
How to save squillions!
Anti-decimation! *
Part 1 — The Impacts
Part 1
The impacts of a bear market
Robert Brain
July 2013
Brainy's Share Market Toolbox — www.robertbrain.com
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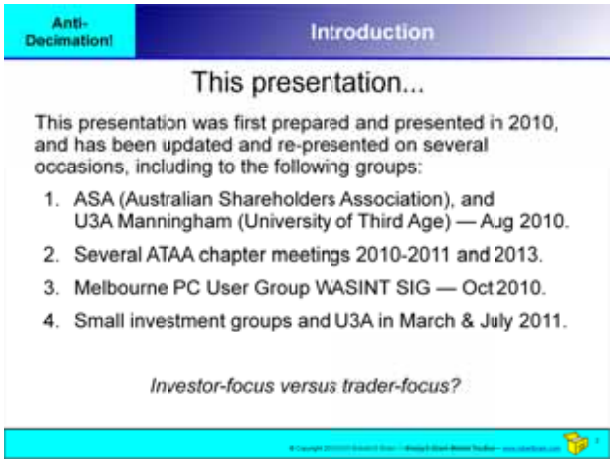
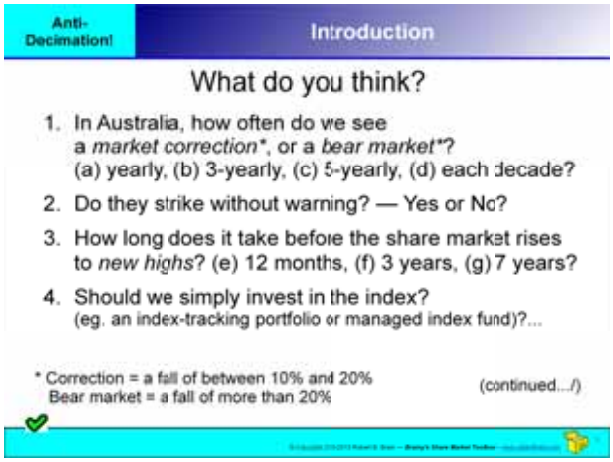
Version 13c


Anti-Decimation!
Introduction
This presentation...
This presentation was first prepared and presented in 2010, and has been updated and re-presented on several occasions, including to the following groups:
1. ASA (Australian Shareholders Association), and U3A Manningham (University of Third Age) — Aug 2010.
2. Several ATAA chapter meetings 2010-2011 and 2013.
3. Melbourne PC User Group WASINT SIG — Oct 2010.
4. Small investment groups and U3A in March & July 2011.
Investor-focus versus trader-focus?


Anti-Decimation!
Introduction
What do you think?
1. In Australia, how often do we see a market correction*, or a bear market*? (a) yearly, (b) 3-yearly, (c) 5-yearly, (d) each decade?
2. Do they strike without warning? — Yes or No?
3. How long does it take before the share market rises to new highs? (e) 12 months, (f) 3 years, (g) 7 years?
4. Should we simply invest in the index? (eg. an index-tracking portfolio or managed index fund)?...
* Correction = a fall of between 10% and 20%
Bear market = a fall of more than 20%
(continued.../)

Anti-Decimation!

Introduction

What do you think? (cont)

5. If you had $100,000 invested in blue chips in the share market pre-GFC, what was it worth 3 years later (June 2010)? or 6 years later (June 2013)?
6. Which option is best:
   (a) Buy-and-hold, or
   (b) Strategically sell, and buy again?
7. How best to get a handle on all this?.

Anti-Decimation!

Introduction

Anti-Decimation!

Introduction

Anti-Decimation!

Introduction

Part 1 — AGENDA

How badly can the share market treat us?

- The GFC of 2008— what actually happened?
- How badly can a bear market treat us?
  The damage to a $100,000 portfolio.
- What's best?:
  - (a) Hold on for the rider? or
  - (b) Liquidate stocks at the "right tim

Interactive presentation!
Questions welcome.

ps: Definition:
decimation — to reduce
by one-tenth

Anti-Decimation!

Introduction

BTW (By The Way)

Sprinkled here
are a few key points to note.

Key points that we could call
"words of wisdom"
(or share market GEMs).
See if you can spot them first.

