

Investment Plan for SPA3 Investor USA Equal Weighting Public Portfolio – Stocks (Leveraged)

1 MISSION STATEMENT

To actively continue to manage a **SPA3 Investor USA Equal Weighting Stocks Public Portfolio using leverage** with limited drawdown and maximum portfolio growth using Stocks in the USA so that:

1. Share Wealth Systems SPA3 Investor customers can learn how to easily manage their own leveraged stock portfolios, understand the returns that are possible with the associated risks to achieve their own investment objectives, both financial and skills based.
2. To exponentially grow the funds allocated to this portfolio over the long term for the stakeholders.

2 GOALS AND OBJECTIVES

The overall objectives remain to demonstrate:

- The benefits of using a simple, efficient and structured methodology for medium-term investing in stocks.
- The risk management processes of mechanical investing with SPA3 Investor with a core objective to avoid being invested during a large a bear market such as 2008 or 2000 – 2002 on the NASDAQ.
- To accumulate growth for the stakeholders.
 - USD \$33,064.29 cash was deposited with FP Markets on 30 May 2018, and will continue to be traded with no capital withdrawals.
 - This portfolio will be traded at 1.6:1 leverage.
 - The initial *Nominal Injection for Position Size* in PM, from which to calculate new positions and the PS NPV, was US\$100,000.
 - The difference between the ‘cash’ and the leveraged exposure at any given time will be funded through Margin by trading CFDs for which the portfolio will incur interest charges.

The **Reward Objective** or performance goal for the portfolio is to:

Achieve an average annual return of 10-15 compounded percentage points per annum better than the annual compounded percentage gain of the S&P500 Total Returns Index as measured over a rolling five-year period.

The **Risk Objectives** for the portfolio are:

To accept whatever drawdown results from using the SPA3 Investor Equal Weighting Strategy with 1.6: leverage but to avoid Margin Calls and Portfolio ruin. This has been decided upon so that the portfolio can be used as a training tool for SPA3 Investor active investors.

The following bullet points provide a sample of Risk Objectives that may suit your risk profile, but are not applicable to this portfolio:

- *Ensure that the portfolio does not experience a maximum drawdown greater than 15% (or 20%, or 25%) if there are any open positions. Should this occur then the portfolio will close all currently open positions until the occurrence of the next Entry signal.*
- *If the portfolio reaches a drawdown of 7.5% since the last peak then the current total portfolio exposure will be reduced by 33.33% by closing 33.33% of all open positions, if required, until the portfolio makes a new high from the last peak or reaches a drawdown of 12.5%. In essence, the portfolio should go from being 100% invested to being 67.7% invested, i.e. increase cash levels.*
- *If the portfolio reaches a drawdown of 12.5% since the last peak then the current total portfolio exposure will be reduced to 50% % by closing 50% of all open positions, if required, until the portfolio rises to be less than 12.5% drawdown since the last peak or reaches a drawdown of 15%. In essence, the portfolio should go from being 100% invested to being 50% invested, i.e. increase cash levels.*

The Skills objective for the portfolio is:

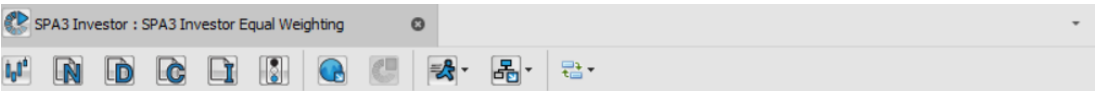
- To achieve skills-based targets with respect to mindset, position execution, market environment understanding, understanding of investing, journaling, practicing of investing and any other that you may wish to set.

The following bullet point provides a sample of Skills Objectives that may suit your risk profile, but are not applicable to this portfolio:

- *A schedule could be included here (or the next section of your Investing Plan) that details the books to be read, courses to attend, DVD's to watch, Blogs to follow, internet research to be done, etc to achieve your skills objectives.*

3 INVESTING SYSTEM

- The SPA3 Investor Equal Weighting Strategy process as described in the SPA3 Investor Reference Manual will be used for ALL entry and exit signals, in combination with Risk Management exits only used when using leverage.
- Positions will be opened and closed in strict accordance with the SPA3 Investor Equal Weighting Strategy rules.
 - Positions will be executed as the SPA3 Investor Entry Signals occur. There are two types of Entry Signals, **ATR_BO** (ATR Break out signal) and **BAP** (Below Action Price).
 - The Action Price is a reference point and represents the closing price one day after the original ATR_BO signal. Any time the price of an open trade that is not currently in the portfolio is below its Action Price, it provides an opportunity to add the candidate to the portfolio.
 - In the event of multiple entry signals (ATR_BO and BAP) occurring on the same day, positions will be chosen on a relative strength basis according to the Ranking in the scan results in Beyond Charts and in the SWS App.
 - In the example below (BAP signals) NVDA would be taken in preference first, then MSFT and ADBE as the ranking decreases.



