

# Newsletter

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## Don't rush in...

Over the Game period, the market has been a little choppy, however, over the past few weeks it has been moving upwards quite significantly, which means many of you have good profits in your accounts. As a result, you may be thinking, yeah, this is easy, let's go live! However, don't get caught up in the euphoria of a positive account!

It is important to remember, that going from the Game to trading live will be very different, if only for the reason that once you have your own money on the line, your emotions will kick in to a much greater extent.

This is why we say it is **vital to have a plan that you test and then use consistently**, before going live.

As far as possible the Game is designed to replicate the live market. However, there are some areas where the Game is different and you need to be aware of these. For example, corporate actions that cannot be replicated, the length of time you can invest, the number of shares you can invest in, as well as the matching of orders.



One of the biggest differences with the Game and the live market is how the matching of orders takes place. In the Game, we allocate your orders against trades in the real market and allow you to easily jump to the top of the order queue to get your order executed.

Here is an example:

In the Game you want to buy 10,000 shares in XYZ Company and another player wants to buy 10,000 shares in the same company at the same price - 20,000 shares in total to be purchased at the same price.

A trade goes through the live market for 10,000 shares in XYZ at your nominated price. In the Game, both your order and the other player's order will be executed.

In the real world the order that was entered first, at the best price would get the 10,000 shares and the other order would miss out.

So in the Game we have ignored the extra order volume and allowed both orders to be executed.

To get to the top of the queue in the real market you have to enter your order first or put in a better price either a higher bid or lower offer.

What this is meant to explain is that when you trade live, there would be far more uncertainty about being able to close out a trade quickly either to take a profit or perhaps more importantly to cut your losses, especially when investing in low volume stocks or more risky stocks.

It may also be that in the Game, because it wasn't your own money and you only had a certain period of time, you used a much riskier strategy. Again, be aware that once you have your own money involved, this may not be the best strategy to use.

We would encourage you, before going live, to test the strategy you feel comfortable using if this was your own money and get to a place where that strategy proves itself and you feel confident with what you are doing.

It's easy to take a greater risk when you know it's not going to have an impact on your finances, it is a very different thing, when you have your own money involved.

So if you are new to the sharemarket and still finding your feet, we encourage you to **continue the learning process** before you rush in and buy shares live. You are far better off to take more time and be sure you fully understand the sharemarket before stepping in live.



## What you should know before Diving in

The mechanics of the live market, such as executing a trading order, are extremely important to understand. We wanted to extend this knowledge with some of the key things we believe you should think about before putting your money in the real market, where there is a lot more at stake!

### ***There's more fish in the sea***

In the Game, we could only invest in 200 ASX stocks. In the real market, you have thousands of companies to choose from. These include micro-cap (market capitalization of \$50M-\$300M) and nano-cap stocks (below \$50M). Since micro-cap and nano-cap stocks are significantly smaller companies with less coverage from professional analysts, it is often much harder to conduct research for them. However, this also means that there can be more opportunity for the diligent retail investor to uncover public news that has yet to be recognized by the market and in turn make a handsome return. Just keep in mind that this characteristic translates to higher share price volatility for micro- and nano-cap stocks than their large-cap brethren.

### ***You're Investing in a Real Business***

It's easy to think of buying shares as a very transient thing. You need to remember you are actually buying a piece of a company. Whenever you're investing, keep Warren Buffet's "punch-card" philosophy in the back of your mind. If you had a 20-ticket punch card that had to last you for life and every investment you make uses up one of those 20 tickets, you'd put a lot more thought into each purchase.

### ***Have a Time Horizon***

We are certainly in favor of long term investing, but others prefer a medium term or short term horizon. Regardless, you need to know your own before you start investing so that you can stick to your strategy. For example, if you have a long-term horizon, and one of your stocks has been heavily impacted by some short-term news that doesn't affect your thesis and catalyst, you should remain disciplined by holding on the stock. However, if you had a short-term horizon, this price movement might be a significant factor in your decision making.

### ***Keep Learning***

Just like anything, you don't just develop all your knowledge and then stop once you go head first into the live market. You need to continually learn and enhance your knowledge of investing and the share market. This learning process is two-fold - you want to be reading books, articles and anything you can to improve your general investing strategy and increase your understanding of investing principles. Second to that is the more specific learning related to individual stocks you are considering for investing. You want to be keeping up to date with news, looking through company reports to eye out opportunities, and of course, using easy to understand analysis tools like Simply Wall St to improve your fundamental analysis and portfolio tracking.

## **Game update**

**The indices and share price list** has been updated for the period 3 August - 25 October

### **Previous newsletters**

- Game 1 2017 Winners
- Pre Game
- Game start
- Having a plan
- When to sell
- Leaders update
- Share prices
- Knowledge is power

### **Game update**

- 9 August
- 17 August
- 24 August
- 30 August
- 6 September
- 14 September
- 21 September
- 28 September
- 5 October
- 12 October
- 18 October
- 25 October
- 1 November

## **Starting out in shares**

### **The ASX Way**