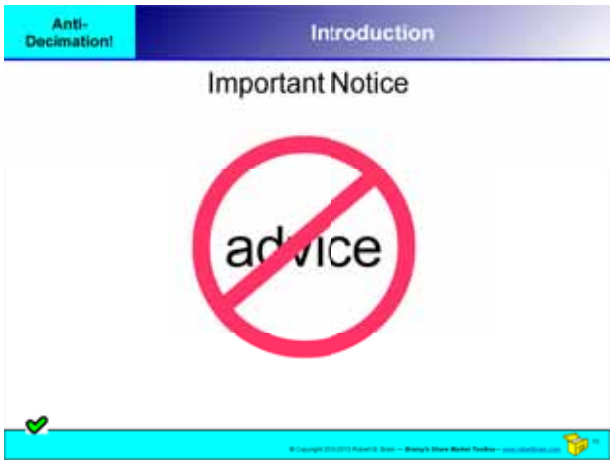
GEM

Anti-Decimation!

Introduction

Important Notice — No Advice!

1. This presentation does not include any advice.
2. For proper advice, your personal financial situation needs to be considered.
3. This presentation is pure education, only for your general awareness.
4. There are no recommendations to take any action, or to invest any money in any way.
5. Always consult a properly licensed advisor before making investment decisions.



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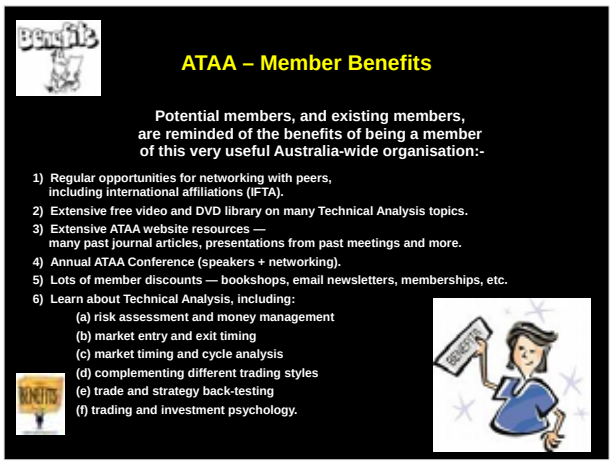

Anti-Decimation! **Introduction**

About... Robert Brain

Consultant, educator and part-time* share trader
Web-based sharemarket-support business

- Many years experience as trainer, presenter, conference facilitator (*Scouts*)
- Share Market – active 11+ years*
- Chartist ie. technical analyst (ATAA member and national director)
- Provide tuition and support to traders and investors ***Brainy's Share Market Toolbox***
- Engineering Degree (structured thinking with an eye for charts and diagrams)
- 30+ years – professional experience (IT and management)
- **Do not hold AFS license! (Can't give advice)**
- BullCharts software (convenor Australian BullCharts User Group and authorised reseller (with special pricing)
- Member Mensa

* - Not yet enough capital to live off the proceeds of trading (after trading as a hobby until a career change in 2006).

Anti-Decimation! **Introduction**

Promotions & Endorsements

- Robert is an ATAA member, and office-bearer (Melb chapter Vice-Pres, and national director), and so he will actively endorse the ATAA www.ataa.com.au
- But, Robert's own personal views about investing, trading, technical analysis and the markets do not necessarily represent those of the ATAA.

Anti-Decimation! **Introduction**

Apologies and Warnings

For long-term investors, this presentation:

- Might be an eye-opener
- Might induce nightmares
- Might challenge conventional wisdoms
- Might provoke some debate

So, let me apologise in advance.

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Introduction

By the way...

BTW

There are a lot of things that can impact on our investment thinking and on our investment decisions and actions.

Including:

- Emotions — ***fear, greed and hope***
- Numerous psychological impacts
- Cognitive biases — eg. the ***denial bias***:- *"The tendency to disbelieve an important or uncomfortable fact, even if it does seem to be true."*

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More details

These slides are available with more details (the "speaker's notes") exclusively for Brainy's *Share Market Toolbox* Members.

See the Toolbox for more details:

www.robertbrain.com/presentations/

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Introduction

Price charts acknowledgement

All price charts shown in this presentation are prepared using the Australian BullCharts charting software.

BullCharts

More information:
www.robertbrain.com/bullcharts
and www.bullcharts.com.au

How badly can the market treat us?

The GFC*
and the big bear market

* GFC — Global Financial Crisis (2008-2013+)

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The GFC and the bear market

What actually happened?

- Finance was too cheap
- Engineered financial products (CDOs)
- "Toxic" loans
- US sub-prime mortgages with reset interest rates (honeymoon period ended)
- Global share markets fell
- Economies slowed

And the Australian market fell — how far?

Anti-Decimation!

The GFC and the bear market

GEM

BTW — Why study this?

Understand the market past:

*if we can understand what the market has done in the past, then we shouldn't be surprised when it happens again.**

It is important to familiarise ourselves with the drastic/severe past movements of the market

(the big fast moves, wild swings, etc.)

* — Another of Robert's Share Market GEMs.