Code	Security Name	Signal Name	Action	Signal Date	Signal Price	Action Date	Action Price	Ranking
NVDA	NVIDIA Corp	BAP	OPEN	19/01/2021	521.010	20/01/2021	545.230	23.92
MSFT	Microsoft Corp	BAP	OPEN	19/01/2021	216.440	20/01/2021	223.940	2.29
ADBE	Adobe Inc	BAP	OPEN	19/01/2021	456.500	20/01/2021	498.390	0.27
AMZN	Amazon.com Inc	BAP	OPEN	19/01/2021	3,120.760	20/01/2021	3,125.000	-2.38
BIIB	Biogen Inc	BAP	OPEN	19/01/2021	273.840	20/01/2021	275.840	-3.37
DXCM	DexCom Inc	BAP	OPEN	19/01/2021	357.640	20/01/2021	388.090	-17.28
NKTR	Nektar Therapeutics	BAP	OPEN	19/01/2021	17.220	20/01/2021	18.750	-29.94

- SPA3 Investor Exit signals will be used for closing a position apart from a Risk Management exit due to the portfolio becoming overleveraged during falling markets, closing a position that was opened in error or becoming the subject of a takeover.
 - Where a position is opened in error the position will be closed immediately upon the error being uncovered.
 - Where a position becomes the subject of a takeover it will be closed 20 trading days after the initial takeover announcement.
- A liquidity test will be applied to all potential new positions.
 - All SPA3 Investor Entry and Exit Signals will be acted upon on the following market day's open price (or close price if that suits the investors world time) at market.
 - This means that "Market Buy" and "Market Sell" orders will be placed before the market opens.
 - The FP Markets platform will be used for executing all Buy & Sell transactions.

3.1 Universe of Stocks

Stocks listed on the US market for which the SPA3 Investor signals are available will be the only instruments in which positions may be taken.

The list will be confined to a subset of the SWS Stocks SPA3 Investor list which can be found in the Beyond Charts Industry watchlists.

This portfolio will focus on just 43 stocks, in alphabetical order:

- AAPL (Apple Inc)
- ADBE (Adobe Inc)
- AMD (Advanced Micro Devices Inc)
- AMGN (Amgen Inc)
- AMZN (Amazon.com Inc)
- AXON (Axon Enterprise Inc)
- BA (Boeing Co)
- BIDE (Baidu Inc)

- BIIB (Biogen Inc)
- BSX (Boston Scientific)
- C (Citigroup)
- CMCSA (Comcast Corp)
- CRM (Salesforce.com Inc)
- CSCO (Cisco Systems Inc)
- DIS (Walt Disney Co.)
- DINO (HF Sinclair Corp)
- DXCM (DexCom Inc)
- FCX (Freeport-McMoran Inc)
- FDX (FedEx Corp)
- GILD (Gilead Sciences Inc)
- GOOGL (Alphabet Inc Class A)
- HAE (Haemonetics Corp)
- ILMN (Illumina Inc)
- INTC (Intel Corp)
- LRCX (Lam Research Corp)
- MELI (Mercadolibre Inc)
- MS (Morgan Stanley)
- MSFT (Microsoft Corp)
- MU (Micron Technology Inc)
- NFLX (Netflix Inc)
- NKTR (Nektar Therapeutics)
- NTES (NetEase Inc)
- NVDA (NVIDIA Corp)
- PHM (Pulte Group Inc)
- QCOM (Qualcomm Inc)
- RTX (Raytheon Co)
- SBUX (Starbucks Corp)
- SQM (Sociedad Quimicay Minera de Chile SA)
- TSLA (Tesla Inc)
- TSN (Tyson Foods Inc Class A)
- TTWO (Take-Two Interactive Software Inc)
- UAL (United Airlines Holdings Inc)
- VLO (Valero Energy Corp)

3.2 Reviewing Stocks

From time to time Share Wealth systems may review which Stocks to invest in. Criteria that will be used include:

1. A major change occurs in the characteristics of the Stock. For example, the stock undergoes a merger. This may not cause the stock to be dropped off the list but should cause a review.
2. A major change in the overall market such as the onset of a secular bear market.
3. Other Stocks are added to the SPA3 Investor Stocks list that, based on research, it is determined that they may offer better growth prospects.
4. A major geopolitical event in the region where one or more of the current stocks engage in their primary activity.

