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OUR STOCK PORTFOLIO CREATION STRATEGY

THE CREATION OF AGGRESSIVE GROWTH EQUITY PORTFOLIOS, RISK AND MONEY MANAGEMENT STRATEGIES – SHORT TERM TRADING

We optimise our portfolio strategies towards maximising returns and limiting risk by implementing our trailing-stop strategy, position-sizing guidelines and other winning strategies. In short, our goal has always been to beat the market by the widest margin possible, in the shortest time possible, while taking as little risk as possible.

This is not “buy and hold” (or “hope and pray”) strategy. These are actively managed equity portfolios characterized by an aggressive growth.

Academic experts claimed that it was impossible to beat the market over time. Over time your investment returns would pretty much well reflect the market as a whole.

However buy and hold investing and simple diversification have not worked over the last decade. We argue that these failed approaches will not work over the next decade either.

The High Price of “Buy and Hold”

Loss - Profit Needed for Breakeven

5% - 5.3%

10% - 11.1%

15% - 17.6%

20% - 25%

25% - 33%

30% - 42.9%

40% - 66.7%

50% - 100%

60% - 150%

75% - 300%

90% - 900%

Our short term investment strategy proves that academics were not quite right. It is possible to beat the market, as elaborated on down below.

There are two parts of our strategy: stock selection and money management.

STOCK SELECTION

Find winning trades earlier

Once we determine we are operating in an up trending general market, we select superior stocks. Potential winners will have strong earnings and sales growth, increasing profit margin and high return on equity. They also should be in a leading industry group.

We gauge the following parameters to find winning stocks: price, volume, momentum, up trend, shorter term trading.

Price and volume action indicate when a stock has reached its top or bottom. Volume is a valuable trading tool that can be used to confirm the price trend of a stock. Prices do not move without buyers and sellers. Volume flow precedes price and is the key to measuring the validity and sustainability of a price trend.

Momentum trading is holding a fast-rising stock for a few days, weeks, or months.

It is a strategy where we try to capitalize on a stock's trend in hopes of riding the move further.

We pick stocks that have a predetermined maximum or minimum average daily volume. The increased activity of the volume indicator, coinciding with the share price beginning rise, is an indication that there is more interest to the upside than to the downside.

We also select stocks with a specific minimum level of market capitalisation to ensure proper liquidity levels.

The only way to make trading profits is to predict future events that have a better than 50% probability of coming true. When we speak about the future, we are in the world of probabilities.

RISK AND MONEY MANAGEMENT

Our two strategies of maximizing returns and limiting risk:

Position sizing

We use a position-sizing formula to determine how much to invest in a particular stock. Proper position sizing removes 50% of the total portfolio risk.

We never invest a large percentage of our clients' equity portfolio in any single stock, at least initially. It may grow to be a much larger percentage. But that is fine as long as we protect the profits with a trailing stop. Our measure of risk is 1% of total investment per position. Our investors will have to have 100 consecutive losses to lose all their money.

Knowing when to sell

The real art of investing is - knowing when to sell. We depend on using trailing stops. They keep us from selling our stocks while they are in a major uptrend and prevent small losses from becoming unacceptable.

Our policy is not to argue with the market.

This takes the guesswork out of investing and guarantees that both your profits and your principal are always protected. This lets your winners ride and cuts your losses early.

We know exactly when to buy and when to sell in advance.

Our international stock portfolios presented down below illustrate the powerful force of our strategy.