Market Peak
October 2007
(6764)
S&P/ASX 200 index
(XJO)
(monthly chart)
How far did the Aussie market fall over a 16 month period?
How far?
Market action until July 2011
Market Trough
February 2008
(3646)


Market Peak
October 2007
(6764)
The S&P/ASX 200 index fell 50%!
A portfolio worth $100,000
might have halved to just $50,000
-50%
Market action until July 2011
Market Trough
February 2008
(3646)


Anti-Decimation!
The GFC and the bear market
Very apt...
GEM
"Up by the stairs, and down by the elevator."
A Share Market GEM!
Robert has a large collection of these.
BTW
XJO monthly chart

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The GFC and the bear market

Share Market GEMs

Over many years, we hear a number of share market "pearls of wisdom" that are real gems.

Many are listed here (more than 100):

GEMs www.robertbrain.com/gems

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The GFC and the bear market

Two more Share Market GEMs*

BTW

"The market is like an elephant!"

(a) We should "zoom out", and
(b) If we try to stand in the way, we might get "trampled".

GEMs

"Keep your eyes on the ball."

Especially while the market is falling, so that you can action your stop loss levels.

More Share Market *GEMS** in the Toolbox
www.robertbrain.com/gems/

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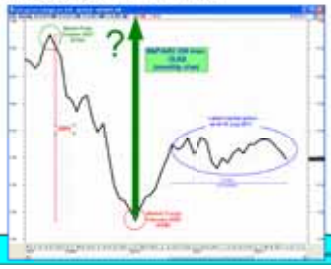
The GFC and the bear market

The market fell ~50%

How much does the market need to rise to recover back to the previous highs? 20%?, 40%? and how long might that take?



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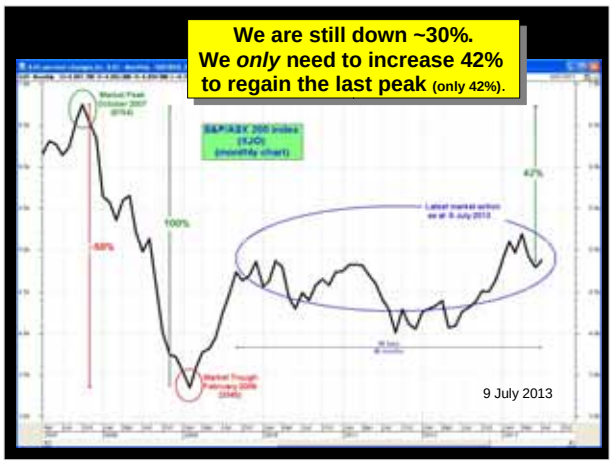
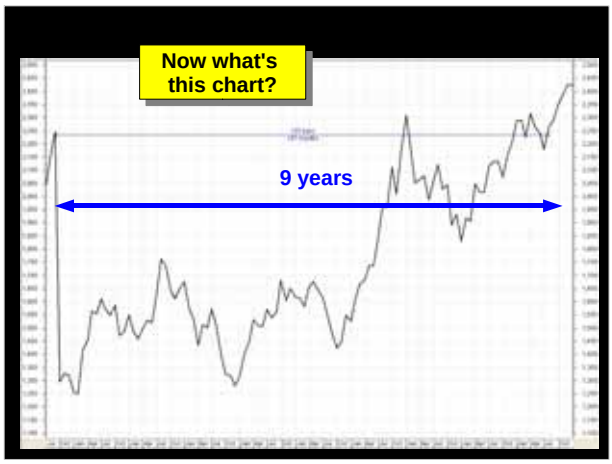
The GFC and the bear market

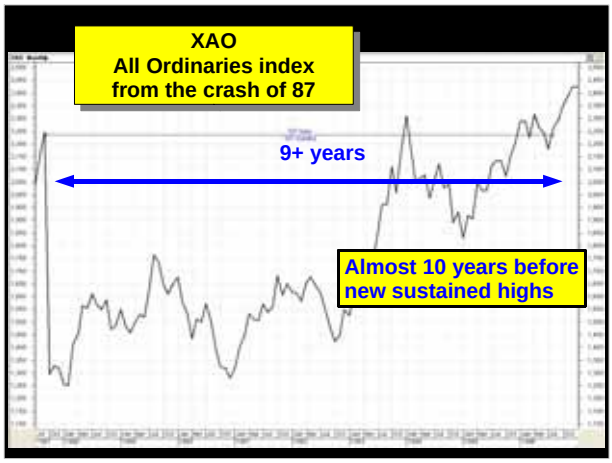
Was this GFC a once-off?

