it cannot absorb,
- and household optimization coordinating all three.

Catalog 1: Preserve, Fund and Coordinate

These games begin with an obligation rather than an ambition: protect purchasing power, generate spendable cash, fund a known future liability, or make the plan more resilient.

In every catalog below, the strategies run from the shortest horizon to the longest, and a numbered link beside a strategy points to a regulator's plain-English guide wherever it is one ordinary investors can actually use.

STRATEGY	RETURN ENGINE	HORIZON	CLAIMED EDGE	SCOREBOARD	PRINCIPAL DANGER
Capital preservation [1]	Interest on very low-risk instruments	Months–years	None needed	Nominal principal intact; purchasing power kept	Inflation quietly erodes real value
Credit investing [2]	Interest, less realized defaults	Months–years	Credit analysis; diversification across borrowers	Yield achieved versus losses taken	Default, inflation, or rates rising against the position
Income investing [3]	Dividends, interest, rents, distributions	Years–decades	Analysis of payment durability	Spendable cash produced per year	Chasing yield while the source deteriorates
Diversified allocation [4]	Combined returns of imperfectly correlated assets	Years–decades	Structure and rebalancing discipline	Risk-adjusted return; smoothness of the path	Correlations converge exactly when diversification is needed

STRATEGY	RETURN ENGINE	HORIZON	CLAIMED EDGE	SCOREBOARD	PRINCIPAL DANGER
Liability matching [5]	Cash flows timed to arrive when the obligation falls due	Years–decades	Structure; matching duration to the liability	Is the obligation funded, on the date, in full?	Duration, inflation or funding assumptions are wrong
Hedging and insurance [6]	Not a return at all — a reduction in a specific risk	Variable, defined	Knowing your own exposure precisely	Was the exposure neutralized at an acceptable cost?	The hedge is costly, or protects the wrong exposure

The governing question in this family is never "what has the highest expected return?" It is "**what outcome must this capital reliably support?**" And note the hedging row: an insurance position that expires worthless has usually done its job. Judging it by its own return is judging the wrong thing.

Catalog 2: Own, Compound and Revalue

These investors expect businesses or real assets to create economic value over time. Their disagreements are about price, quality, growth, diversification and patience — not about whether ownership works.

STRATEGY	RETURN ENGINE	HORIZON	CLAIMED EDGE	SCOREBOARD	PRINCIPAL DANGER
Contrarian investing	Reversal of excessive fear or enthusiasm	Months–years	Temperament; independence from consensus	Return earned against the consensus position	Consensus is right and conditions worsen
Value investing	Revaluation toward a reasoned estimate of worth	Years	Analysis; willingness to be early and uncomfortable	Discount closed versus estimate of worth	The apparent bargain is structurally impaired
Growth investing	Earnings expanding fast enough to justify today's price	Years	Judgment about the size of the future market	Realized growth against the growth priced in	Expectations and valuations become excessive
Real-asset investing [7]	Rent, resource cash flows, replacement-cost value	Years–decades	Local knowledge; operating skill; access	Cash yield plus change in asset value	Cyclicality, operating costs, illiquidity
Passive indexing [8]	Broad economic growth, at minimal cost	Decades	None needed — that is the point	The market return, minus almost nothing	Abandoning the strategy during a crash
Quality compounding	Profits reinvested at high rates of return	Decades	Judgment about durability; patience	Growth in intrinsic value per share	Overpaying, or misjudging how durable the advantage is
Factor investing [9]	Systematic premiums — value, size, quality, momentum	Decades	Rules-based consistency; refusal to abandon	Premium captured over a full cycle	Long stretches of underperformance before the premium appears

This is the only family that is reliably **positive-sum**. Businesses create products, earn profits, and reinvest or distribute cash, so every holder can gain at once because the gains are produced rather than transferred.

Catalog 3: Trade Price, Information and Risk

These games depend on execution, timing, positioning, market structure and risk control. A good long-term idea can still be a bad trade, and the counterparty is increasingly a firm with faster execution and lower costs than an individual has.

