Newsletter

Can you create a ‘Game winning’ portfolio?

You get $50,000 virtual dollars to invest in 220 companies listed on the ASX and your challenge is to see if you can make that $50,000 grow. **Can you do it?**

Teacher registrations are open, so ask a teacher to register and sign you up.

- Your teacher will need to give you a login ID and password.
- You can login via the student login link here.
- Game play starts 16 August, so you have time to get ready.

New to the Game

Where to start: If you haven’t played the Game before go to the ‘How to Play’ page where there are:

- Game videos,
- help guides,
- tips on getting started.

What is the sharemarket?

Like any other market, the sharemarket is a place where people buy and sell. In this case, they are buying and selling shares in companies and the goal is to make a profit on those shares. To learn more watch the videos below.

- What is the sharemarket?
- What is a share?

Start your research

See the ‘How to play’ page for tips and help on getting started with your research and having a plan.

Also, here are some articles and videos you may find helpful:

- Outlook for Australian shares in the new financial year by Jason Beddow
- Do the big-four bank stocks offer value? by David Walker, Clime
- How understanding volatility can help your trading by Graham O'Brien, ASX

Make sure you understand these Game Basics

1. **In the Game you will be paying brokerage.**

   Brokerage is the fee a stockbroker charges when shares are bought or sold. Just like the real market, in the Game, every time you buy or sell you will be charged brokerage. Be aware of your brokerage costs if you trade regularly. In the Game, brokerage is $20 for trades up to $10,000 and for each trade over $10,000, brokerage is charged at the rate of 0.2% of the trade value.

2. **You cannot put all your money into buying just one company**

   You can do this in real life if you wish; however, there is a belief that this is not the best thing to do as it is very high risk.

In the Game you can only invest 25% (of your total portfolio value) in any one given company (this is called the diversification rule). When you go to place an order to buy shares in a company, the system will tell you the maximum of shares you can purchase based on the current market price and your portfolio value. You don't have to buy that number - you can buy less but you can't buy more.

To diversify simply means to invest in different companies and/or different industry sectors that don't tend to move in the same direction at the same time.

This will help reduce your risk of losing money. Let's say you invested all of your $50,000 in one company and the shares in this company dropped by 30%. This would mean that your $50,000 investment is now worth only $35,000 – that's a loss of $15,000. Whereas, if you invested in 4 companies (in different sectors with approximately $12,500 invested in each) and the other 3 companies are doing OK, that 30% loss is now only $3,750 – quite a difference.

This example shows how investing across a range of sectors or companies helps reduce your risk. However, also be careful of over diversifying (having just a few shares in a lot of different companies), because you will end up paying a lot of brokerage and if some companies do really well you want to own enough of them to make some good profits.

3. **It helps to understand the different order types**
   One of the biggest challenges can be understanding the different types of orders…so before you start playing, make sure you understand what a market to limit and a limit order is.

   - Market to limit & Limit orders
   - You will also find watching the video 'How to buy' (10 MB) will help you understand how order types work.

The Game begins on 16 August so until then happy researching!

The Games Team

Previous newsletters

- Game 1 winners

Game Update

Financial links

- Google finance
- Ninemsn money
- The Bull
- Trading room
- Yahoo finance

Financial news

- The Age
- The Australian
- Business Review Weekly
- Bloomberg