

G' day investors!

Welcome to Wilma Wealth Management , I am White Green, your most trusted investment companion!

On Friday, the French financial market faced a dual hit with both stocks and bonds declining. Saudi Arabia announced the end of the dollar oil agreement, and Federal Reserve officials made hawkish comments, leading to a fragmented global financial market. Under these circumstances, how will the market operate next week? I will provide a detailed explanation tonight.

Based on our forecast of the broader market, what strategies should we adopt next week? I will give a brief explanation tonight. For short-term traders, grasping the market rhythm is especially crucial.

Modern portfolio theory is one of the most classic theories in the investment market. So, what is portfolio theory, and why is it so important? Tonight, I will share an educational session on this topic.

As the brief weekend respite draws to a close, we stand at the threshold of another week filled with investment opportunities. Over the past two days, we've witnessed a commendable surge in investor participation in our risk assessment survey. As I mentioned on Friday, understanding your risk profile is the cornerstone of embarking on your investment journey. It's a crucial step that has the potential to shape your overall investment success.

Without a clear understanding of your risk tolerance, it becomes challenging to identify suitable investment markets and products that align with your financial goals. While luck may lead to short-term gains, it's essential to recognize that these windfalls are often fleeting. The market has a way of reclaiming what it has bestowed upon those who fail to align their investments with their risk profiles.

If you remain unsure of your risk profile or are questioning whether your current investment holdings align with your risk tolerance, I encourage you to reach out to Liliana after class. Together, we can embark on the journey of conducting a comprehensive risk assessment. This process will provide you with valuable insights into your investment preferences and help you construct a portfolio that aligns with your risk appetite, ensuring that your investment decisions are well-informed and strategically aligned with your long-term financial objectives.

Additionally, Liliana has diligently compiled the learning points accumulated by our respected investors over the past week. It's commendable that many of you achieved the maximum score of 150 points, demonstrating active participation and a solid understanding of course materials.

As I've continually emphasized, strengthening your market knowledge is the cornerstone of successful long-term investing and the only effective strategy to reduce systemic market risk. While the rewards may seem small, these milestones represent significant steps in your learning

journey and are worth acknowledging and celebrating.

For those who haven't accumulated many points, I encourage active involvement in the upcoming week. Form the habit of checking in daily and participating in post-class Q&As. Remember, our AUMT token plan unlocks on June 24th. Once you have earned these cryptocurrencies, we'll delve into exploring the cryptocurrency market, further deepening your understanding of the subject. To ensure the effectiveness of the upcoming lessons, I urge everyone to actively participate in our learning activities. Are you ready to immerse yourself in this collective pursuit of knowledge?

Alright, back to our teaching content for tonight. In tonight's session, we'll delve into the intricacies of the global financial landscape, analyzing key market developments from the weekend and their potential implications for the upcoming week.

#### European Stock Markets: A Tale of Woes

Despite the excitement of the ongoing European Football Championship, European stock markets failed to find solace, enduring their worst weekly performance since October 2023. France, in particular, bore the brunt of the market downturn, with its stock market shedding a staggering USD 210 billion in value – equivalent to the entire Greek economy. The prevailing political uncertainties in France and, by extension, Europe, pose a significant downside risk to global equities.

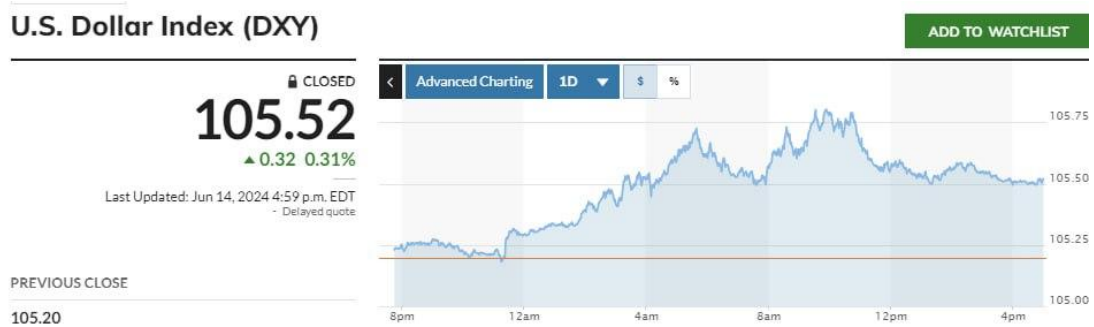
#### Hawkish Fed Rhetoric: Tampering with Rate Cut Expectations