- No! The market cycles like this regularly
- A Correction (or Bear) has occurred **12 times** in the 26 years 1987-2013 (ie. a fall of at least 10% every 2.2 years!!)
- AND, on two occasions, a correction has hit *before recovering* from a bear market
- AND, the average duration to achieve new and sustained highs is **3.4 years**!

Can you believe it?




Now what's this chart?
9 years


XAO
All Ordinaries index from the crash of 87
9+ years
Almost 10 years before new sustained highs


And this chart?
6 years

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The GFC and the bear market

Recent history — 1987 to 2011

Bear Markets and Corrections — 1987 to 2011

Start Date	From Point	Bear Market or Correction	Amt (%)	Weeks to bottom	Time to recover to past high Weeks	Time to recover to past high Years
Sept 1987	A	Bear market	-48	21	470	9.0
Aug 1988	C	Correction	-14	34	238	4.6
Oct 1989	E	Bear market	-30	65	194	3.7
Nov 1991	G	Correction	-19	53	80	1.5
Jan 1994	I	Bear market	-21	53	150	2.9
Sept 1997	K	Correction	-11	5 or 50	66	1.3
June 2001	O	Correction	-21	88	152	2.9
Mar 2002	Q	Bear market	-21	53	150	2.9
Oct 2007 *	S2	Bear market	-21	52	116	2.2
Apr 2010 *	U	Correction	-15	11*	65	1.3
Average time for new highs:						**3.2**

* — Latest bear market has not yet "finished".

Note: The letters in the "From Point" column refer to points on the charts.

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The GFC and the bear market

Bear Markets and Corrections — 1987 to 2013

Start Date	From Point	Bear Market or Correction	Amt (%) wkly	Amt (%) dly	Weeks to bottom	Time to recover to past high Weeks	Time to recover to past high Years
Sept 1987	A	Bear market	-48	-50	21	470	9.0
Aug 1988	C	Correction	-14	-15	34	238	4.6
Oct 1989	E	Bear market	-30	-32	65	194	3.7
Nov 1991	G	Correction	-19	-20	53	80	1.5
Jan 1994	I	Bear market	-21	-22	53	150	2.9
Sept 1997	K	Correction	-11	-17	5 or 50	66	1.3
June 2001	O	Correction	-16	-16	88	152	2.9
Jan 2002	Q	Bear market	-21	-22	88	TBA	TBA
Oct 2007 *	S2	Bear market	-54	-55	73*	296+	5.0
Apr 2010 *	U	Correction	-15	-15	11*	161+	TBA
Apr 2011 *	U2	Bear market	-21	-22.5	24	116+	TBA
Apr 2012	U3	Correction	-8.5	-10.5	4.5	26	0.6
May 2013 *	U4	Correction	-9	-10.9	6 *	TBA	TBA
Average time for new highs:							**3.5**

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The GFC and the bear market

Bear Market(s) + Correction(s)

Bear Market — 1987 to 1996

- Lasted more than 9 years
- Includes two more bear markets:
  - 1989 to 1993, for 3.7 years
  - 1994 to 1995, for 3 years
- Includes two corrections:
  - 1991 to 1992
  - 1997 to 1998

(see charts later...)

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The GFC and the bear market

Bear Market(s) + Correction(s)

Bear Market — 2007 to 2013+

- Bear for 5+ years (TBA)
- Includes another bear market starting 2011
- Includes corrections:
  - April 2010
  - April 2012
  - May 2013

(see charts later...)

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The GFC and the bear market

More information ?

You can see those numbers again,
and more details about
bear markets and ***corrections***:

www.robertbrain.com/bearmarkets

and similar information
about ***bull market*** periods:

www.robertbrain.com/bullmarkets

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The GFC and the bear market

Exactly...?

Exactly when did the *market peak*?
And at what value?

Was it October 2007?
or
November 2007?

BTW

XJO — S&P/ASX 200
(basically the top 200 stocks by market cap)

Anti-Decimation!

The GFC and the bear market

Exactly...?

Exactly when did the *market peak*?
And at what value?

- 6829 — daily close 1 November 2007
- 6754 — monthly close for October 2007
- 6749 — weekly close 12 October 2007

(can we see a picture? - if there is time)

BTW

XJO — S&P/ASX 200
(basically the top 200 stocks by market cap)

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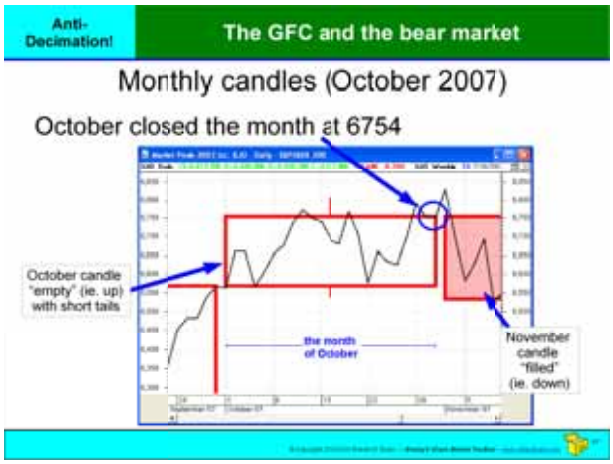
The GFC and the bear market

Where was the 2007 market peak?

