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## Latest Update on our Upcoming Super 10 ETF Portfolio

By John Atkinson

### 1) Recap

In last week's Wrap, I explained that at a dinner a few months ago, my friends and I discussed ways on how to create *"..extra wealth through additional multiple income streams"* -in addition to trading /investing in the share market.

In particular, the general feeling was that bank interest for deposits was now very low at around 3% and that rental yields from real estate were in the order of 5% or less and these came with possible tenant hassles and maintenance costs.

That night, I mentioned the use of Exchange Traded Funds (ETFs) as a practical alternative addition for investors looking to create extra wealth to ADD to their share trading and investing portfolios, without the need for tenants or loans – and with the potential to outperform real estate yields and Bank deposit returns if done properly.

My suggestion was obviously a new concept to my friends, so I shared briefly some facts re the Australian ETF market from my own reading (as part of my ongoing annual training):

- In the year to May 2017, funds under management rose by 25% or \$5.8 billion. This gain was composed of both capital gains and net new money. Overall, the capitalisation of the ASX ETF market is now around \$29 billion.
- The number of ETF investors has grown to 265,000, so over a quarter of a million Australians now have ETFs in their portfolio, with 63,000 new ETF investors added in the last 12 months, the largest number added in a 12-month period in Australia,"
- The increased liquidity and accessibility of ETFs is attracting investors of all ages – from Millennials (those born in the early 1980s to mid-1990s) through to baby boomers/retirees

I explained that the following re ETFs was general advice only (so may not apply to them):

1. Unlike real estate, there are no legal fees, stamp duties or LMI loan fees on settlement and if you need cash at any time, you do not have to sell the whole investment
2. ETFs can be bought and sold simply, just like shares, except there is a small management cost (in the order of ~ 1 to 2 %)
3. Similar to shares, many ETFs pay dividends, which allow extra yields to be added to capital growth

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4. Generally, ETFs are NOT stock specific - they are typically spread across many components. As a result, they tend to be less volatile than individual shares.
5. There are over 250 ETFs in Australia alone (and many more available for investors in other countries such as USA).
6. Originally, ETFs were based on key Indices. e.g. ASX200, S&P500 etc. With the ever increasing range of ETFs, Australians can now invest in many markets, including global banks, emerging/Asian/European markets, global health and many more - without the need to leverage, open international accounts or worry about exchange rates.
7. The addition of ETFs can be regarded as a natural progression for those investors and traders (e.g. after they have learnt how to trade shares safely and wisely) -- as another "*string to their bow*" as an additional income stream for creating wealth.

Since that memorable dinner conversation with friends, behind the scenes I have spent the last few months back at the drawing. Over that time, I have personally and manually studied the chart patterns of over 250 ETFs in Australia one by one.

My aim was to design an ETF Portfolio with **10 ETFs in rising trends**, such that Investors:

- 1) Can join us at any time once its opened, then invest in *exactly the same ETFs* AND
- 2) Thereby match the performance of that ETF Portfolio on a monthly basis.

To do so, here are just 4 of the key problems which needed to be solved:

1. How to choose WHICH 10 of the 250 ETFs to include?
2. Once ETFs are in stable rising trends, they tend not to correct and give as many JB Volatility Blue Bar Entry Signals as shares - so I needed to develop *a new Initial Entry approach for ETFs*
3. For investors who miss the initial entry, but want to enter the same trade later, I also needed to find a new and easy-to-follow method - with a range of safe entry prices.
4. New Money and Risk Management Rules, designed specifically for this ETF Portfolio. After all ETFs are still subject to unexpected market movements and global events.

In Edition 640, I announced that after months of trial and testing, the previous week I was **very** excited when I '*cracked the code*' and discovered practical and realistic solutions to the 4 key problems above.

I concluded with "*...behind the scenes, Jim and I are now reviewing and 'tweaking' this discovery. Then, when we're completely happy with the final design, we plan to announce the launch of the new '**Super 10 ETF Portfolio**' - and make it available to a limited number of investors initially*".

## 2) This week's Update

Our sincere thanks to all the many Members who wrote in this week to express interest in the upcoming '*Super 10 ETF Portfolio*' and requested to be placed on our Wait List - so they can be one of the first to be informed when we launch.

We have been absolutely overwhelmed by the interest, so we're very pleased to see you share our enthusiasm for this new initiative.

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As an update, the following are 10 important FAQs and our replies:

### Q1. Will the Super 10 ETF Portfolio be run like Jim's Signals Services?

Yes, very similar except that in Jim's Trading and Investing Signals Services, we add new Entry (and Exit) Signals as they occur. As Members join at different times, no two Signals Members have the same shares in their portfolio.

For the Super 10 Portfolio, we will have 10 ETFs and once that Portfolio is 'full' there will be no need to add new Entry Signals until one/some of them are exited.

### Q2. How will you select the ETFs?

As mentioned above: *"Once ETFs are in stable rising trends, they tend not to correct and give as many JB Volatility Blue Bar Entry Signals as shares."*

If we have a space to fill in the Portfolio and a suitable looking ETF is providing a JB Volatility Blue Bar Entry Signal at that time, then we may choose to include it in the new Super 10 ETF Portfolio, in this Report's notional Portfolio and/or in Jim's Trading and Investing Signals Services.