Two prominent Federal Reserve officials, Cleveland Fed President Loretta Mester and Chicago Fed President Charles Evans, have injected "hawkish" sentiments into the market discourse. Their remarks emphasized that the Fed is unlikely to pivot towards an easing stance until it observes more compelling evidence of cooling inflation. This hawkish stance suggests that the Fed may maintain its current policy trajectory in the coming months, casting a shadow over the prospects of near-term rate cuts.

#### The End of an Era: "Petrodollar" Agreement Concludes

Saudi Arabia has announced its decision to discontinue its 50-year-old "petrodollar" agreement with the United States, signaling a shift in the established financial world order. This move could have far-reaching consequences for the global economy and the US dollar's dominance.

If Saudi Arabia decides to convert its non-dollar oil revenue into other assets, such as gold or Bitcoin, the termination of the agreement could potentially undermine the US dollar's position and contribute to an upward trajectory in the price of these alternative assets. The extent of this impact will hinge on the scale and pace of the asset conversion.



The global financial markets are all closely interconnected. We observed that after Saudi Arabia announced it would not renew the dollar agreement, Federal Reserve officials made hawkish comments. They are doing this to maintain the strong position of the US dollar.

As I've mentioned before, the US dollar and US Treasury bonds are the lifeblood of the United States. Now that the dollar-oil agreement has ended, the US dollar index has risen instead of falling. This is because the Federal Reserve is artificially maintaining it. A strong US dollar aligns with America's current interests and makes US Treasury bonds more attractive.

In today's interconnected world, political and economic developments are inextricably linked, shaping the global financial landscape and impacting our daily lives. As we delve into the complexities of this relationship, let's examine the recent market turmoil in Europe and its underlying economic roots.

The recent double whammy of falling stock and bond prices in France highlights the delicate balance between political stability and economic prosperity. Political uncertainties, often stemming from economic challenges, can trigger market volatility and erode investor confidence. This negative feedback loop, where political instability further hampers economic growth, underscores the importance of addressing underlying economic issues to foster long-term stability.

While Europe grapples with political and economic challenges, Australia stands as a relative haven of stability. However, even in this stable environment, the prolonged economic downturn has not gone unnoticed. Rising living costs due to inflation and job market anxieties are weighing on the minds of many Australians.

As ordinary citizens, we may not have the power to directly alter the global political and economic landscape. However, we can take proactive steps to adapt and thrive amidst these uncertainties. By enhancing our financial literacy, making informed investment decisions, and pursuing continuous learning, we can empower ourselves to navigate the complexities of the market and secure our financial well-being.

As we approach the upcoming week, a cautious approach is warranted in the face of prevailing market uncertainties. The combination of a lackluster performance in European financial markets, hawkish remarks from Federal Reserve officials, geopolitical tensions in the Middle East, and the looming Australian interest rate decision all contribute to a cautious sentiment among investors.

The Australian market's focus will shift to the Reserve Bank of Australia (RBA)'s interest rate decision on Tuesday. While a no-rate-cut scenario is widely anticipated, investors will closely scrutinize the RBA Governor's accompanying statement for any hints of a potential shift towards a more dovish stance in the future.

From a technical perspective, the S&P 200 index failed to sustain its upward momentum from last week, instead undergoing a significant correction. Given the current external environment, characterized by heightened uncertainties, I anticipate that this volatile trend may persist into the upcoming week. The XJO index is not immune to further downward pressure, potentially testing lower support levels.

For short-term traders, prioritizing risk management becomes paramount in this uncertain market environment. I advise avoiding stocks that have experienced significant recent gains, as they are more susceptible to profit-taking pressures. Instead, consider focusing on sectors and individual stocks that have lagged the overall market performance, such as resource stocks. This conservative approach will help mitigate potential losses during periods of market volatility.

In the current volatile market environment, maintaining positions in PLS, IEL, and CWY represents a sound investment decision. During periods of uncertainty, stocks that have experienced significant declines tend to attract investor attention as they offer relative safety and potential for rebound.

