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

Today, the market fluctuated and closed lower, which aligns with our expectations. Tomorrow is the Reserve Bank of Australia's interest rate meeting, so how is the market expected to react? Tonight, I'll provide an explanation.

In tonight's session, we'll take a broader perspective and delve into my thoughts on our investment portfolio's individual stocks.

Building on our previous discussion of investment portfolio theory, I'm pleased to see that many investors have grasped its significance. In response to inquiries about crafting a personalized investment portfolio, we'll continue to share valuable insights into this topic tonight.

In today's market environment, investors have adopted an extremely cautious approach ahead of tomorrow's interest rate decision and Reserve Bank Governor Bullock's monetary policy press conference, significantly suppressing the market's bullish sentiment. Additionally, today's economic data from China showed a clear decline, further exacerbating concerns about the prospects for China's economic recovery. Notably, data released by the National Bureau of Statistics of China indicated that nationwide real estate development investment from January to May dropped significantly by 10.1% year-on-year, with residential investment falling by 10.6%. These figures have had a noticeably negative impact on market sentiment.

In this context, the market's bullish sentiment was insufficient throughout the day, and as we predicted in our morning analysis, the XJO index fell back to around the 7700-point mark. On the trading floor, among the 11 major sectors, telecommunications, healthcare, and financials performed well, rising by 0.68%, 0.38%, and 0.3% respectively. In contrast, the information technology, energy, and materials sectors underperformed, each falling by more than 1%, indicating a weak profitability effect in the market.

The XJO index continued its weak consolidation at low levels today, breaking last week's narrow range oscillation. After losing the MA89 moving average today, all moving averages have subsequently fallen below their levels on the indicator. The MACD histogram shows red momentum bars continuing to expand, while the KDJ indicator continues to exhibit a bearish crossover and downward trend. Overall, the short-term trend of the XJO index remains bearish.

Currently, the market generally expects that a rate cut may not occur until April 2025, while interest rate futures indicate a 70% chance of rates being lowered to 4.10% by December. Looking ahead to tomorrow's market, the Reserve Bank of Australia (RBA) is expected to keep rates unchanged at its upcoming meeting. Despite inflation remaining high and a tight labor market, which might prompt the central bank to issue another warning about rising prices, the central bank may need to strike a delicate balance in maintaining high rates due to weak consumer demand and economic growth of just 0.1% in March. This policy stance could potentially have a dampening effect on the sharemarket tomorrow.

As the broader market navigated a challenging landscape today, our investment portfolio exhibited a mixed performance. While IEL demonstrated a resilient rebound, PLS and CWY continued to lag behind, mirroring the overall weakness in the resources sector.

The decline in resources stocks has prompted many analysts to attribute it to sluggish global economic growth and subdued demand. While this perspective holds some merit, it fails to explain the contrasting strength of technology stocks in the US market.

If indeed the global economy is facing headwinds, why would the stock market, often considered a barometer of economic health, not reflect this?

I believe the underperformance of resources stocks can be viewed as a manifestation of intensifying global geopolitical tensions, particularly in the context of the US's technological dominance. The US holds a commanding position in the technology sector, while control over global resource pricing largely resides with Wall Street.

By suppressing resource prices, the US can effectively hinder the growth of other economies worldwide. This strategy also serves to contain domestic inflation, as the US remains a major consumer of resources.

While resources undoubtedly serve as the lifeblood of the economy, it's crucial to acknowledge the transformative power of technology. Technology, often perceived as the epitome of progress, is deeply intertwined with resource consumption.

Consider the burgeoning field of artificial intelligence (AI). Its widespread adoption will inevitably lead to a surge in electricity demand, ultimately reliant on resource extraction.

As geopolitical tensions intensify, the strategic importance of resources becomes increasingly evident. Despite sanctions imposed on Russia, many nations continue to engage in trade with them, recognizing their resource-rich status. While advanced technology may not be universally essential, energy and resources are indispensable.

In light of these considerations, I believe resource prices are currently undervalued, barring a genuine economic recession. Even in the event of an economic downturn, I anticipate a more severe correction in the currently overvalued technology sector, mirroring the dot-com bubble burst of 2000.

Therefore, regarding PLS, although it is currently resulting in a paper loss, please trust me that when we extend the time span, it often proves to be the safest investment.

I'm not sure if tonight's explanation will ease everyone's concerns, but I understand that temporary losses can be unsettling. It's important to remember that this is part of investing, and market fluctuations are something we must endure. For those of you who experienced the market crashes of 2000 and 2008, you might find it easier to accept the current downturn.