In addition, for the *Super 10 ETF Portfolio only*, we will also select ETFs in strong rising trends from the list of over 250 available, using the processes I have developed over recent months.

Similar to the Signals Service, for any new Entries, we will notify ETF Portfolio Members:

1. Name and ticker code
2. Dividend Yield, as applicable
3. Maximum suggested Entry Price
4. My new ETF Initial Stop
5. Corresponding Trade Risk (%) and Portfolio Risk(%) on each trade

### Q3. How will you manage the ETF Exits?

The Super 10 ETF Portfolio will be primarily for investors looking for long term capital growth, coupled with dividend yield (as applicable).

It will therefore be managed by us each weekend using *weekly charts*, including the switching from my new ETF Initial Stop to Jim's Trailing Stop when the conditions warrant the switch.

Each weekend we will monitor each position and if any of the 10 ETFs have given an exit Signal by triggering an ETF Initial Stop or Trailing Stop, we will:

- a) Issue an Exit Signal for the following Monday
- b) Enter the result in an ongoing table of closed ETF Portfolio trades for full disclosure, future analysis and reporting purposes
- c) Look for a replacement ETF and notify the new Entry Data (see Q2 above) to ETF Portfolio Members

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#### Q4. What happens if an ETF suddenly falls or the market crashes?

In addition to weekend monitoring of the 10 ETFs using weekly charts (Q3 above), each night we will also monitor these positions using *daily charts* too.

If any of the ETFs trigger my new ETF Hard Stop or Jim's Emergency Stop (when his Trailing Stop is active) then we will notify ETF Portfolio Members of a midweek exit for the following day.

#### Q5. Why 10 ETFs?

From his reading, Jim has found that the optimal portfolio contains 8 to 12 positions.

For this Report's notional Portfolio and Jim's Signals Service we adopted a notional \$100k Portfolio of 8 x \$12,500 positions.

For our upcoming Super 10 ETF Portfolio, we have selected 10 positions e.g. for a notional \$100k portfolio, this equates to 10 x \$10,000 positions.

As always, for those with smaller portfolios, we suggest that the minimum position size should not be less than about \$5,000, otherwise transaction costs may impact the overall results.

#### Q6. Will the ETFs be worldwide?

Yes. Initially the Super ETF Portfolio will contain ETFs available in Australia and these will cover markets from around the world, with no need to consider open international accounts or factor for exchange rate changes.

Once this new initiative is '*bedded in*', later we may also consider adding another Portfolio containing ETFs which may be purchased overseas, e.g. USA.

#### Q7. Will you include ETF trading?

The ETFs we will be focussing on will be in smooth rising trends with low volatility, in line with Aesop's Fable "*Slow and steady wins the race*".

Accordingly, at this stage there are no plans to include a Trading ETF Portfolio.

#### Q8. Why are you limiting the number of Members?

Our 2 primary reasons for limiting the number of Members are

1. **Back-End:** This week, we have asked our web guys to add a new ETF Portfolio Membership area to our website, similar to the ones we already have in place for this Report and Jim's Signals Services.

This will take a finite time to develop and test, so in the meantime, we will manually keep track of new Members as you join and personally email out the ETF Portfolio each weekend.

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2. **Liquidity:** We do not want to risk being in a situation of controlling the market at any time.

Similar to Jim's Signals Service, the upcoming Super 10 ETF Portfolio will be for the use of private individuals – and not for brokers, financial advisors or anyone else connected with financial media, etc. without our permission.

### Q9. How do you propose to start?

When we launch, initially we will give preference to those who have contacted us prior to be placed on our Wait List.

We will email them a link to a new page we will place on our website where they will be able to read more and become a Member if they choose.

In the future, ETF Portfolio Members will be taken to a new Membership area (to download the Portfolio. Meanwhile, the site will automatically email you the Portfolio when you join and we will email you weekly updates (see Q8.1 above)

There will be a separate Membership rate for those wishing to access the Super 10 ETF Portfolio.

**In addition, to celebrate the launch of this new Portfolio,** those:

1. Traders and investors who are currently Members of both Jim's [Trading AND Investing Signals Services](#)

**and**

2. Signals Members who first upgrade from one to both of Jim's Signals Services

will receive our new Super ETF 10 Portfolio **as a Bonus, with our compliments.**

### Q10. How long before you launch?

This week, the ASX200 has broken out above both the previous Important Highs around 5950 AND the psychological round number of 6,000. In Edition 638 I wrote that this was what Jim was looking for in order to remove his JB Caution which he has had in place for many months.

In addition, we are also past the October anniversary of the 1987 crash and now heading into a time of year which is traditionally positive, i.e. the Christmas rally between November and January/February.

With "several ducks lined up" in our favour, we are therefore planning to open the new Super 10 ETF Portfolio very soon – hopefully within days, not weeks.

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[Join Waiting List](#)

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