I acknowledge that some investors may express concerns regarding our current investment portfolio. However, I urge you to maintain confidence in our strategy. While temporary losses may occur, I am firmly convinced that our portfolio will outperform your current holdings in the long run. Time will bear witness to this assertion. I do not make promises lightly, and I stand behind this commitment with utmost conviction.

Throughout the weekend, I engaged in in-depth discussions with numerous investors, observing their dedication to learning. My explanations of the inverted yield curve in US Treasuries and the principles of economic cycles have equipped many investors with a clearer understanding of potential economic downturns.

This is a positive development. As I have previously emphasized, independent thinking is crucial for identifying potential issues and formulating proactive strategies. Only by thinking for yourself can you identify issues and plan ahead. When a crisis does come, you will be better prepared and more compo

I have received inquiries from some investors regarding the feasibility of short-selling individual stocks in a bearish market environment. This is a thought-provoking question, as short-selling can indeed align with a downward market trend.

While short selling can be an effective strategy for experienced investors who possess a deep understanding of market dynamics and risk management techniques, it is crucial for retail investors to carefully evaluate the potential risks and limitations before embarking on this strategy.

Short selling presents several challenges for retail investors:

**Securing Margin:** Obtaining the necessary margin to borrow and sell shares may not always be possible

**Elevated Risks:** Short selling carries significantly higher risks compared to traditional long investments. If you short-sell a stock and it experiences a sudden surge in price, you face the risk of being "squeezed" out of your position. This forced closure of your position can result in substantial losses.

**Market Manipulation:** Retail investors may be at a disadvantage compared to institutional investors with larger capital pools and greater influence over market movements.

For retail investors, it is essential to prioritize long-term investment strategies that align with their risk tolerance and financial goals. Short selling can be a risky and complex strategy that may not be suitable for all investors.

Therefore, considering the higher risks associated with shorting stocks, I have not included short positions in our investment portfolio.

If you are considering shorting stocks, it shows that you are actively thinking and searching for a more rational or optimal investment portfolio. This is a positive signal. This involves the knowledge of modern portfolio theory.

In fact, portfolio theory constantly influences our investment decisions. For instance, if all your funds are in the stock market and you buy different types of stocks to go long, that's one portfolio. Alternatively, if you go long on some stocks and short others simultaneously, that's another portfolio. Or, if you are investing in stocks while also investing in real estate, foreign exchange, or cryptocurrencies, that forms yet another portfolio.

So, everyone is always using portfolio strategies; it's just that you might not be aware of it. So, what is a portfolio, and what is its significance? Let's explain this in detail next.

A portfolio involves allocating the same amount of capital across different asset classes to achieve risk diversification while attaining the desired profit target. It is an investment theory that balances risk and reward.

A portfolio is akin to the concept of a meal combo, where multiple investment instruments are combined to avoid over-concentration in a single investment target, thereby achieving the purpose of risk diversification.

For example, if we take our money to a budget restaurant, how do we order food with a limited budget to ensure we get something delicious?

We have three choices, which can be translated into investment strategies:

1. Single order, choosing what we want to eat (selecting individual stocks).
2. Combo meal, such as (selecting funds, which can be sector funds).
3. Per capita meal, where we get a bit of everything (using passive funds, covering all stocks).

Regardless of the choice, this combination of multiple dishes represents a portfolio. In practical application, it typically consists of more than one type of security or asset.

Modern Portfolio Theory (MPT), pioneered by Harry Markowitz in the mid-20th century, revolutionized the world of investment management, introducing a systematic and mathematically grounded approach to portfolio construction. Its profound impact has reshaped investment practices and continues to influence financial decision-making today.

#### Impact 1: Unveiling the Power of Diversification

Prior to MPT, investment strategies were largely focused on individual stock selection, often lacking a structured and systematic approach to risk management. MPT shed light on the transformative benefits of diversification, demonstrating how spreading investments across a variety of asset classes could effectively mitigate risk while enhancing potential returns. This groundbreaking concept transformed the investment landscape, empowering investors to make informed decisions that aligned with their risk tolerance and financial goals.

#### Impact 2: Transforming Wall Street's Mindset

MPT's influence extended far beyond academia, profoundly impacting the practices of Wall Street investment professionals. As Markowitz's groundbreaking work gained recognition, investment managers began to embrace the principles of diversification and risk management. This shift in mindset revolutionized portfolio construction, leading to the development of more sophisticated and effective investment strategies. As Nobel laureate Paul Samuelson aptly remarked, "Wall Street stands on the shoulders of Harry Markowitz."

