

Good evening, mates!

Welcome to Wilma Wealth Management , I'm White Green, your closest investment mate!

Today, the three major indices of the Australian Securities Exchange were mixed, with the XJO Index rebounding after pulling back to the 7720 support level in the afternoon. The late surge in the index suggests optimism for the market tomorrow. To gauge tomorrow's market sentiment, we need to consider factors such as the strength of today's rebound and the overall market context. If the rebound was robust and accompanied by good volume, this might indicate that investors are confident, potentially leading to further gains tomorrow.

PLS and IEL both showed a strong rebound from an oversold position during today's session. Such a movement could influence tomorrow's trend positively if the market perceives today's rebound as a sign of underlying strength or a change in sentiment towards these stocks.

Account capital management is a crucial part of stock market investing.

Tonight, we will delve into effective account fund management, much like a hunter who uses their limited ammunition with caution—not shooting at every sighted bird but aiming carefully to ensure each shot hits its target. We'll share specific techniques for managing account fund risks, which are key to determining success or failure in investing.

Through tonight's session, I hope every participant will master practical account capital management skills. These skills not only boost your confidence as an investor but will also play a crucial role in your future investment decisions. Our goal is to maximize investment returns and minimize unnecessary risks by wisely managing every dollar.

Are you ready, mates?



The picture above shows the intraday trend chart of the XJO Index.

This morning, the XJO Index showed a weak and shaky downward trend, continuously under pressure throughout the morning's trading. However, around 14:30 in the afternoon, as the index approached the critical support level of the MA55 moving average at 7720 points, there was a noticeable shift in market sentiment. The financial, real estate, and materials sectors rebounded

from this support level, and their modest rally helped stabilize the index and led a short-term rebound.

In today's sector performance, non-essential consumer goods, healthcare, and staple sectors performed well, leading the market, while the energy, information technology, as well as real estate and financial sectors were relatively weak, with the largest declines. This differentiation between sectors reflects an inconsistency in market risk preferences.



The picture above is the daily chart of the XJO Index.

Today, the XJO Index successfully rebounded after retreating to the key support point of the MA55 moving average at 7720, thanks largely to positive performances from the heavyweight sectors in the market. As discussed this morning with the students, when the index approached this support level, it

was an appropriate time to continue holding or increasing long positions.

Today's market movement confirmed our forecast, demonstrating the substantial effectiveness of the 7720 support.

As trading nears the end of the day, the XJO Index showed a significant uplift in a rebound. If the U.S. stock market remains stable tonight, avoiding any large-scale declines, we have reason to expect the XJO Index to continue its upward trajectory tomorrow, especially considering the market's repeated confirmation of the 7720 support level. Next, the index might test the first resistance point near 7765.

In the stock market's hunting ground, the art of managing account funds is key to our success. Imagine yourself as a hunter holding limited ammunition. We don't just shoot hurriedly at the sight of a bird; instead, we carefully aim to ensure each bullet hits its target precisely. This is not only a skill but also a demonstration of wisdom.

Tonight, I'll share some skills for managing the risks associated with your account funds. These are not just skills; they are the foundation of successful investing. Proper management of account funds can help us maintain stability amidst market volatility, prevent unnecessary losses, and maximize our investment returns.

We will explore how to properly allocate account funds and adjust investment strategies based on market conditions. These are essential skills that help us not only survive but also thrive in the stock market's hunting ground.

Risk Control: In stock market investing, risk control is crucial. Reflecting on my early investing days, I once faced a situation where stock prices plummeted suddenly, which profoundly taught me the importance of managing account funds. Without proper control over account funds, that incident could have led to substantial financial loss. Therefore, I emphasize to my students that a sensible approach is to divide available investment funds into several portions, ensuring that only a small part is used for each stock purchase. This way, even if the market turns adverse, the majority of the funds remain protected. Additionally, setting clear stop-loss points is one of the key strategies to safeguard investment security. By setting stop-losses, we can exit timely during market adversities, avoiding potential greater losses and ensuring the safety and continual growth of capital. These strategies not only help us manage our personal investment portfolios robustly but are also core principles I recommend to all my students.

