

# Newsletter

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## Don't rush in...



At the start of the Game, the market was quite volatile, however, over the past month it has been moving upwards quite significantly, which means many of you have started to have a portfolio in profit. 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.

## Stock Doctor Game webinar recordings





### **Webinar 1 Recording**

*Stock Doctor Game On webinar*

Webinar recording

### **Webinar 2 Recording**

*Smarter Game strategies with Stock Doctor*

Webinar recording

### **Webinar 3 Recording**

*Reporting season update – the good, the bad and the ugly*

Webinar Recording

### **Webinar 4 Recording**

*Six secrets of successful sharemarket investing*

Webinar Recording



### **Game vs live market**

As we fast approach the end of the ASX Sharemarket Game, there's no doubt you would have experienced a wide range of emotions. These emotions will prove to be enlightening and extremely valuable in your DIY investing development.

But it's important to remember that the ASX Sharemarket Game is just that; 'a game'. Therefore, participants need to be aware of some facts of investing life before you translate this experience into the real world.

#### **Investing is a long-term game**

While the 3-month time frame is sufficient to identify a winner in a stock picking competition, the reality is that investing for your future prosperity is a long-term game.

While stock prices in the short-term can move for a range of reasons, what determines their ability to retain those gains/losses in the long-run are the company's ability to deliver reliable fundamental performance.

Therefore, when constructing a portfolio, you need to focus less on short-term price moves and more on its long-term ability to remain a quality business. Being Financially Healthy with an excellent management team and good prospects determines long-term success, irrespective of short-term gyrations.

#### **Share markets don't just go up**

Since the ASX Game started on 22 February, the market is up over 2.5%. Though the share market is an incredibly rich asset class when harnessed correctly, it is also inherently volatile and not predictable. That is why Game participants need to remember that past performance is not an indicator of future performance and tough times will occur at some point.

Investors need to understand that market volatility is a double-edged sword, moving in cycles that can see stocks (within a period) both outperform and underperform. As is the case with oil stocks outperforming and the banks underperforming during the Game.

#### **You can't take your eye off the ball with real money**

While many participants in the Game may have started with the best of intentions, many have since dropped the ball and have left their portfolios to move with the ocean current. Employing such a strategy is like sailing around the world without a rudder, where the best a sailor can hope for is that a storm doesn't wipe them out or that the winds don't take them to Antarctica.

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The most significant single common factor in share market under-performance is portfolio neglect. While the Game is a safe environment to be making stock selections and you can be lazy from time-to-time; in real life, failing to be proactive and make decisions when they are needed will lead to perennial portfolio under-performance.

### Your lessons have come for free

No doubt you learned some real gems throughout the Game. You will continue to learn every day as an investor. Each new learning will help you formulate the investment strategy that works best for your objective and level of risk you are willing to accept.

But too many investors ignore the lessons they learn and continue to make the same mistakes. This is symptomatic of having no documented or robust strategy for stock selection and rejection that you can lean on. More importantly, there's no strategy to adjust, once you come across a lesson.

Take the right lessons from the Game and incorporate them into your strategy, then follow it with discipline. Quarterly reviews of your approach are an excellent way to ensure you are continually taking on board the lessons you've learned.

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## Game update