Daily chart — market peaked 1st Nov at 6829:

BTW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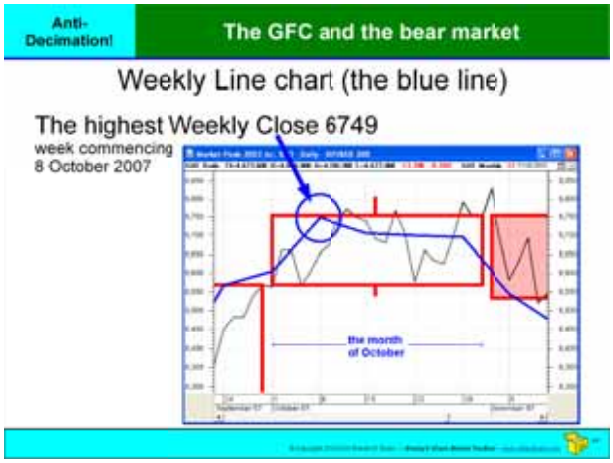
The GFC and the bear market
Monthly candles (October 2007)
October closed the month at 6754
October candle "empty" (ie. up) with short tails
the month of October
November candle "filled" (ie. down)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The GFC and the bear market
Weekly Line chart (the blue line)
The highest Weekly Close 6749
week commencing 8 October 2007
the month of October


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The GFC and the bear market
Daily candlesticks
Here's the detail...
(if you are keen)
the month of October
BTW — why are candles more useful than a line chart?
(see next slide...)

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The GFC and the bear market

BTW

BTW

Why is a candlestick chart more useful than a line chart?

Because it shows the entire trading range within each period.

GEM

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The GFC and the bear market

There we go

So you can see the date of the *market peak*, and the value:-

- 6829 — daily close 1 November 2007
- 6754 — monthly close for October 2007
- 6749 — weekly close 12 October 2007

BTW

XJO — S&P/ASX 200
(basically the top 200 stocks by market cap)

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The GFC and the bear market

BTW (another one)

What is more useful / important?

(a) Weekly candle chart, or
(b) Daily candle chart?

BTW

and why?

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The GFC and the bear market

BTW

What is more useful / important?

(a) Weekly candle chart, or
(b) Daily candle chart?

BTW

— — — — — — —

(b) The **daily** chart,
because the daily close price
is very important...

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The GFC and the bear market

BTW (another one?)

OHLC Bars
or
candles?

BTW

What's your preference
and why?

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The GFC and the bear market

BTW – some reports confusing?

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The GFC and the bear market

Where are we now?

At 30th June 2013 we are
more than *5 years*
past the last *market peak*!
So, exactly where are we now?

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The GFC and the bear market

Where are we now?

At 30th June 2013 we are
more than *5 years*
past the last *market peak*!
So, exactly where are we now?

- Today's index is still ***well below the highs*** of 2007!
- How far below? (in percentage terms).

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The GFC and the bear market

Index-tracking portfolio?

If we had an index-tracking portfolio worth $100k at 30 June 2007:-

- Four years later in July 2011 it was down 34% and worth only $66k.
- Six years later in July 2013 it is still down 20% and worth only $80.
- With a margin loan, it might have been much worse — owing a lot of money.

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The GFC and the bear market

Some individual performances

As the GFC unfolded:

- Some stocks dropped ~90% !! (can you name any?)
- Some stocks disappeared completely!! (can you name any?)
- Even some well regarded top-200 stocks!

Can you believe it?
How many can you name?

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The GFC and the bear market

Going...Going...Gone

The following companies had significant share price falls from the bull market peak of October 2007, and are now GONE:-

- AFG (Allco Finance) -99% gone Aug 2009
- BNB (Babcock & Brown) -99% gone June 2009
- TIM (Timbercorp) -97% gone May 2009
- NLX (Nylex) -97% gone Feb 2009
- GTP (Great Southern Ltd) -96% gone May 2009
- CDR (Commander Comms) -95% gone Aug 2009
- ABS (A.B.C.Learning) -92% gone Aug 2009
- BJT (Babcock and Brown Japan) -92% gone Jul 2009
- MFS (renamed Octaviar OCV) -74% gone Aug 2009

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The GFC and the bear market

How to avoid "bombs"?