S&P500, NASDAQ

13 August 2012 – 10 June 2014

Create new portfolio

Overview | Fundamentals | Performance | Transactions

		Compare		Delete		Import transactions		Edit transactions		Edit portfolio		Delete portfolio		Download to spreadsheet		Download to OFX	
<input type="checkbox"/>	Name	Symbol	Last price	Change	Shares	Cost basis	Mkt value	Gain	Gain %	Day's gain	Overall return						
<input type="checkbox"/>	Avis Budget Group Inc.	CAR	59.92	+0.59 (1.00%)	62.00	969.06	3,715.04	+2,745.98	+283.37%	+36.64	283.37%						
<input type="checkbox"/>	Canadian Pacific...	CP	179.60	+0.03 (0.02%)	12.00	1,017.84	2,155.20	+1,137.36	+111.74%	+0.36	111.74%						
<input type="checkbox"/>	Farmers Capital Bank...	FFKT	19.86	-0.18 (-0.90%)	114.00	997.27	2,264.04	+1,266.77	+127.02%	-20.52	127.02%						
<input type="checkbox"/>	Standard Motor Products...	SMP	43.67	+0.01 (0.02%)	57.00	990.66	2,489.19	+1,498.53	+151.27%	+0.57	151.27%						
<input type="checkbox"/>	Bank of America Corp	BAC	15.92	+0.08 (0.51%)	130.00	1,003.60	2,069.60	+1,066.00	+106.22%	+10.40	106.22%						
<input type="checkbox"/>	First Solar, Inc.	FSLR	62.32	-0.25 (-0.40%)	48.00	983.52	2,991.36	+2,007.84	+204.15%	-12.00	204.15%						
<input type="checkbox"/>	MannKind Corporation	MNKD	10.53	-0.17 (-1.59%)	442.00	998.92	4,654.26	+3,655.34	+365.93%	-75.14	365.93%						
<input type="checkbox"/>	Melco Crown Entertainmen...	MPEL	30.79	+0.08 (0.26%)	67.00	990.26	2,062.93	+1,072.67	+108.32%	+5.36	108.32%						
<input type="checkbox"/>	Nu Skin Enterprises...	NUS	73.94	-0.83 (-1.11%)	23.00	988.31	1,700.62	+712.31	+72.07%	-19.09	72.07%						
<input type="checkbox"/>	Compugen Ltd. (USA)	CGEN	8.34	-0.09 (-1.07%)	325.00	1,001.00	2,710.50	+1,709.50	+170.78%	-29.25	170.78%						
Cash - Deposit / Withdraw																	
Portfolio value:			-102.67 (-0.38%)	\$9,940.44	\$26,812.74	+16,872.30	+169.73%	-\$102.67	169.73%								

Overview | Fundamentals | Performance | Transactions

Compare Delete

Import transactions | Edit transactions | Edit portfolio | Delete portfolio | Download to spreadsheet | Download to OFX

<input type="checkbox"/>	Name	Symbol	Last price	Change	Shares	Cost basis	Mkt value	Gain	Gain %	Day's gain	Overall return
<input type="checkbox"/>	TELEPERFORMANCE...	RCF	46.63	+0.03 (0.06%)	51.00	1,003.94	2,378.13	+1,374.20	+136.88%	+1.53	136.88%
<input type="checkbox"/>	ALLIANZ	ALV	125.40	+0.80 (0.64%)	11.50	1,001.08	1,442.10	+441.02	+44.06%	+9.20	44.06%
<input type="checkbox"/>	Axa SA	CS	18.58	-0.10 (-0.56%)	89.00	1,002.14	1,653.62	+651.48	+65.01%	-9.34	65.01%
<input type="checkbox"/>	Safilo Group S.p.A.	SFL	16.59	-0.37 (-2.18%)	173.00	1,002.54	2,870.07	+1,867.54	+186.28%	-64.01	186.28%
<input type="checkbox"/>	Europacorp SA	ECP	4.87	+0.07 (1.46%)	408.00	999.60	1,986.96	+987.36	+98.78%	+28.56	98.78%
<input type="checkbox"/>	Cancom SE	COK	38.92*	-0.56 (-1.42%)	74.00	1,006.40	2,880.08	+1,873.68	+186.18%	-41.44	186.18%
<input type="checkbox"/>	Technicolor SA	TCH	5.69	+0.25 (4.60%)	567.00	999.62	3,226.23	+2,226.61	+222.75%	+141.75	222.75%
<input type="checkbox"/>	Ipsen SA	IPN	34.90	+0.42 (1.20%)	54.00	1,004.40	1,884.60	+880.20	+87.63%	+22.41	87.63%
<input type="checkbox"/>	AGEAS	AGS	30.36	-0.19 (-0.62%)	57.00	1,004.91	1,730.52	+725.61	+72.21%	-10.83	72.21%
<input type="checkbox"/>	Societa Cattolica di...	CASS	18.05	+0.30 (1.69%)	105.00	1,002.22	1,895.25	+893.02	+89.10%	+31.50	89.10%

Cash - Deposit / Withdraw

Portfolio value:	+109.33 (0.50%)	€10,026.84	€21,947.56	+€11,920.72	+118.89%	+€109.33	118.89%
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