In the investment market, time and experience are invaluable assets that significantly enhance our resilience. As I've mentioned before, only stocks with intrinsic value are worth holding onto for the long term.

Regarding PLS and CWY, I am formulating a detailed plan to turn the losses around. I will continually refine my strategy and aim to implement it by the end of this month. In short, my commitment to you remains unchanged. Your trust and support continue to be the foundation for my unwavering dedication to this work. Furthermore, my professional ethics also oblige me to fulfill my commitments.

I acknowledge the growing concern surrounding the diminishing profitability of the stock market. This anxiety is understandable, particularly in light of the mounting financial pressures faced by individuals and the inherent uncertainties surrounding the future economic landscape.

Proactive financial planning is crucial in navigating these challenging times. As I discussed in our previous session on modern investment portfolio theory, building a well-structured investment portfolio is essential for achieving long-term financial goals.

The cornerstone of portfolio construction lies in understanding your risk tolerance. This involves assessing your comfort level with potential investment losses and your ability to withstand market fluctuations.

Once you have a clear understanding of your risk profile, you can establish realistic profit objectives that align with your risk tolerance. Remember, higher potential returns often come with a commensurate increase in risk.

In our group, investors come from diverse backgrounds and levels of experience. Some are just beginning their journey in the financial markets, while others, like myself, have been studying the financial field for decades. Regardless of experience, our common goal remains clear and unified: to achieve asset appreciation. This shared objective is the fundamental driving force behind our constant search for and pursuit of trading opportunities in the financial markets.

Among our investors, some hope to alleviate life pressures and strengthen their economic foundation through financial market investments. Others view it as a means of livelihood or a tool for entrepreneurship. Some aim to achieve significant success in financial investments to realize their dream of early retirement. Additionally, some already retired members wish to expand their passive income through investments to combat inflation and ensure a comfortable retirement.

I invite each investor to reflect on their original motivation for entering the financial markets. Understanding your motives not only helps clarify your investment goals but also assists in devising more precise and personalized investment portfolio strategies. So, I ask everyone: what was your initial motivation for entering the financial markets?

In the financial market, regardless of our mindset, our primary goal is always to seek asset appreciation. Therefore, setting a clear investment objective is crucial. You need to first ask yourself: What is my market investment expectation for this year? Every successful action in life requires a clear goal to guide it, and investing is no different. If you are not clear about the amount you want to earn, how can you formulate an effective investment portfolio strategy, and how can you achieve these goals?

I often emphasize that the outcomes of goal-oriented investing and aimless investing are vastly different. Investing without a clear objective is akin to gambling, and the results of gambling are rarely as desired. You might gain some short-term returns due to luck, but this kind of incidental success cannot be sustained in long-term market competition. Ultimately, investors without clear goals often become victims of the market, unable to escape the volatility and failure that rely solely on luck.

As an experienced professor and investor, I deeply understand the importance of setting clear investment goals for achieving success. Throughout my career, I have consistently adhered to detailed long-term and short-term investment plans. For example, starting at the age of 25, I set a ten-year investment goal. By the time I was 35, I had achieved my wealth accumulation target and reached financial freedom ahead of schedule.

Therefore, I strongly recommend that each investor establish specific investment goals for one year, five years, and ten years based on their financial situation and risk tolerance. These goals should be realistic, suited to individual investment styles and life needs, and should avoid overly aggressive expectations, such as doubling or tripling one's capital in a short period.

Principal	Loss Percentage	Remaining Principal	Recovery Ratio
100	-10%	90%	+11.11%
100	-20%	80%	+25%
100	-30%	70%	+42.85%
100	-40%	60%	+66.66%
100	-50%	50%	+100%
100	-60%	40%	+250%
100	-70%	30%	+333%
100	-80%	20%	+400%
100	-90%	10%	+1000%

So, how can we adhere to the principle of steady profits? Here, I'd like to explain the concept of compound interest. For instance, if our annual profit target is 100% or 120%, we can break this annual goal down into monthly targets, which might be an 8% monthly return. This way, we can achieve our annual profit target more systematically.

Investing requires a compound interest mindset, making the goals clearer. As long as we achieve the monthly profit targets, the annual goal will be met smoothly. This approach also significantly reduces the difficulty of achieving the annual profit target. Similarly, if you have a five-year investment plan or aim to retire in a certain number of years, we can set an annual return rate and use compound interest to achieve it.

Even if you currently have only AU$100,000, maintaining a monthly return of 10% means:
After one month, you'll have AU$110,000.
After two months, you'll have AU$121,000, and so on.
After one year, you'll have AU$313,837.70.
If you can maintain an annual return of 30%, then AU$100,000 will become AU$1,379,000 in 10 years and AU$19,000,000 in 20 years.

