Portfolio Selection

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- ▶ The Market Then
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- ▶ Market Support?
- ▶ What Next?
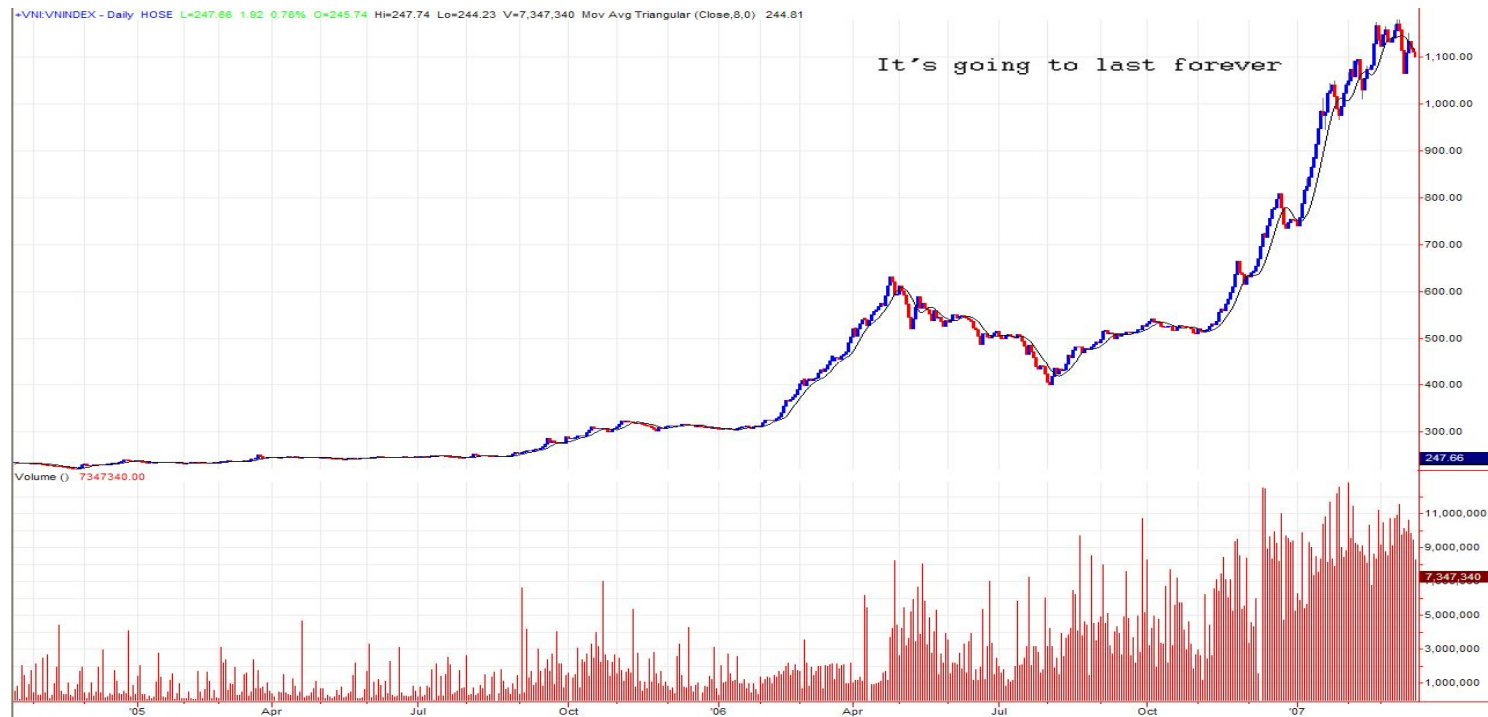- ▶ Market Timing?
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The Market Then

➢ Market has come from an extremely over speculative state.

The Market Now

➢Market has seemingly begun to mature.

  ➢Now hear phrases coined like "value investing".

  ➢Haven't heard "10x par is normal" in a while.

➢Market psychology has changed from over bullish to over bearish.

➢ Emphasis is being given on global markets.

Market Support?

➢ Is a good guideline.

➢ Is dynamic.

➢ Is not a trigger, that once pulled demands all investment capital to be piled into the market.

What Next?

➢ Where the market is going is anyone's guess.

➢ Stop calling the bottom.

➢ Adapt professional approach to stock selection.

➢ Start timing entrance and exit.

Market Timing?