Diversified Investment: In stock market investing, effective fund management and risk control are key to success. Early in my investment career, I experienced investing all my capital in a single stock. Unfortunately, when that stock significantly dropped due to adverse market news, my portfolio suffered severe losses. This painful lesson made me acutely aware of the dangers of over-concentrated investments.

Since then, I have shifted to a diversified investment strategy, which involves spreading investments across multiple sectors and a variety of stocks to reduce risk. Diversification can protect the portfolio from severe impacts of any single market event, as it is unlikely that all investment areas will suffer simultaneously. For instance, while tech stocks might underperform for a period, consumer goods or healthcare stocks might show stability or growth.

By spreading my account funds across different industries and markets, I have been able to effectively mitigate the risks associated with single investments, enhancing the overall stability and potential returns of my portfolio.

In the investment world, many successful investors have faced significant setbacks, and these experiences often provide valuable lessons for other investors. Let's consider a classic investment case that illustrates the dangers of

over-investing in a single market and the importance of managing account funds effectively:



The image above shows the weekly trend chart of BHC from 2014 to 2015

Bill Ackman and his hedge fund, Pershing Square, made a significant investment in Valeant Pharmaceuticals, which turned into a classic example highlighting the risks of an over-concentrated investment strategy:

2014: Bill Ackman began making substantial investments in Valeant Pharmaceuticals, a company that used an aggressive acquisition and high pricing strategy to drive growth. Pershing Square was drawn to Valeant's business model, perceiving its growth potential as sustainable.

2014-2015: During this period, Valeant's stock price rapidly increased, at one point making it a Wall Street star. Pershing Square increased its investment stake, becoming one of its major shareholders. Ackman publicly praised Valeant's management and its business model, optimistic about the company's future prospects.

Mid-2015: Valeant's pricing strategy came under widespread criticism from the public and politicians, particularly after the company significantly raised the prices of some key drugs. The company's accounting practices were also called into question, triggering a series of legal and regulatory reviews.

September 2015: The investment community began to question Valeant's viability, and its stock price plummeted sharply.

October 2015: Reports surfaced about Valeant's opaque relationship with a pharmacy called Philidor, which further exacerbated the market's distrust of Valeant, leading to a continued steep decline in its stock price.



2016-2017: Despite the ongoing drop in Valeant's stock price, Ackman maintained his investment stance, hoping to restore the company's reputation and stabilize its business. However, as Valeant's market value continued to fall, the losses for Pershing Square grew increasingly significant.

March 2017: Ackman finally decided to sell all his shares in Valeant, ending this disastrous investment. It is estimated that Pershing Square lost about \$4 billion in this venture.

This case illustrates the potential dangers of over-concentration in a single investment and highlights the importance of applying a diversified strategy in investment decisions. Every student should learn from this example to avoid similar risks in their own portfolios. This case has become a significant lesson in the financial world, showing that even experienced investors need to rigorously manage risk and diversify investments in high-risk strategies to avoid substantial losses from single investments. Therefore, as investors, we must avoid heavily investing in just one stock.

Regular Reinvestment and Swing Trading:

In managing account funds, employing strategies such as regular reinvestment and swing trading can be very effective. For example, when the fundamentals of a stock are sound and market outlooks are positive, we can regularly allocate a portion of our returns to purchase these stocks. By buying at lower

prices and selling during short-term price increases, we not only realize profits in a timely manner but also maintain our original positions, thus capitalizing on market fluctuations to enhance our investment returns.

Take today's activity as an example: we increased our holdings in IEL shares at a price level of AUD 15.7, anticipating selling these shares tomorrow to profit from the expected price rise. The advantage of this strategy is that it allows us to enhance account liquidity and profit potential while maintaining our original investment base through precise market timing.

Furthermore, this approach helps in spreading out the purchase costs over different investment times, effectively reducing the risk exposure to a single market timing. Overall, through such operations, we not only ensure the continuous growth of our account funds but also maintain the stability and profitability of our investment portfolio under various market conditions.