BTW

To avoid companies that are "less likely to ride out the turbulence" use careful stock selection criteria for your Watchlist.

One possibility — *Funda-Technical Analysis*:

(1) Use strategic *fundamental analysis* criteria to avoid over-geared or poorly managed stocks, then:

(2) Use *technical analysis* to time the entry, AND to strategically time the exit.

GEM

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The GFC and the bear market

Fell > 60% **

- CNP (Centro Prop) -99%
- CER (Centro Retail) -99%
- BKN (Bradken) -93%
- ABP (Abacus Prop) -91%
- ALZ (Australand) -91%
- AAX (Ausenco) -89%
- AWC (Alumira) -89%
- AGO (Atlas Iron) -88%
- FLT (Flight Centre) -88%
- CGF (Challenger Fin) -84%
- APN News Media -83%
- BSL (Blue Scope) -82%
- FXJ (Fairfax Media) -82%
- HIL (Hills Indust.) -82%
- CTX (Caltex) -77%
- CEY (Centennial Coal) -76%
- LEI* (Leighton) -74%
- HVN (Harvey Norm) -72%
- PRY (Primary Health) -66%
- AXA -69%
- CRG (Crane Group) -67%
- BBG (Billabong) -66%
- ABC (Adel Brightor) -63%
- NAB* -63%
- ANZ* -62%

** — lowest price
* — Blue Chip stocks

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The GFC and the bear market

Fell between 50% and 60% **

- CAB (Cabcharge) -65%
- ASX -58%
- CBA* -58%
- DJS* (David Jones) -57%
- QBE* -57%
- AWE (Australian Worldwide Exploration) -57%
- CPA (Commonwealth Property) -56%
- BHP* -55%
- JBH (JB-HiFi) -52%

Do you recognise many of these names?

** — lowest price
* — Blue Chip stocks

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The GFC and the bear market

Blue Chip Stocks — definition?

BTW

Current definition*:

Larger companies with a long history of profitability and stability.

Former definition*:

Shares, usually highly valued, in a major company known for its ability to make profits in good times or in bad, and with reduced risk of default.

* Source — www.asx.com.au


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The GFC and the bear market
Blue Chip Stocks...
Even blue chip stocks can disappoint!
GEM


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The GFC and the bear market
The end result?
• The GFC dented some portfolios, and
• It more than decimated others.
• But some people managed to increase their portfolio value during tough times! Using simple and sensible strategies.
(But what does "sensible" mean?)


Anti-Decimation!
The GFC and the bear market
Something to think about...
• What do you think about the GFC?
• How badly did it affect us?
• What do we think about the "Buy and Hold" strategy?
• Careful stock selection strategies?
• What is "sensible"?
Let's look at the impact on a sample portfolio...

How badly can the market treat us?

Sample $100,000 Portfolio
(at 30 June 2007)
What was the impact?

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Hypothetical $100,000 Portfolio

Ten stocks

Let's build a hypothetical portfolio:-

- Ten stocks selected from the top 20, the S&P/ASX 20 index (XTL)
- These are all *"blue chip"* stocks!
- Allocate about $10,000 to each stock
- Total portfolio value ~$100,000 at June 2007.

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Hypothetical $100,000 Portfolio

Ten stocks about $10k each

- AMP — AMP Limited
- ANZ — ANZ Banking Group
- CBA — Commonwealth Bank
- NAB — National Australia Bank
- NCM — Newcrest Mining (gold miner)
- SUN — Suncorp-Metway
- WDC — Westfield Group
- WES — Wesfarmers Ltd
- WOW — Woolworths
- WPL — Woodside Petroleum

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Hypothetical $100,000 Portfolio

Ten stocks about $10k each

- AMP
- ANZ
- CBA
- NAB
- NCM
- SUN
- WDC
- WES
- WOW
- WPL

- A reasonable and "average" portfolio.
- How much did it devalue in 3-year period 2008-10? and 6-year period to 2013?
- What was it worth at end June 2010? and June 2013?

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Hypothetical $100,000 Portfolio

The Portfolio Value

Stock Code	Qty	30 June 2007 Share Price	30 June 2007 Value
AMP	988	$10.12	$9,999
ANZ	345	$28.99	$10,002
CBA	181	$55.25	$10,000
NAB	244	$41.02	$10,009
NCM	474	$21.08	$9,992
SUN	526	$19.02	$10,005
WDC	501	$19.96	$10,000
WES	236	$42.39	$10,004
WOW	370	$27.00	$9,990
WPL	220	$45.37	$9,981
TOTAL:			$99,981

And the value 3 years later?