> Market timing requires only the selection of a simple timing strategy and the self-control to follow it through.
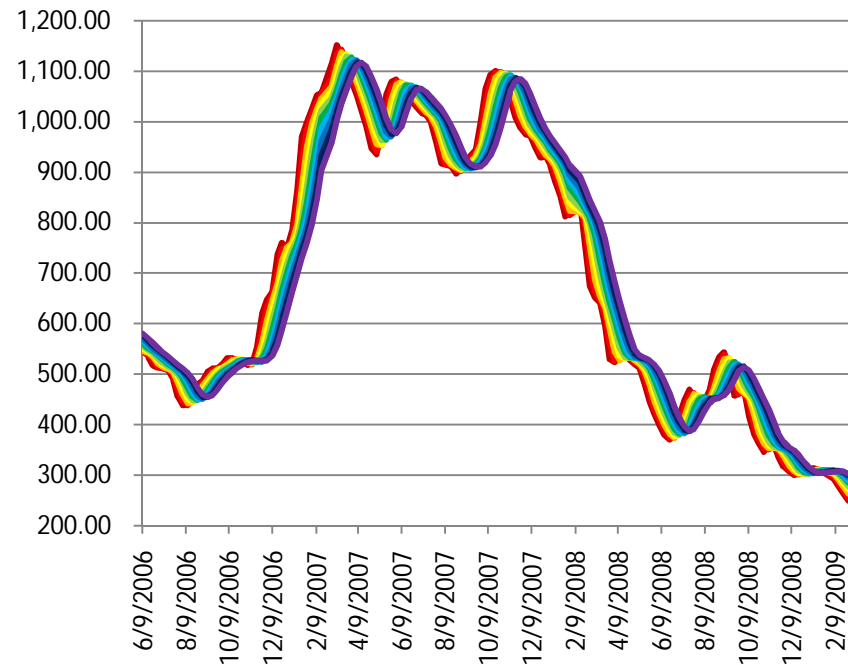
Example

➢Here is an example of automated trade signals using the basic market timing technique that was mentioned in the previous slide.
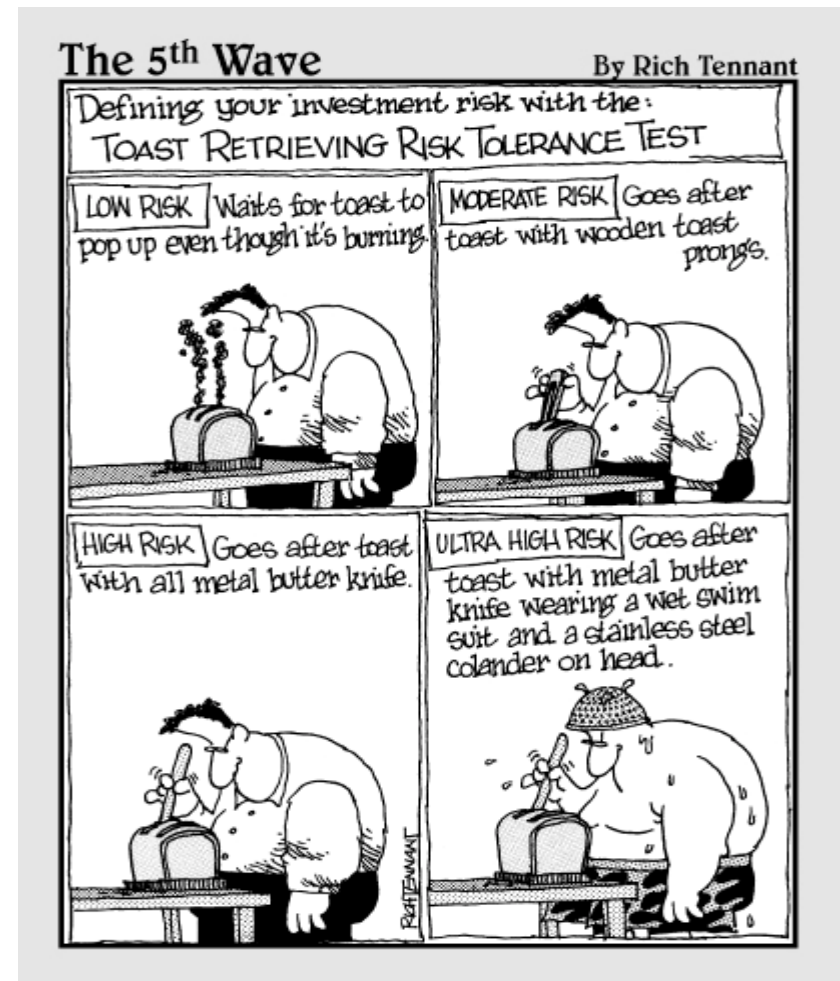
Portfolio Selection

➢ Determine reason for entrance.