### Impact 3: Integrating Mathematics into Portfolio Management

MPT's introduction of mathematical concepts into portfolio management marked a significant departure from traditional investment approaches. Markowitz's groundbreaking work demonstrated how mathematical frameworks could be employed to quantify risk and optimize portfolio construction. This pioneering application of mathematics transformed finance into a more scientific discipline, paving the way for quantitative analysis and data-driven investment strategies.

#### Two Key Points of Modern Portfolio Theory:

##### Key Point 1: You Can't Have Both Fish and Bear's Paw

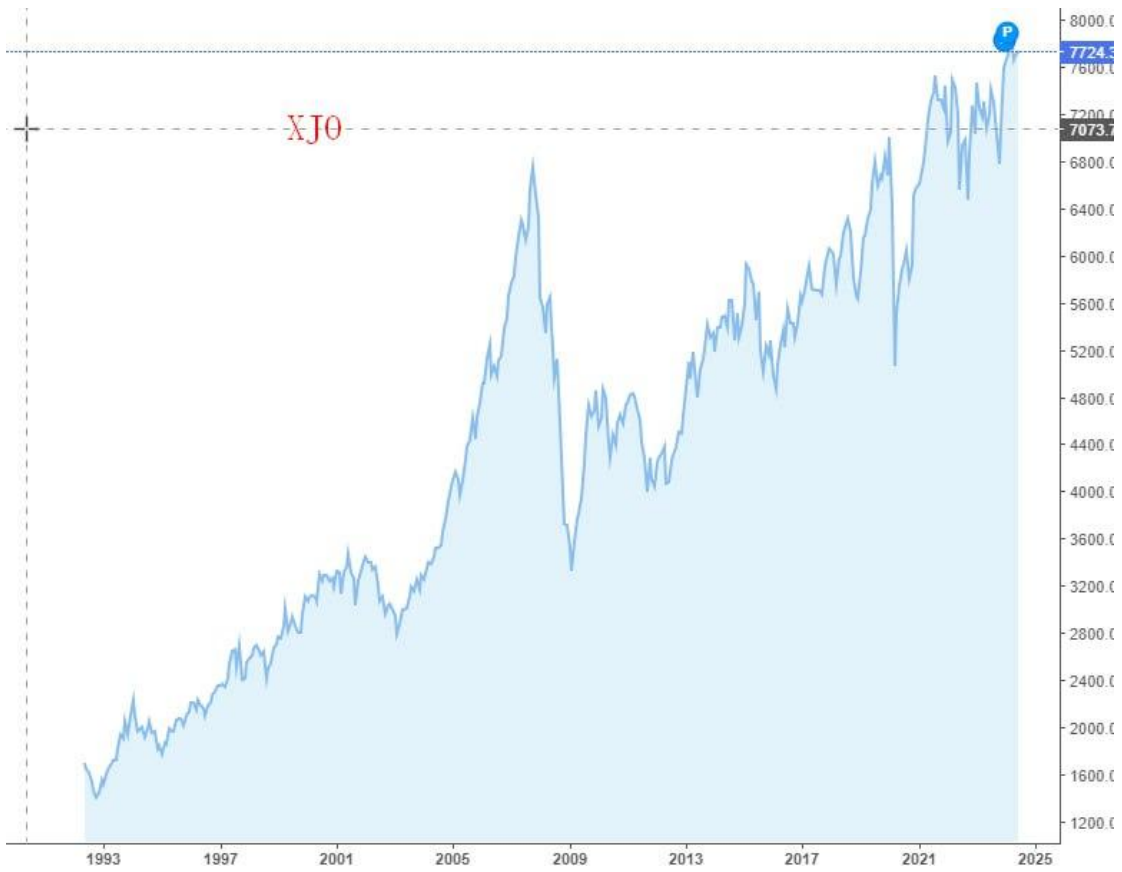
Risk and return are directly related. To achieve excess returns beyond risk-free returns, one must first take on more risk. If "risk" is a card in our hand, using this "risk" card can potentially yield higher returns, but it also comes with the possibility of adverse outcomes (asset losses).