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Hypothetical $100,000 Portfolio

The Portfolio Value — 2010

Stock Code	Qty	30 June 2007 Share Price	30 June 2007 Value	30 June 2010 Share Price	30 June 2010 Value	% change
AMP	988	$10.12	$9,999	$5.21	$5,147	-49%
ANZ	345	$28.99	$10,002	$21.61	$7,455	-25%
CBA	181	$55.25	$10,000	$48.64	$8,804	-12%
NAB	244	$41.02	$10,009	$23.28	$5,680	-43%
NCM	474	$21.08	$9,992	$35.10	$16,637	67%
SUN	526	$19.02	$10,005	$8.04	$4,229	-58%
WDC	501	$19.96	$10,000	$12.18	$6,102	-39%
WES	236	$42.39	$10,004	$28.65	$6,761	-32%
WOW	370	$27.00	$9,990	$27.02	$9,997	0%
WPL	220	$45.37	$9,981	$41.84	[illegible]	[illegible]
TOTAL:			$99,981		$80,019	-20%

Value @ 30 June '10

Anti-Decimation!

Hypothetical $100,000 Portfolio

Another view

Anti-Decimation!

Hypothetical $100,000 Portfolio

Pause and ponder

Think about that for a moment:

Over 3 years — down 20% !!

How much did a standard bank account reduce over the same 3 year period?
(it went up!)

BUT:- what about after 6 years?...

Anti-Decimation!

Hypothetical $100,000 Portfolio

The Portfolio Value — 2013!

Stock Code	Qty	30 June 2007		30 June 2013		% change
		Share Price	Value	Share Price	Value	
AMP	988	$10.12	$9,999	$4.25	$4,199	-58%
ANZ	345	$28.99	$10,002	$28.58	$9,860	-1%
CBA	181	$55.25	$10,000	$69.18	$12,522	25%
NAB	244	$41.02	$10,009	$29.68	$7,242	-28%
NCM	474	$21.08	$9,992	$9.87	$4,678	-53%
SUN	526	$19.02	$10,005	$11.92	$6,270	-37%
WDC	501	$19.96	$10,000	$11.44	$5,731	-43%
WES	236	$42.39	$10,004	$39.60	$9,346	-7%
WOW	370	$27.00	$9,990	$32.81	$12,140	22%
WPL	220	$45.37	$9,981	$35.01	$7,702	23%
TOTAL:			$99,981		$79,650	-20%

Value @ 30 June 2013

Anti-Decimation!

Hypothetical $100,000 Portfolio

After all this time...

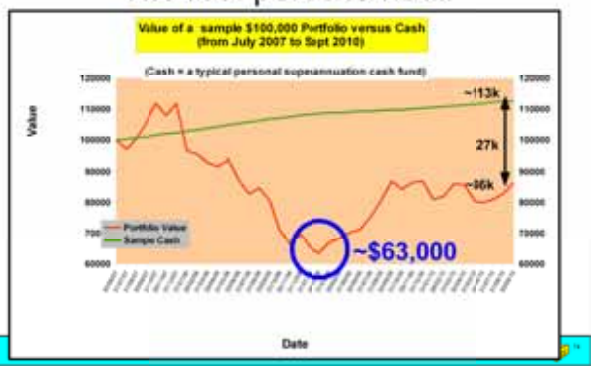
How much did a
standard bank account
reduce over the same 3 year period?

It didn't!!
It went up!

Anti-Decimation!

Hypothetical $100,000 Portfolio

The real portfolio nadir



Anti-Decimation!

Hypothetical $100,000 Portfolio

Today's portfolio value

Anti-Decimation!

Hypothetical $100,000 Portfolio

Worst case scenario

What if the panicked investor had have sold each stock at the worst possible time?
(ie. the lowest value in each case)

- Resulting cash = $49,147
- Down 51%

(this really does happen... "panic selling" = "capitulaton")

Anti-Decimation!

Hypothetical $100,000 Portfolio

Absolute Lowest Value

Stock Code	Qty	30 June 2007		Lowest Share Price			% change
		Share Price	Value	Date	Share Price	Value	
AMP	988	$10.12	$9,999	09/03/09	$3.59	$3,547	-65%
ANZ	345	$28.99	$10,002	12/02/09	$11.89	$4,102	-59%
CBA	181	$55.25	$10,000	23/01/09	$24.07	$4,357	-56%
NAB	244	$41.02	$10,009	09/03/09	$16.03	$3,911	-61%
NCM	474	$21.08	$9,992	23/10/08	$17.01	$8,063	-19%
SUN	526	$19.02	$10,005	03/03/09	$4.55	$2,393	-76%
WDC	501	$19.96	$10,000	09/03/09	$8.90	$4,459	-55%
WES	236	$42.39	$10,004	12/12/08	$14.58	$3,441	-66%
WOW	370	$27.00	$9,990	03/07/08	$23.10	$8,547	-14%
WPL	220	$45.37	$9,981	21/11/08	$28.76	$6,327	-37%
TOTAL:			$99,981			$49,147	-51%

Lowest Value:-

Is there an alternative?