  ➢ Short-term trade

  ➢ Long-term hold

➢ Determine risk appetite.

➢ Dissect the market.

➢ Select stocks that meet investment criteria.

Risk Appetite

- ➢ High Risk
- ➢ Moderate Risk
- ➢ Low Risk

Beta

➢ Describes how expected return of a stock or portfolio correlates to the market return.

➢ Formula to calculate β of an asset within the VNINDEX.

$$\beta_a = \frac{COV(r_a, r_{VNI})}{VAR(r_{VNI})}$$

➢ Excel can calculate easily using SLOPE function.

Market Dissection

➢ Using industry indexes can be a good tool to help determine past stock performance and behavior.
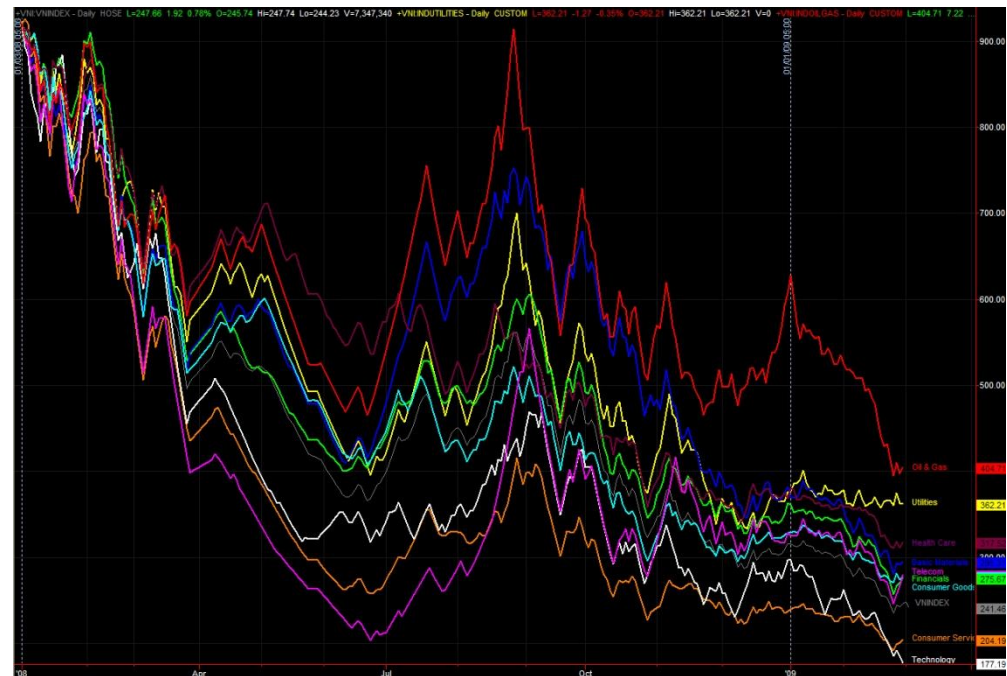
Market Dissection *(Continued)*

Industry Beta & Performance Extract

	1Y Beta	Rally 1	Rally2	Aug High - Current
Basic Materials	1.07	84%	-54%	-61%
Consumer Goods	0.93	26%	-44%	-47%
Consumer Services	0.93	56%	-46%	-51%
Financials	0.97	51%	-46%	-54%
Health Care	0.76	9%	-42%	-47%
Oil & Gas	1.04	95%	-49%	-56%
Technology	0.88	37%	-48%	-62%
Telecom	1.18	160%	-46%	-50%
Utilities	1.10	70%	-52%	-48%
VNINDEX	1	55%	-50%	-57%

- By defining industry betas we can attempt to get a better overview of which areas might meet our risk requirements.

