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Comparison of 2 Investors' Results

By **John Atkinson, Editor**

1) Background

Today we compare the results of 2 hypothetical Investors with the:

- ✓ **Same** number of shares in the
- ✓ **Same** Company, entered at the
- ✓ **Same** time and at the
- ✓ **Same** Entry Price

but who then manage their positions with **2 completely different approaches**.

First, *as background*:

In December 2007, i.e. *just before the start of the Global Financial Crisis*, Jim Berg showed Members of our weekly '[Investing and Online Trading](#)' Report the details of his analysis of bear markets and crashes over the previous 20 years and warned:

- ✚ Before each of them there had been a **key warning Signal**
- ✚ The four previous occasions resulted in bear markets with falls of greater than 20%. The shortest duration was 10 months
- ✚ Markets were at that time were very close to giving the **5th warning signal** in the previous 20 years.

Two weeks later, in early January 2008, Jim advised Members of his weekly [mentoring-style Report](#) that the market had indeed confirmed that Warning Signal, so he was closing his own portfolio and the notional Portfolio in the Report.

Meanwhile, many other investors:

- ✚ Listened to their Advisors who recommended they 'invest *for the long term*', so they
- ✚ Went into 'Buy, Hope and Pray' mode
- ✚ Held on to their shares as they fell - many Indices lost 50% or more around the world, so many
- ✚ **Lost in the order of half of their portfolios** as a result during the **GFC** - in fact, many had to postpone or cancel their retirement plans

In comparison, Jim's portfolios remained closed and in **Ca\$h** for 18 months during the **GFC** until Jim announced that the market had given a Re-entry Signal in June 2009.

Those Members who followed Jim's lead and switched to **Ca\$h** in January 2008 did **NOT** lose millions of dollars between them.

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2) New 'Game Changer' Templates and Tutorials

In our weekly hands-on '[Investing and Online Trading](#)' stock market Report we feature a notional short term portfolio to teach traders and investors how Jim Berg uses his proven '*Weight-of-Evidence*' and world famous '*JB Volatility Indicators*' to:

- i) Filter the Australian and USA markets each day – to select **Which** shares to Buy
- ii) Time precisely **When to Buy**
- iii) **Manage** the open Positions and
- iv) Time precisely **When to Exit**, using his thoroughly tested Rules

One of these notional trades was Myer Holdings (**MYR**), which Jim featured each week 'live' in our Report, as it happened in January 2013 - over one month.

At that time, Jim followed it as a notional short term trade, from start to finish and showed that using his approach, MYR:

- ✓ Met Jim's suggested maximum Entry price of 2 January 2013 at \$2.03
- ✓ Achieved Jim's Profit target of \$2.34 on 29th Jan 2013*
- ✓ Yielded a notional profit* of **+15.3%** in **3.9 weeks**. I.e. *an average of +3.9%/week*

* The past performance of STE products is not and should not be taken as an indication of future performance. Caution should be exercised in assessing past performance. STE's service, like all other financial services, is subject to market forces and unpredictable events that may adversely affect its future performance

In our '*learn-by-doing*' [mentoring-style Report](#), we ALSO teach Investors how to use Jim's common sense '*Weight-of-Evidence*' approach to filter their Watch List even further so you can find shares to invest in longer term - which pass:

- Not only Jim's *Technical criteria* but also
- Jim's *Fundamental* criteria too

To help you further, in that Report, we recently added our new '**Game Changer - Now It's Your Turn**' Tutorials - along with our new user-friendly '*learn-by-doing*' Trading and Investing Templates to:

- ✓ Fill in yourself (following the educational instructions you will receive)
- ✓ Manage the trades step-by-step from Entry to Exit, then
- ✓ Compare the results of your analysis with Jim's, which we publish the following week.

3) "A Tale of 2 Investors"

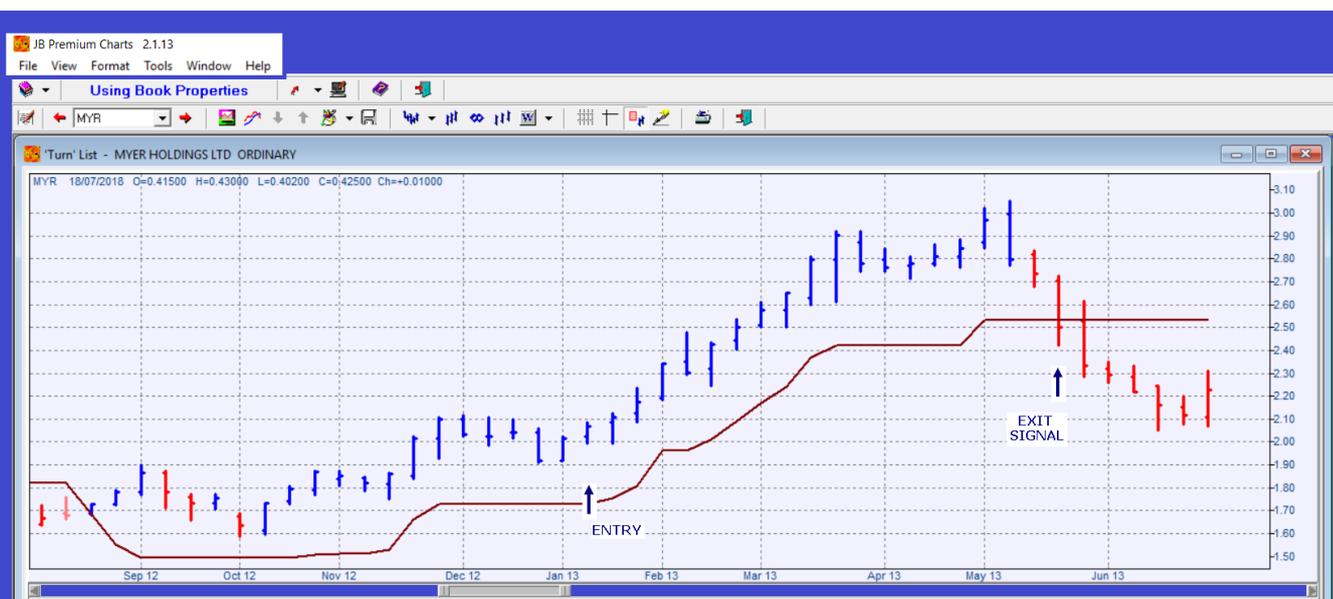
Over the last 3 weeks, in the new '**Game Changer**' section of our '[Investing and Online Trading](#)' stock market Report, we have revisited the **MYR** notional trade mentioned above and detailed step-by step for Trading AND for Investing:

- All of Jim Berg's **Set-Up checks** which he applies before entering a trade
- Jim's **Entry Plan** – including his:
 - ✓ Maximum suggested Entry Price
 - ✓ Suggested Maximum number of shares to buy
 - ✓ Most importantly, the price to Exit if the trade goes against you
 - ✓ The corresponding Money and Risk Management calculations

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- **All of the steps** which Jim follows during the trade - **from Entry to Exit** - including:
 - ✓ How to set and adjust Profit Targets (*for trading only*)
 - ✓ When to switch Stop types
 - ✓ How dividends affect the trade
 - ✓ Which Exit Triggers to use – and when

If an Investor had decided to invest in and manage **MYR** using Jim's Weekly Investing Approach, then the result would have been as follows:



Myer Holdings (MYR) Weekly Chart

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- ✓ Entry date and price the same as for Trading (*see above*). I.e. 2 January 2013 at **\$2.03**
- ✓ Exit **19.3 weeks later** using Jim's Emergency Stop for Investors, on 17th May 2013 at **\$2.52**
- ✓ A notional profit* of **+24.1%** in **19.3 weeks**. I.e. *an average of +1.3%/week*

Usually the aim of staying with a trade using *weekly charts* is to 'let profits run'. In this case:

1. The notional Investing Profit would have been +8.8% more than the Trading Profit shown above*
2. However, the mean rate of profit per week for Investing was about 1/3rd that for trading* and an Investor would have been exposed for considerably more time in the market.

Most importantly, using Jim's Emergency Stop, an Investor would have been able to use Jim's thoroughly tested Rules to **lock in and protect profits*** soon after **MYR** started to fall in May 2013.

Let's now compare the outcome for 2 hypothetical investors, each with the same entry price of **\$2.03**. The *weekly chart* below shows **MYR's** subsequent development after this notional trade was 'closed' in May 2013, using Jim Berg's common sense Investing approach:

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Myer Holdings (MYR) Weekly Chart

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- 1) **Investor JB** using Jim's 'Weight-of-Evidence' entry criteria, his JB Volatility Indicators and Emergency Stop for Investors would have exited at **\$2.52** on 17th May 2013 with a **+24.1%** profit (see above)**.
- 2) In comparison, if **Investor 'Buy and Hold'** had **NOT** exited and had held on to his falling shares 'for the long term', then by the end of March 2018, **MYR** had fallen to a Low of only **\$0.345****.

This would have equated to an open loss of **-83.0%**, or **-\$10,376** on a notional \$12.5k position**.

4) Summary Comparison

Comparison Summary - A Tale of 2 Investors : Myer Holdings (MYR)

	INVESTOR:	
	#1 JB Strategies	#2 : Buy Hope and Pray
ENTRY Date	2/01/2013	2/01/2013
Entry Price	\$2.03	\$2.03
EXIT Trigger	JB Emergency Stop	Still Open as at
Exit Date (if applicable)	17/05/2013	5/04/2018
Exit Price (if applicable)	\$2.52	\$0.345
Profit (or Loss) %	24.1%	-83.0%
Profit (or Loss) \$\$*	\$ 3,017	-\$ 10,376
Weeks in Trade	19.3	274.1

(excluding transaction costs or dividends received)

(* based on \$12,500 notional Position)

This Summary Table compares the notional results** of 2 hypothetical Investors:

Investor #1: Using Jim Berg's Investing Approach

Investor #2: 'Buy, Hope and Pray' on the basis that they both entered **MYR** at the same price of **\$2.03** and on the same date, **2nd January 2013**.

When Jim Berg warned his Members before the GFC in Dec 2007/Jan 2008 (see above), he quoted Jesse Livermore's 1940 book 'How To Trade In Stocks': "If I were walking along a railway track and saw an express train coming at me at sixty miles an hour, I

would be a damned fool not to get off the track and let the train go by. After it had passed, I could always get back on the track again, if I desired."

Jesse's words of wisdom applied in 1940, again when Jim warned his [Report Members](#) in 2007/2008 and yet again for this 2013 comparison of 2 Investors' results**.

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