From this, we can see that achieving a stable average return each year and selecting high-return investment options is crucial. There is a significant difference between a 10% and 30% return compounded over 10 years. Additionally, the starting point matters; AU$100,000 and AU$1,000,000 compounded over 10 years yield vastly different results. Different approaches lead to different wealth outcomes, and this is how wealth gaps are created.

The reason I was able to achieve personal and family financial freedom over a decade ago was by leveraging the power of compound interest. Time is our friend, and the power of compounding is fully realized in long-term investments.

Of course, if your cognitive abilities are lacking and you don't have a solid investment portfolio, and you lose 10% annually, calculate how much wealth you will have left in 10 years. Even if you currently have AU$100 million, losing 10% annually on average (excluding inflation, currency depreciation, and other unfavorable factors) means:

After the first year: AU$100 million * 0.9 = AU$90 million
After the second year: AU$90 million * 0.9 = AU$81 million
After the third year: AU$81 million * 0.9 = AU$72.9 million
After the tenth year: AU$34.87 million
So, compound interest can be very powerful. We need to learn to use compound interest thinking to pursue steady profits. Even if you simply save your money in the bank without investing, your wealth will significantly shrink after 10 years due to inflation and currency depreciation. Will you still be able to enjoy your retirement?

Therefore, we must invest and do it well. Whether you have money or not, if you currently don't even have AU$10 million, we need to think about how to achieve an average annual return of 30%. Only then can we have a chance to achieve financial freedom, enjoy a comfortable retirement, and spend time with our loved ones.

Therefore, when setting profit targets, it is essential to break them down and determine the monthly and annual return rates. By advancing steadily and applying compound interest thinking, we can achieve our wealth goals and live the life we desire.

The most crucial point here is how to ensure stable profits over a certain period. This is the core of an investment portfolio because it directly determines whether we can achieve our final profit targets.

Especially in the current stock market environment, the profit-making effect is significantly less than last year. If market conditions continue to be poor, this year's investments will face shrinkage, moving us further from our wealth goals.

How many times can your principal withstand the losses brought by compound interest if you fail to avoid risks once, twice, or thrice? Repeatedly failing to avoid risks may lead to consecutive losses of your principal. In the context of a potentially prolonged global economic downturn, we must ask ourselves: Can we withstand such shocks? Is our investment strategy resilient enough to weather these tough times?

In the current market environment, our primary task is to ensure that our investment portfolio achieves stable returns over monthly, quarterly, half-yearly, and yearly time frames. Since May, the profitability of the stock market has noticeably weakened, which is a signal that cannot be ignored. Considering the potential for a significant adjustment in the US stock market in the second half of the year, it will make profit opportunities in the Australian stock market even more challenging.

Observing the recent market trends, especially with leading resource stocks like RIO, PLS, and FMG, they have shown bear market patterns similar to those in 2022, indicating that profit opportunities are becoming scarce. In such a scenario, building a diversified investment portfolio is particularly important. This is key to ensuring stable profits.

Regarding the principles and importance of an investment portfolio, I have previously discussed that the core of an investment portfolio is to reduce risk and pursue maximum profit.

A well-diversified investment portfolio involves investing in multiple assets while limiting the exposure to each asset. This way, even if individual assets underperform, their impact on the overall portfolio is minimized.

Diversifying investments by allocating funds across different types of assets is aimed at reducing risk. So, how can we ensure maximum profit while doing this?

This depends on whether the investment types you choose have investment value, that is, whether their prices are likely to increase in the future and how much potential for growth they have. By allocating funds to a few high-value investment types, our monthly and annual return rates will be higher, enabling us to meet or exceed our profit targets.

Consider a narrow asset allocation strategy: if you put all your funds into a single asset class like stocks, your entire portfolio will either rise or fall together, which poses a significant risk. Especially if the economic outlook for the next few years aligns with our analysis, financial stocks will be most affected. Historically, during every financial and economic crisis, financial stocks have suffered the most severe declines.

Statistics from the historical performance of 82 large U.S. pension funds show that over 90% of their returns come from asset allocation.Currently, major asset management companies generally implement diversified asset allocation strategies. The most famous is the 60/40 investment portfolio theory, which involves allocating funds in a 60/40 or 40/60 ratio to stocks and bonds, and other financial derivatives, depending on the specific economic environment of each period.

When the stock market is performing well, allocate 60% of your funds to the stock market and 40% to the bond market or other markets. Conversely, when the stock market is underperforming, reverse this allocation.