STRATEGY	RETURN ENGINE	HORIZON	CLAIMED EDGE	SCOREBOARD	PRINCIPAL DANGER
Market making	The bid-ask spread, earned repeatedly	Seconds–days	Inventory management; technology	Spread earned versus adverse selection	Adverse selection and inventory shocks
Short-term trading [10]	Short-horizon price movements	Seconds–months	Execution, cost, speed, discipline	Net profit after spreads, fees and taxes	Costs, competition, leverage and behavioral error
Arbitrage / relative value	Convergence of related prices	Seconds–months	Modeling, speed, financing, scale	Spread captured, net of financing	Small spreads conceal large tail risks
Momentum / trend	Persistence of an existing price trend	Days–months	Systematic rules; ruthless exits	Net return after costs, across many trades	Reversals and repeated false signals
Volatility / options [11]	Mispricing in the size or timing of moves	Days–years	Modeling; risk management of nonlinear exposure	Realized versus implied volatility	Nonlinear losses, leverage, and time decay every day
Short selling [12]	Decline in an overvalued or deteriorating asset	Days–years	Forensic analysis; conviction under pressure	Return per position against the borrow cost	Loss is not capped, and the borrow can be recalled
Macro investing	Repricing of rates, currencies, inflation and policy	Months–years	Analysis of policy and cycles	Absolute return, or a benchmark	Correct thesis, incorrect timing
Event-driven	A specific catalyst resolving as expected	Months–years	Legal and situational analysis	Spread captured per event, less deal breaks	The expected event fails, changes or is delayed

In relative-performance and short-horizon games, one participant's outperformance is broadly another's underperformance — and that is before spreads, commissions, financing, taxes and errors are subtracted. An edge must be demonstrated here, not assumed.

Catalog 4: Control, Build and Speculate

Two very different things sit together here. Control investors change the asset itself: they buy enough of a company to win board seats, or all of it, and change how it is run. Speculators accept that the outcome depends mostly on future appetite rather than on anything the asset produces. Private equity and venture funds are generally open only to accredited investors and qualified purchasers; Types of Securities explains the tests and the registered funds that offer a partial way in.

STRATEGY	RETURN ENGINE	HORIZON	CLAIMED EDGE	SCOREBOARD	PRINCIPAL DANGER
Speculation [6]	What a later buyer will pay	Minutes–years	Timing; exit discipline	Absolute profit on the position	No dependable fundamental return engine beneath it
Activist investing	Value released by changing how a company is run	Years	Influence; capital; a credible campaign	Value created against the pre-campaign price	Management and other owners resist the change
Private equity [13]	Operational improvement plus financial leverage	Years	Control; access to deals; operating capability	Multiple of invested capital, at exit	Leverage, illiquidity and execution failure
Venture capital	A few extreme outcomes paying for many failures	Many years	Deal flow; judgment of founders and markets	Fund-level multiple across the whole portfolio	Most investments fail and capital stays locked up

STRATEGY	RETURN ENGINE	HORIZON	CLAIMED EDGE	SCOREBOARD	PRINCIPAL DANGER
Concentrated ownership	One business you personally own and run	Years–decades	Direct control over the outcome	Enterprise value plus owner earnings	Income, net worth and career all ride on one outcome

Not a Strategy: Gambling and Entertainment

Gambling is listed separately because it is not an investment strategy. It has no return engine, no edge and no scoreboard except whether it was fun — which is what separates it from speculation, where the player owns a thesis, a size and an exit decided in advance. An account that mixes every strategy in this reference with no written rules ends up behaving like gambling, whatever the positions are, because decisions get made by mood.

No SEC rule defines gambling. The protections are indirect: brokers must approve an account for a specific level of options trading before it can trade options,[11] and prediction-market event contracts are regulated by the CFTC, which advises trading them only with money you can afford to lose after living expenses and savings are covered.[14]

If you do it, label it entertainment and budget it like entertainment: a fixed amount from monthly spending, never topped up from savings, and never held in an account that also holds your future.

Catalog 5: Optimize the Household

The quietest family, and for most people the one holding the largest untapped return — because it does not require anybody else to be wrong.

STRATEGY	RETURN ENGINE	HORIZON	CLAIMED EDGE	SCOREBOARD	PRINCIPAL DANGER
Goal-based portfolios	Every pool given one job, one horizon, one scoreboard	Varies by goal	Behavior — separation prevents contamination	Is each goal funded, on its own date?	Goals quietly merging back into one undifferentiated pot
Asset location	Each asset held in the account that taxes it most lightly	Decades	Structure — the tax code, used correctly	After-tax return on an identical gross return	Complexity that outlives the person managing it
Tax and estate optimization	Deferral, exemption, basis step-up, and gifting rules	Decades	Structure and planning horizon	After-tax and multigenerational wealth	Tax concerns overwhelming sound economics

Why Two Strategies in One Pool Conflict

Here is the claim, stated precisely, because the loose version of it is wrong.

