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Today's Stock Traders' and Investors' Free Wrap is based on an EXTRACT from the Introduction to our latest Edition 390 of our Mentoring style *'Investing & Online Trading'* Newsletter

Predictions, '*Tipsters*', Fund Managers or DIY in 2013 - with Jim Berg's Help?

Take heed that at the start of each year, many so called '*experts*' commonly pull out their crystal balls and make their predictions on what will happen to the market in the coming year, while some list their '*hot stock tips'* for the year ahead.

For instance, on 11 January, Paul Farrell at MarketWatch reported that Forbes columnist Gary Shilling predicts a 42% drop in the USA Market this year due to his list of nine macro trends.

However, in her Sydney Morning Herald article 'Hot Tip - Beware the Tipsters' Susan Antilla wrote on 7 January;

> '…If some TV stock-jock is interviewing a Wall Street star about a ''*best pick*'' for the year ahead, grab the remote and change the channel…. There is a good chance that you will lose money if you follow the 2013 top stock recommendations. And the grander the promise of profits, the more you should worry about getting burnt……
>
> Along with the year-ahead coverage, be wary of the ambitious journalistic efforts that purport to impart brilliant investment ideas for the long term. Fortune magazine's August 2000 list of 10 Stocks to Last the Decade included Enron Corporation (which failed), Nokia Oyj (which fell from $US43 to $US9.63 during the next 10 years), Nortel Networks Corporation (which filed for bankruptcy protection in 2009) and Broadcom Corporation (which fell from $US143 to $US36 during the decade after the article).
>
> Money managers rarely beat the sharemarket indices.
>
> Ditto for the usefulness of predictions as to which way the markets and the economy are headed. Beneath the headline ''*Little enthusiasm for equities among advisers*,'' Investment News said on January 1, 2012, that only 43 per cent of advisers planned to increase their clients' equity holdings, down from 63 per cent in 2011. The S&P 500, of course, proceeded to go up 13 per cent in 2012, the year advisers were more negative. It was little changed in 2011, the year they expected significant gains.
>
> And then there was arguably the worst market call of the year, made on January 23, 2012, by newsletter writer Joseph Granville. He told Bloomberg Television that the Dow Jones Industrial Average would decline 4000 points by year's end. The Dow wound up rising 887 points…."

However, while we agree with her warnings, we believe Susan slipped up with her mathematics when she also wrote;

> " ...With a smattering of exceptions, even the best of the annual how-to-invest offerings will leave you winning about half the time, which, of course, means losing half the time. And what's the point of paying commissions to end up where you started?.."

as this statement incorrectly assumes that the *size* of those losses equals the *size* of the profits (*by comparison, see Jim's approach below*).

Peter Martin, Economics Correspondent at the Sydney Morning Herald on 9 January, wrote in his article '*Forecasters Repeatedly Get it Wrong*' ;

> "..The shocking and little-acknowledged truth is that most expert forecasts are wrong. Not only wrong but more wrong than if they had been generated at random…..
>
> Nassim Nicholas Taleb, author of The Black Swan: The Impact of the Highly Improbable, asks why predictors keep predicting, given that their predictions are so often wrong. His answer: *''They are not harmed by what they are doing*.''
>
> He says instead of asking a doctor what you should do, you should ask what the doctor would do him or herself."

So, how well have the Fund Managers done in the last 9 years?

On 9 January, the Australian Prudential Regulation Authority (APRA) released its Statistical Report on ' Superannuation Fund – level Rates of Return' (as at June 2012). In an analysis of that report, in an article entitled '*Top 10 Performing Super Funds Revealed'*, Smart Company's Cara Waters wrote on 10 January:

> " Of the top 10 performing major superannuation funds in Australia, the top three are all corporate funds run for in-house employees, according to figures released yesterday by the Australian Prudential Regulation Authority.
>
> Superannuation funds for staff at Goldman Sachs with returns of 9% since 2004, the Commonwealth Bank with returns of 7.8% a year and Worsley Aluminia with returns of 7.5% were the nation's best performing super funds.
>
> In contrast, funds offered by banks and wealth managers to the general public and small businesses have underperformed over the past decade, according to the regulator's figures….
>
> …. The top 10# super funds were:

	Superannuation Fund	Total Assets ($ M)	Annualised 5 year (%)	9 Year Return (%)
1	Goldman Sachs JBWere Super	255	1.2	**9**
2	CBA Group Super	6871	2.5	**7.8**
3	Worsley Alumina	226	1.2	**7.5**
4	Tidswell Master Super Plan	63	2.3	**7.1**
5	Unisuper	32,627	0.6	**7.1**
6	Australia Post Super Scheme	6333	1.3	**7.0**
7	United Technologies Corporation Retirement Plan	277	1.8	**7.0**
8	Maritime Super	3372	0.2	**6.9**
9	Catholic Super Fund	4481	0.3	**6.8**
10	Queensland Local Government Super	7216	1.4	**6.8**

Past performance is no guarantee of future success.