Telecom Sector *vs.* VN-Index

- High beta indicates we should expect this sector to remain riskier than the index.
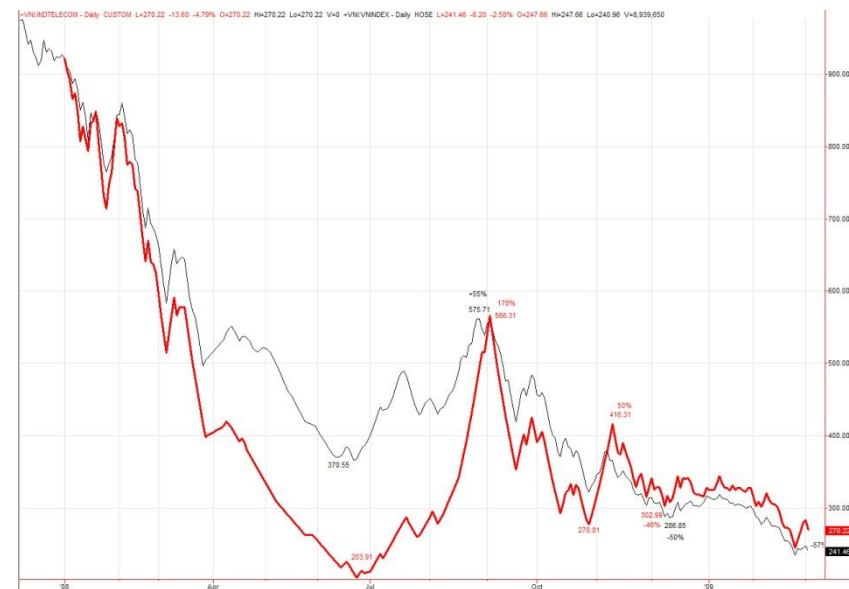
Portfolio Performance

➢ VNINDEX
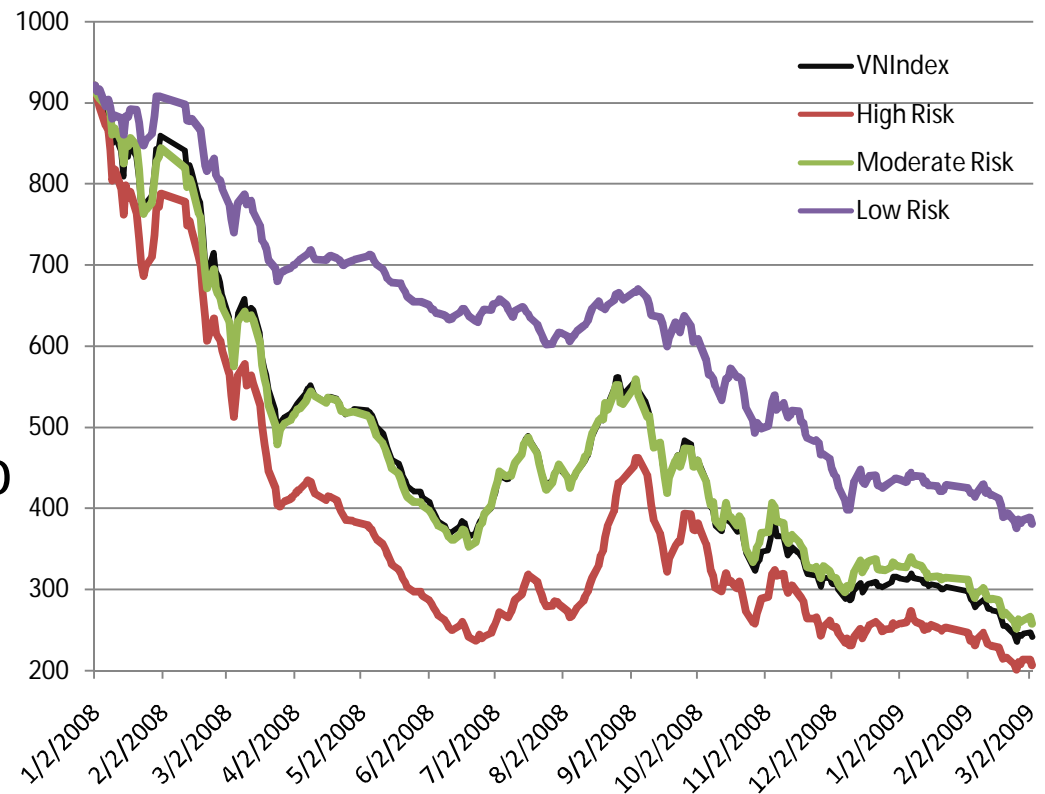
  ➢ β=1.00

  ➢ 2008- current: -74%

➢ High Risk Portfolio

  ➢ β=1.14

  ➢ 2008- current: -78%

➢ Moderate Risk Portfolio

  ➢ β=1.0

  ➢ 2008- current: -72%

➢ Low Risk Portfolio

  ➢ β=0.517

  ➢ 2008- current: -59%

Thank You For Your Time

Happy Trading

THINKING FORWARD, MOVING AHEAD ▶