



The first step to successful investing is to set a winning strategy. Here's how to get started.

The Sharemarket Game for Schools has kicked off and playing it is a lot like investing in real life. Students playing the Game will need to set clear goals, then work out how to get there.

There are also some differences. The game only includes some of the companies on ASX. And it only runs for a few weeks, not for a months or years. Both differences will affect your game plans.

Still, playing the game is a great way to test a strategy for investing in real life. Here are some of the things you may want to consider as you play the game.

### Growth versus income



Shares can give two types of returns:

- capital growth, when a share price increases, and
- income, when the company shares its profits by paying dividends.

To get a dividend, you need to buy shares before the ex-dividend date, or “ex date”. Remember that a share price may fall on or after the ex-date, since anyone buying the share afterwards won't get the dividend.

#### **Game tip**

Click **Game play > Dividends+** for a list of upcoming dividends, including those affecting your portfolio.



### Risk versus return



All investments have risk. In general, the higher the possible return, the higher the risk. For example, a large company paying regular dividends may be less risky than a small startup, but also less likely to grow.

Only you can decide how much risk you're comfortable with. You also need to think about how to manage risk. Will you sell shares that fall, or will you hold on and wait for them to recover? And how many shares will you buy?

One of the most effective ways to manage risk is diversification – spreading your investments across different companies and sectors, so that a rise in one offsets falls in another.

#### **Game tip**

*In the game, you can use a [Falling Sell](#) to automatically sell shares that fall, limiting your loss.*

### The broader economy versus company specific factors



You'll also want to think about events that may affect a company's performance during the game. That includes:

Economic factors, like changes in government policy, unemployment data, retail sales trends, or commodity prices. Look out for upcoming announcements, and consider how they could affect your portfolio.

Company specific factors, like earnings and performance updates, dividend payments or new products. They can lead to big changes in a company's share price – as happened last week,



when WiseTech (WTC) gained 35% in a single day, after announcing higher than expected earnings growth.

#### Checking in and staying flexible

An investment strategy is not something you can just set and forget. In past games, the most successful players spent about 30 minutes a day researching and checking their portfolios.

Of course, not everyone has that kind of time – and research shows long-term share investors often check their portfolios much less regularly. All the same, it's still important to check in regularly and update your strategy if it doesn't look like achieving your goals.

Don't forget to look out for upcoming events that could affect your portfolio – both economic news and share-specific factors, like dividend payments or company announcements. And stay tuned for our next newsletter, where we'll talk more about the events that move markets and how to spot them.

#### **Creating a strategy in five steps**

- *Decide on your goals*
- *Decide on your stock selection criteria*
- *Research the market and the economy*
- *Decide on your approach to risk management*
- *Decide how and when you will review your portfolio update your strategy*

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