##### Key Point 2: The Free Lunch in Financial Markets

In a diversified market, spreading investments across various assets can reduce the risk of the portfolio. Using a culinary analogy, when cooking with two ingredients, one has a great flavor but is quite spicy. For the combination to result in a better overall flavor, it must be worth including the spicy ingredient.

In financial markets, the flavorful but spicy ingredient could be stocks; the milder, more soothing ingredient could be real estate or bonds. For the best combination, these ingredients should have low correlation with each other. Combining various ingredients to achieve the best flavor results in the optimal investment portfolio. Each flavor in investment theory becomes an "efficient frontier."

In summary, Modern Portfolio Theory addresses how to reduce risk while maximizing returns.





The preceding discussion on Modern Portfolio Theory (MPT) and its principles of risk-return trade-off and diversification may seem abstract. To illustrate these concepts in a more tangible manner, let's consider a real-world example:

Scenario: Imagine an investor who has been consistently investing in a diversified portfolio comprising 50% allocation to the S&P/ASX 200 (XJO) index and 50% allocation to gold since 1992.

XJO Index: From 1992 to present, the XJO index has risen from 1,600 points to 7,724 points, representing a remarkable 6,124-point increase or a 3.8-fold jump.

Gold Prices: Over the same period, gold prices have surged from \$373 per ounce to \$2,349 per ounce, translating to an impressive \$1,976 increase or a 5.3-fold appreciation.

By adopting a diversified approach, allocating half of their investments to the stock market (XJO index) and the other half to gold, this investor has potentially achieved a higher overall return compared to solely investing in stocks.

The true power of diversification is perhaps best exemplified during the 2008 financial crisis. While the XJO index experienced a dramatic plunge from 6,800 points to 3,300 points, gold prices exhibited a relatively milder decline, falling from \$990 per ounce to \$720 per ounce.

Significantly, gold prices quickly rebounded from the 2008 crisis, reaching new highs. This resilience provided a valuable buffer against the stock market's downturn, demonstrating the benefits of diversification in mitigating overall portfolio risk.

This real-world example vividly illustrates the effectiveness of diversification, a cornerstone of MPT. By spreading investments across different asset classes, such as stocks and gold, investors can potentially enhance their overall returns while reducing portfolio volatility and safeguarding against market downturns.

This is the significance of a portfolio; it can diversify our investment risks. Of course, determining how much capital to allocate to stocks, gold, or other assets involves addressing the second issue of portfolio management: how to maximize profits and meet your predetermined profit targets.

For example, if you aim to earn 10 million in 2024, how will you achieve this profit target? How much capital will you need? How much should you allocate to the stock market, and how much to other assets to ensure you meet your profit goals?

In fact, many of our investors are already practicing portfolio management. For instance, many of you have invested in stocks, but you also have investments in real estate, US dollar time deposits, gold, cryptocurrencies, and so on. Unknowingly, you are already building a portfolio.

However, whether your portfolio is optimal, suitable for you, and capable of helping you achieve

your profit targets needs to be assessed.

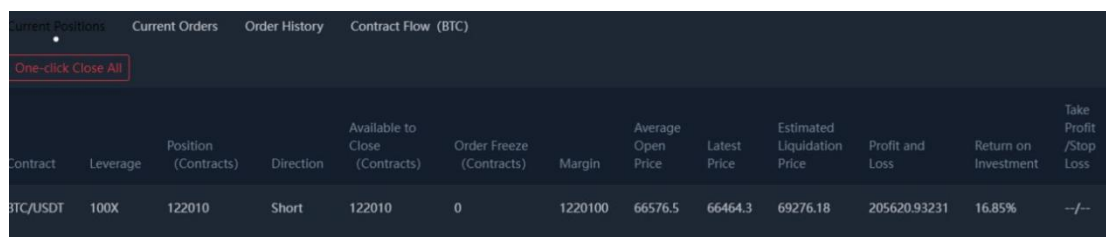
While the recent surge in stock markets, particularly the US market, may tempt some investors to focus solely on equity investments, it's crucial to recognize the limitations of this approach.

Consider the contrasting performance of two asset classes: the Nasdaq Composite Index and Bitcoin. While the Nasdaq has witnessed a remarkable 70% increase from 10,000 points to 17,000 points in the past year, Bitcoin's surge has been even more dramatic, skyrocketing from \$16,000 to a peak of \$73,000, representing an astonishing 356% gain.