A reader emailed us to point out; " *Look at the annualised 5 year returns. The BEST was 2.5% and even a lowly 0.2% got into 10th place – that's just above breakeven, yet most investors would agree that is a good outcome during the GFC!"*

Keep in mind that the above table shows the performance of the top Super Funds in Australia over the past 9 years.

Many Fund Managers around the world mirrored the Indices, which lost 50% and more during the GFC, with the result that many investors have been struggling for now over 5 years ago while they wait for their nest eggs to slowly build back to where they were beforehand.

In comparison, our special report '*Why Retirement May No Longer be An Option*' reveals '***The Harsh Realities Fund Managers do Not Want You to Know'*** and graphically compares the outcome of those Fund Managers who hold on to falling shares during bear markets, compared with Jim Berg's approach of switching to cash.

(To download your Free copy, we invite you to join our STE community at our Facebook Page - Click Here)

Jim Berg does not make predictions, nor trades what he '*feels*'.

Neither does he trade any '*hot tips'* recommended by so called '*experts*', without checking the stocks pass all his thoroughly back-tested and documented Rules first.

Jim uses the balance of probability and over 30 years of trading experience to react to what he sees in his charts.

For example, in our mentoring-style '*Investing & Online Trading'* stock market Newsletter:

a) In December 2007, Jim published his analysis of all the bear markets and crashes over the previous 20 years; showed there were 4 major sell signals beforehand and that the ASX was going through the 5th at that time.

b) In January 2008, Jim closed our Newsletter Portfolio until June 2009. Again, from March 2011 he issued caution warnings and closed the portfolio in July 2011 (*before* the big falls of August 2011).

c) We have often highlighted that a loss of 50% cannot be made up by a gain of 50%. The cruelty of the market is that a stock or a portfolio must regain 100% to make up a 50% loss.

d) That's why, since we first published this Newsletter in July 2005, Jim Berg has effectively demonstrated the significant advantages of:

   i) Switching to cash and earning say 4-6% pa in the bank after a sell signal, rather than '*wear the pain'* and risk losing 20-50% + in a falling market.

   ii) Waiting for confirmation of a rising market re-entry signal then riding the market up and ADDING onto previously locked in profits (instead of struggling to recover position and portfolio values back to where they were - before they fall again in the next bear market!)

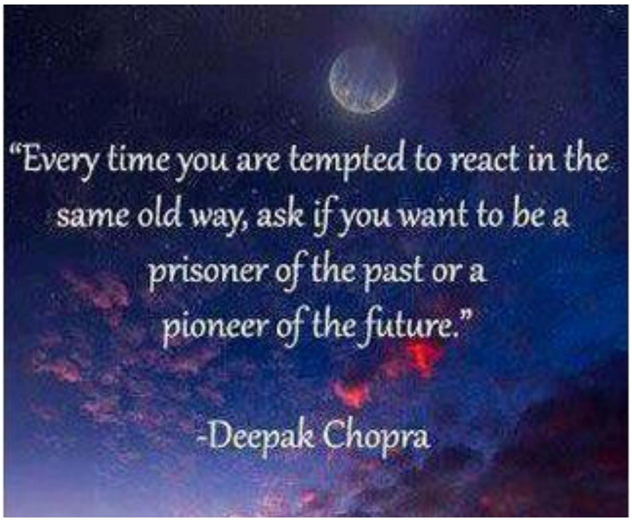
   iii) Using his '*Weight of Evidence'* approach to buy stocks/ shares in rising markets with the aim of creating:

      ✓ More profits than losses

      ✓ Bigger profits than losses

      ✓ 10-15% in about 4 weeks on profitable trades

IN THIS WEEK'S EDITION 390:



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Protection of capital and profits is a *vital key to your long term survival and profitability* in the market.

A simple, yet highly effective, method to outperform was highlighted in ***'Why Retirement May No Longer Be An Option - The Harsh Reality Fund Managers Do Not Want You to Know'.***

It is now available as a ***Special Free Report*** which you can download easily by '*liking*' us first at our new Facebook page:

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To YOUR Success - from Jim Berg and the ShareTradingEducation.com team