Since the inception of the Dow Jones Index, the 4/6 investment portfolio allocation strategy has consistently outperformed other single-market fund companies in terms of overall returns. This highlights the importance of reasonable asset allocation. It can balance market risks, pursue stable average returns, and when combined with the concept of compound interest, it can yield profits significantly higher than those of others.

Many of you may lack a clear understanding of asset allocation because you haven't been in the investment market long enough and haven't experienced major economic or financial crises. I recommend looking back at history, particularly the Great Depression of 1929 and the severe economic downturns of the 1970s-1980s, to gain deeper insights and understanding.

For the benefit of our many new investors, let's discuss the 2008 financial crisis. In November 2007, the Dow Jones Index peaked at 14,280 points. By November 2008, it had fallen to a low of 7,390 points, a nearly 50% decline. If you had AU$1 million, it would have decreased to AU$500,000 in just one year.

If you have AU$1 million to invest, a wise asset allocation strategy might be to invest half of the funds, AU$500,000, in the stock market, and allocate the remaining AU$500,000 to fixed deposits or physical gold and its derivatives. Looking back at 2008, the Reserve Bank of Australia's cash rate dropped from 6.75% at the beginning of the year to 4.25% by the end of the year. If we calculate the returns on fixed deposits at an average annual yield of 5%, and assume a 50% loss in the stock market, the importance of asset allocation becomes evident.

Specifically, in such an allocation, although the investment in the stock market suffers significant losses, the stable returns from the fixed deposit can partially offset this loss. Ultimately, the actual loss of total funds would be 22.5%. Compared to the greater potential loss of investing all funds in the stock market, this risk diversification strategy is clearly more prudent. This demonstrates the crucial role of asset allocation in protecting investment capital and mitigating market volatility.

You might argue that the XJO index will eventually recover and reach new highs, and as long as we don't sell, we won't incur any losses. While this is true in theory, have you considered the time cost of your capital?

In financial investment, maintaining a long-term perspective and managing time cost is crucial. We often discuss that even if the market eventually rebounds and the XJO index hits new highs, theoretically, we won't realize any losses if we hold our positions. However, this approach overlooks the time cost of capital. With effective asset allocation, we have the opportunity to use idle funds to buy at the bottom during market downturns, thereby achieving higher returns when the market recovers.

I have always emphasized that investing is a marathon, where endurance is more crucial than a short sprint. Having experienced the 2008 financial crisis and the 2019 pandemic shock, we should have a deeper understanding of the importance of asset allocation. Currently, the world is facing unprecedented debt levels — the global GDP is $105 trillion, while total debt amounts to $305 trillion. This scale of debt means that any new monetary easing policies could trigger more severe inflation and social unrest.

Therefore, in this market environment, which is completely different from the past, any new crisis that erupts may last longer, as the room for monetary policy maneuvers is extremely limited. This is why we need to allocate our assets wisely to ensure stability and growth amidst future uncertainties.

So, regardless of your financial situation, reasonable investment planning and asset allocation are crucial. There are numerous investment options in the market, including stocks, cryptocurrencies, real estate, funds, bonds, forex, gold, and commodities. In future sessions, I will provide detailed analyses of these asset classes, helping you identify price trends and investment potentials. The goal is to assist participants in achieving a stable growth target of 10%-30% monthly return through diversified investment portfolios.

Tomorrow's session will focus on the Australian real estate and gold markets. Through in-depth analysis, we aim to expand your financial perspective and assist you in developing a personalized asset allocation strategy.

To summarize how to plan an investment portfolio:

1. Understand your risk profile.
2. Set profit targets that match your risk profile.
3. Break down this profit target into monthly, half-yearly, and yearly goals.
4. Identify investment opportunities that have significant potential and align with your risk profile, and allocate funds reasonably across these investment options.

Ensure each period's profit target is met, and effectively use compound interest thinking. Does everyone understand now? If anyone still has doubts, feel free to leave a message for me or Liliana. I will create a reasonable and optimal investment portfolio tailored to each investor. Let's work together towards our profit goals!

Of course, since our current stock performance is not satisfactory, I will also be developing a detailed profit recovery plan. Stay tuned, everyone!

Due to time constraints, today's course discussion will end here. For our portfolio stocks, I will provide a detailed analysis in tomorrow's morning review. I sincerely thank every participant for their enthusiastic involvement!

Tonight's quiz:

1. If you start with AU$100,000 and achieve a 10% return every month, how much will your investment grow to after one year?
2. What is the core of an investment portfolio?

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

If you still don't know how to create an investment portfolio that suits you, make sure to leave me a message!

Wishing everyone a wonderful evening, and we will continue our in-depth discussions and exchanges tomorrow. Good night, my dear investors!