This stark contrast highlights the potential benefits of diversification. By allocating a portion of their funds to Bitcoin alongside their stock investments, investors could have potentially achieved a significantly higher overall return compared to a purely stock-based portfolio. This diversification would have brought them closer to achieving their initial profit targets.

Therefore, from a financial analyst's perspective, constructing a diversified portfolio is always advisable, no matter the market conditions. Diversification offers a two-pronged approach: it helps spread risk across different asset classes, and when done strategically, it can potentially unlock returns that surpass individual asset bets. It's a win-win situation, so there's really no reason not to take advantage of it! I trust these examples have provided a clearer picture of Modern Portfolio Theory and its practical applications.

The benefits of diversification extend beyond risk mitigation. By carefully selecting assets with promising investment prospects and constructing a well-balanced portfolio, investors can potentially achieve superior returns that surpass those of single asset bets. This approach, in essence, allows investors to reap the rewards of both risk reduction and enhanced profitability.



The screenshot shows a trading interface with a dark theme. At the top, there are tabs for 'Current Positions', 'Current Orders', 'Order History', and 'Contract Flow (BTC)'. Below the tabs, there is a red button labeled 'One-click Close All'. The main area contains a table with the following columns: Contract, Leverage, Position (Contracts), Direction, Available to Close (Contracts), Order Freeze (Contracts), Margin, Average Open Price, Latest Price, Estimated Liquidation Price, Profit and Loss, Return on Investment, and Take Profit / Stop Loss. A single row of data is visible for a BTC/USDT contract with 100X leverage, 122010 contracts, and a short position. The profit and loss is 205620.93231, and the return on investment is 16.85%.

Contract	Leverage	Position (Contracts)	Direction	Available to Close (Contracts)	Order Freeze (Contracts)	Margin	Average Open Price	Latest Price	Estimated Liquidation Price	Profit and Loss	Return on Investment	Take Profit / Stop Loss
BTC/USDT	100X	122010	Short	122010	0	1220100	66576.5	66464.3	69276.18	205620.93231	16.85%	--/--

For instance, with our stock market on break, I capitalised on the cryptocurrency market's 24/7 operation by nabbing a tidy \$100,000 profit on a Bitcoin contract over the weekend. While most investors were on the sidelines, I was still making money. This certainly brings me closer to smashing my profit target!

Given this successful diversification strategy, you might be tempted to revise your profit targets upwards. For example, if your initial stock market target was 50%, incorporating other asset

classes like crypto into your portfolio could potentially push your overall target for the year to a cracking 100% or even a whopping 200%. This perfectly demonstrates the power of diversification in boosting your profit potential.

The current economic, political, and stock market climate further underscores the importance of diversification. By spreading your investments across a range of asset classes, you can potentially mitigate the impact of market fluctuations and enhance your overall risk-adjusted returns.

In conclusion, tonight's lesson has hopefully provided a fresh perspective on the concept of diversified portfolios and its crucial role in achieving financial success. Given the dynamic environment we're navigating, embracing diversification is no longer an option, it's a necessity!

As we conclude today's session due to time constraints, I would like to express my sincere gratitude to all participants for their enthusiastic engagement. I will be providing a detailed analysis of individual stocks within our portfolios in tomorrow's morning briefing.

I strongly encourage you to take some time to review your current investment portfolios. This includes assessing your investments in real estate, gold contracts, and other asset classes. Consider whether these investments align with your risk tolerance, are optimized for your goals, and have the potential to help you achieve your financial objectives.

Remember, the ideal investment portfolio strikes a balance between risk mitigation and profit maximization. Most importantly, it should be tailored to your specific risk tolerance and financial profile. If you have any questions or concerns regarding your current portfolio, please feel free to reach out to me or Liliana for further discussion.

Tonight's quiz:

- 1.What are the three impacts of Modern Portfolio Theory?
- 2.What is your financial goal for 2024?

Share your answers to these questions with Liliana, and you will receive 20 points regardless of whether your answers are correct or incorrect.

I hope tonight's session will stimulate your thinking, and everyone can recognize the importance of portfolio management.

Knowledge changes destiny, and learning achieves wealth dreams!

Good night, my dear investors!