#### Strict Adherence to a Trading Plan:

In the stock market, emotions can significantly impact investment decisions. In my own investing experience, I have made the mistake of greedily buying at high prices and panicking and selling at low prices, both of which led to unnecessary losses. From these experiences, I learned a crucial lesson: it is essential to develop and strictly adhere to a trading plan.

By adopting this approach, I can minimize the impact of emotions on my decision-making. Regardless of market conditions, I strictly follow my trading plan. This not only helps me avoid impulsive decisions driven by emotional fluctuations but also strengthens my trading discipline, ensuring that I can maintain consistent trading performance in a volatile market. This disciplined approach is vital for navigating the ups and downs of the stock market effectively and profitably.

#### Appropriate Position Sizing:

In the complex world of stock market investing, position sizing is one of the key strategies for safeguarding capital. In my early investing experience, I made a common mistake of overly concentrating funds in high-risk stocks. This strategy seemed flawless when the market was performing well, but it could lead to significant losses once the market direction reversed. This experience taught me a valuable lesson about the importance of diversification.

Since then, I have changed my strategy and learned to appropriately size positions, distributing funds across investments of different risk levels. Through this method, I not only reduce the impact of downturn risks in any specific market or asset class but also compensate for potential gains in other markets or asset classes. For example, I diversify my portfolio across fixed-income products, large-cap stocks, small to mid-cap stocks, and some alternative

investments, with each asset class weighted according to its risk and expected return. This balanced approach helps manage overall portfolio risk and enhances the potential for stable returns, ensuring a more resilient investment strategy.

In stock market investing, managing funds correctly and carefully selecting stocks is crucial. Typically, for most investors, holding 3 to 5 well-chosen stocks is sufficient based on the size of their account funds. The focus should be on investing in the best-performing companies within each industry sector, rather than diversifying across multiple stocks within the same sector. For example, if AGL is considered the industry leader in the utilities sector, which performed well last week, it makes sense to invest only in AGL and avoid duplicating investments within that sector.

For those students who have questions about managing their account funds and position strategy, I encourage you to show me your stock holdings and their position ratios so that I can provide more tailored advice. Through this interaction, we can not only progress together but also more effectively master the art of investing, ensuring that each investment is well-considered and wisely chosen. This hands-on approach helps reinforce the importance of

strategic investment choices and enhances your ability to manage investment risks and opportunities effectively.



The image above shows the daily chart for PLS and the weekly chart for IEL.

In today's trading, both PLS and IEL demonstrated significant price volatility. For PLS, the fluctuations observed during its upward movement can be seen as a form of shakeout, where intense price changes help to clear out less committed investors from the market. This is a common market phenomenon, typically occurring during the stages when a stock is climbing higher. As for IEL, its price volatility appears to be driven by institutional investors deliberately pressing the price down when it's low to accumulate more shares. Indeed,

according to public market information, major institutions like Goldman Sachs Group and J.P. Morgan have recently increased their stake in IEL, from 5.8414% to 6.8999% and from 8.77% to 9.97%, respectively. This behavior indicates that these heavyweight institutions are optimistic about IEL's stock price prospects and the company's long-term growth potential.

From both a fundamental and technical perspective, as long as the main trends for PLS and IEL are not disrupted, what students primarily need to do is maintain patience and wait for the market's natural fluctuations. Additionally, as demonstrated by IEL today, students can utilize price volatility for swing trading. This not only helps students gain a deeper understanding of these stocks' market performance and institutional trading tactics but can also effectively reduce the cost of holding positions.

Thank you all for your active participation and insightful discussions tonight. Before we wrap up this evening's session, I'd like to leave you with a question to ponder, to encourage deeper reflection on what we've discussed today:

Given the account capital management strategies we learned tonight, how do you plan to improve your methods of managing your account funds?

In tomorrow's session, we will continue to delve deeper into financial knowledge and strategies, enhancing your understanding of investment practices.

Have a wonderful evening, everyone, and I look forward to seeing you all tomorrow!