Should we "hold" stocks?
or use "plan B"?

Anti-Decimation!

Compare two options

Let's compare two realistic choices:

Option 1
Hold on for the ride and take the dividends

Option 2
Liquidate key stocks at "appropriate time"
(is this realistic? feasible? do-able?)

NOW! Which option is better??
What do YOU think?...

Anti-Decimation!

Compare two options

Let's compare two realistic choices:

Option 1
Hold on for the ride and take the dividends

Option 2
Liquidate key stocks at "appropriate time"
(is this realistic? feasible? do-able?)

For our Hypothetical Portfolio, here are the results:...

Anti-Decimation!

Compare two options

Option 1 — Hold on

	Option 1 — Hold on	
	Capital	Dividend income *
Capital invested @ 30/6/2007	$99,981	
Dividend income F'08		$4,006
Dividend income F'09		$3,770
Dividend income F'10		$3,120
TOTAL Dividend income over 3 years		$10,896
Capital Value @ 30/6/2010	$80,060	
Percentage change in capital value over 3 years:	- 20%	

* Notes:
(a) Franking credits are excluded and personal tax situation ignored.

Anti-Decimation!

Compare two options

Option 2 — Liquidate

The details:

- Liquidate key stocks at "appropriate time"
- Using a pre-determined *exit strategy* (some sort of technical analysis criteria)
- Keep taking dividends on a stock until it is sold.

Anti-Decimation!

Compare two options

Option 2 — Liquidate

	Option 2 — Liquidate	
	Capital	Dividend Income *
Capital invested @ 30/6/2007	$99,981	
Dividend income FY08		$1,628
All stocks sold by 31/12/08. Capital realised:	$103,787	
Dividend income FY09		$177
Dividend income FY10		0
TOTAL Dividend income over 3 years		$1805
Capital Value @ 30/6/2010	$103,787 +?*	
Percentage change in capital value over 3 years:	+ 3.8% +?*	

* Notes:
(b) All capital has gone to cash by 31/12/08 and is available for alternative investment by either: (i) reinvest into shares as appropriate, or (ii) bank deposit, or (iii) an alternative asset class.

Anti-Decimation!

Compare two options

Options — Which is preferred?

	Option 1 — Hold on		Option 2 — Liquidate	
	Capital	Dividend Income *	Capital	Dividend Income *
Capital invested @ 30/6/2007	$99,981		$99,981	
Dividend income FY08		$4,006		$1,628
Option 1 — All stocks sold by 31/12/08. Capital realised			$103,787	
Dividend income FY09		$3,770		$177
Dividend income FY10		$3,120		0
TOTAL Dividend income over 3 years		$10,896		$1805
Capital Value @ 30/6/2010	$80,050	which is preferred?	$103,787 +?	
Percentage change in capital value over 3 years:	- 20%		+ 3.8% +?	

Notes:
(a) Franking credits are excluded and personal tax situation ignored.
(b) All capital has gone to cash by 31/12/08 and is available for alternative investment by either: (i) reinvest into shares as appropriate, or (ii) bank deposit, or (iii) an alternative asset class.

Anti-Decimation!

Compare two options

Is Option 2 do-able?

- Is Option 2 do-able?
- Or is it just fantasy?
- Do people really do this? — *Traders — probably yes* / *Investor — maybe not*
- Are you sceptical?

What do you think?

Anti-Decimation!

Compare two options

Is Option 2 worthwhile?

- This example was a "hypothetical" portfolio.
- Some people suffered much worse losses.
- Every $1,000 we can keep today, will grow over time.
- Remember the power of compound growth.

Conclusion? ...

Anti-Decimation!

Compare two options

Conclusions?

1. It can be very worthwhile to cut the losers loose
2. Minimise the losses
3. Let profits run
4. Utilise the Stop Loss!
5. A stop, is a stop, is a stop!.

GEMs

Anti-Decimation!

Summary & Wrap up

Summary

- The GFC was not a once-off event (and it will come again soon...)
- It impacted many investments
- Several technical chart indicators can forewarn of a pending "problem"

See the details in Part 2 shortly!

How to save squillions!

Take a break?

then continue
with Part 2!