At the household level these strategies are complements. That is the whole job of family 5. A well-built household runs preservation, ownership, insurance and tax structure simultaneously and is better for it. Nobody should conclude from this reference that they must pick one.

Inside a single pool of capital they are not complements. They are competitors for the same decision. And this is not a matter of taste or of diluted returns. It is mechanical: each game issues instructions, and when two games govern one pool, the instructions arrive at the same moment pointing in opposite directions. Only one can be executed. The investor resolves the contradiction by whichever feels better that day — which means that at the exact moment a rule was supposed to protect them, they had no rule at all.

The reason this is hard to see: incompatible games share a vocabulary. Patience, conviction, discipline and risk management are virtues in all of them, and each word endorses opposite actions depending on which game you are in. Whichever thing you want to do, a virtue will be available to name it.

Ten Conflicts, Spelled Out

Each row is one pool of money, one moment, two strategies, two contradictory orders.

PAIR	THE MOMENT	WHAT EACH ONE SAYS	WHY THEY CANNOT BOTH RUN
Value vs. momentum	The holding falls 25%	Value: the discount widened, add. Momentum: the trend broke, exit now.	Directly opposite actions on the same bar of data. Running both means choosing by mood.
Income vs. total return	Ranking two holdings	Income: prefer the higher payout. Total return: prefer the one reinvesting at high rates.	Two scoreboards rank the same portfolio in opposite orders, permanently.
Buy-and-hold vs. tax-loss harvesting	A position is down 18%	Compounding: never sell a good business. Harvesting: realize the loss and swap.	One resets holding periods and triggers wash-sale tracking; the other depends on never doing that.
Liability matching vs. growth	Stocks return 20%; your bond ladder returns 4%	Growth: the ladder is dead weight. Matching: the ladder is doing exactly its job.	Scoring a funding instrument on a growth scoreboard dismantles it just before it is needed.
Diversification vs. concentration	One holding grows to 40% of the pool	Allocator: trim to the policy weight. Concentrated owner: concentration is the edge.	The allocator's edge is refusing what the owner's edge requires. Same dollars cannot do both.
Permanent hedging vs. long-horizon compounding	Year after year, nothing goes wrong	Hedger: keep paying, that is insurance. Compounder: the cost compounds against you.	A hedge is priced for a defined exposure over a defined period. Run continuously against a 30-year position it is a standing drag on the engine.
Benchmark scoreboard vs. goal scoreboard	The goal is now fully funded, mid-bull-market	Benchmark: stay invested, you are behind the index. Goal: de-risk, you have already won.	Opposite instructions at the single most consequential moment in a plan's life.
Illiquid or levered positions vs. near-term needs	A job loss, plus a margin or capital call	The position demands cash. The household demands cash.	Not merely incompatible — actively compounding. Both calls arrive together, by construction.
Factor discipline vs. discretionary judgment	The model buys something you dislike	Factor: take every signal, the premium lives in the tails. Discretion: skip this one.	A rules-based premium filtered by discretion is no longer the strategy that was tested.
Speculation vs. retirement ownership	The speculative position halves	Speculation: the exit rule fired, take the loss. Ownership: never sell in a panic.	Housed in one account, the ownership rule shelters the speculation from the only rule that limited it.

What Actually Collides: Four Rule Types

Every conflict above reduces to a clash in one of four places. It is worth knowing which, because the fix differs.

RULE TYPE	THE COLLISION	WHAT HAPPENS IN PRACTICE
Exit rules	Every game has one; two games give two, and only one can fire	The more comfortable rule wins. Almost always the one that avoids realizing a loss.
Horizons	A short horizon and a long horizon governing one position	The short horizon always wins, because it fires first. A thirty-year thesis is terminated by a three-day signal.
Sizing rules	Concentrate where the edge is, versus cap every position	Position sizes drift to whatever last felt justified, and the pool's real risk is unknown.
Scoreboards	Absolute goal, relative benchmark, yield, or risk-adjusted	The scoreboard gets chosen after the results are in, which makes every outcome a success and every lesson unavailable.

The scoreboard collision is the quietest and does the most damage, because it is retrospective. A scoreboard selected after the fact is not a scoreboard; it is a rationalization, and it removes the only feedback that could have improved the process.

The Compatibility Matrix

Read this as: can these two run on *the same dollars, under one set of rules?*

	PRESERVE / FUND	OWN / COMPOUND	TRADE PRICE	CONTROL / SPECULATE
Preserve / fund	Yes — same objective, different instruments	No — opposite scoreboards	No — opposite risk mandate	No — this is the classic ruin pairing
Own / compound	No	Partly — value and growth can coexist; value and momentum cannot	No — horizons cannot be reconciled	No — the ownership rule shelters the speculation
Trade price	No	No	Partly — only with separate books and one written rule set per system	No — the labels blur under stress
Control / speculate	No	No	No	Partly — and only with capital that is genuinely expendable

Family 5 is deliberately absent from the matrix. Household optimization is the layer that sits above the others and coordinates them: it never competes for the same decision, because it never picks a security. It is the only strategy here that is compatible with all of them at once, and it is the one most households underuse.

The Separation Principle

The fix is not to pick one game and abandon the rest. It is to give each game its own room to exist. A separate account for each game lets that money be played by its own rules.

One pool, one game, one horizon, one scoreboard, one exit rule. Preferably one account, because a mental bucket merges the first time it matters and an account balance does not.

POOL	GAME	SCOREBOARD	RULE THAT PROTECTS IT
Emergency fund	Capital preservation	Was it there when needed?	Never invested for growth, whatever the interest rate elsewhere
Dated obligation (tuition, a deposit)	Liability matching	Funded in full, on the date	Maturity matches the date; never scored against stocks

POOL	GAME	SCOREBOARD	RULE THAT PROTECTS IT
Retirement	Ownership and compounding	The plan's required rate, in real terms	Automatic contributions; no unplanned sales; no speculative positions admitted
Speculation, if any	Speculation	Absolute profit, on a capped stake	A fixed size decided in advance, and no transfers in after a loss
Insurance and hedges	Risk transfer	Was the exposure neutralized at acceptable cost?	Judged on coverage, never on its own return
The whole balance sheet	Household optimization	After-tax, whole-life outcome	Reviewed annually, above the other pools rather than inside them

The rule in the last column is the one that gets deleted under stress. Writing it down while calm is most of the defense, because the deletion always arrives dressed as a good reason.

Define Your Game: The Seven Lines

Complete this for each meaningful pool of capital, in writing, before selecting anything. It takes a few minutes and it is the difference between a strategy and a collection of positions.

LINE	WHAT IT MUST CONTAIN
My objective is...	The real-life outcome this money must support
My return should come from...	One explicit engine: contractual cash flows, business earnings, rent, revaluation, a later buyer, spreads and services, or control
My time horizon is...	When the capital may be needed, <i>and</i> how long the thesis can take to mature. The shorter governs.
My claimed edge is...	Patience, analysis, diversification, structure, information, execution, access, or behavior — or none, deliberately
I can tolerate...	A specific figure for drawdown, illiquidity, concentration and tracking error
The thesis is wrong when...	Evidence that would invalidate the idea — not a price that merely feels uncomfortable
My scoreboard is...	A life goal, purchasing power, a liability, a named benchmark, or a risk-adjusted objective

The sixth line is the hardest and carries the most weight. "The thesis is wrong when the price falls 20%" describes discomfort. "The thesis is wrong when margins decline three quarters running" or "when the merger is blocked" can be checked, and does not move when you feel worse.

Download the Define Your Game worksheet from the online version of this reference at earlylifeinvestments.com/tools/investment-strategies-reference.html. The printable PDF has a page for each pool of money with the seven lines to fill in by hand or on screen. The spreadsheet goes further: one tab per account, the seven lines at the top, and a row for every ticker you buy, with drop-down menus for the game, return engine, horizon, edge and exit rule.

Markets are not one universal investment game. They are an arena in which owners, lenders, traders, hedgers, arbitrageurs, institutions and speculators all interact at the same prices. Success begins with knowing which game you are equipped to play — and refusing to judge yourself by the scoreboard of someone playing a different one.

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Educational framework only. This reference does not constitute individualized investment, tax or legal advice, and describing a strategy is not recommending it. Several of the strategies cataloged here are unsuitable for most individual investors. Tax treatment depends on your circumstances and on the account a position is held in — confirm current rules at IRS.gov.