4 RISK MANAGEMENT

The overall risks to be managed are:

- Market Risk
- Liquidity Risk.
- Margin Calls:
 - No new positions will be opened while the portfolio's Margin Utilisation % is equal to or greater than 75%.
 - Currently open positions will be closed one by one while Margin Utilisation % is greater than or equal to 80%, starting with the lowest RS (ROC 126) open position.

4.1 Definition of Market Risk

The definition of **Market Risk** is: The possibility of an investor experiencing losses due to factors that affect the overall performance of financial markets.

Market risk, also called "systematic risk," cannot be eliminated but can be minimised through reducing exposure to a declining market and by diversification.

High Market Risk occurs when the last SPA3 Investor signal for BOTH the S&P500 (\$SPX) **AND** NASDAQ Composite (\$COMP) indices was an EXIT signal.

Low Market Risk occurs when the last SPA3 Investor signal for EITHER the S&P500 (\$SPX) OR NASDAQ Composite (\$COMP) indices was an ENTRY signal.

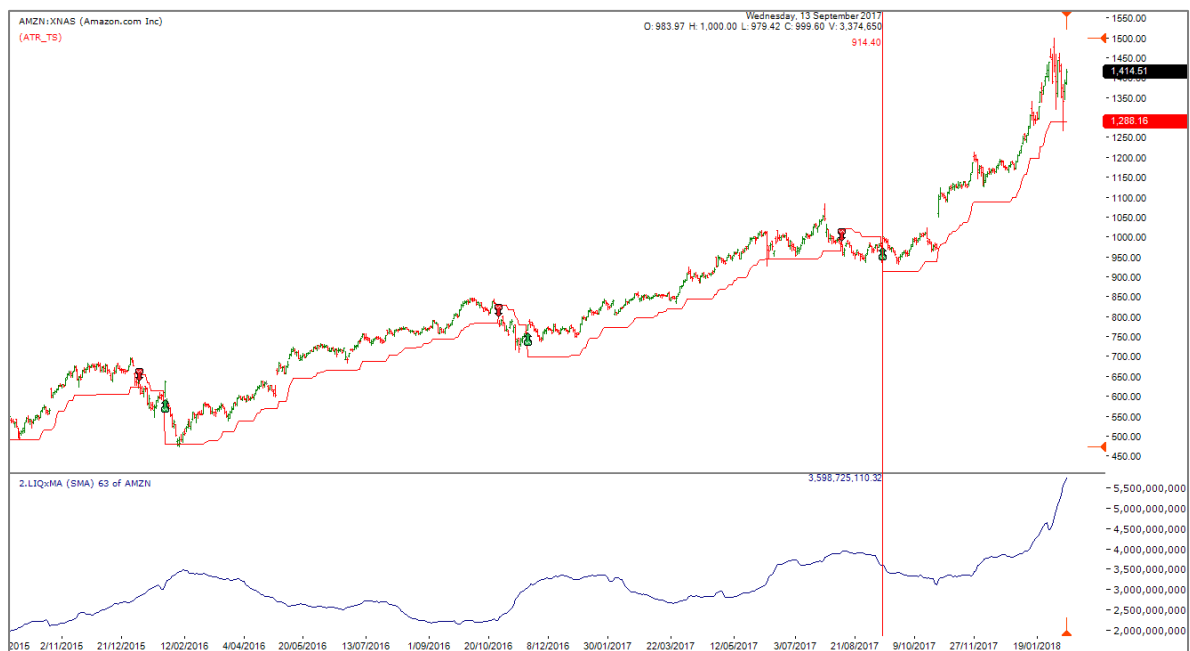
Ideas for using Market Risk with a leveraged SPA3 Investor Portfolio:

1. Ignoring New Buy signals that occur when the Market Risk is High and only entering new positions during Low Market Risk.
2. Removing leverage from new positions when MR is High (i.e. PS NPV / 15 instead of PS NPV * 1.6 / 15).

4.2 Liquidity Risk

No position will be taken in any security whose daily liquidity averaged over the prior 3 months is less than 10 x the position size of the individual position. This is a simple precautionary rule that could be used to help minimise liquidity risk.

For example, the daily liquidity of AMZN in the chart below is well over \$100,000 and the price action was clearly very strong and should not therefore impact greatly on entry and exit prices achieved in any transactions.



5 MONEY MANAGEMENT

Subsequent to research conducted into the impact of increasing the number of positions on the level of potential draw down in an equal weighted portfolio, it was decided that the number of positions in the Portfolio will be 15.

For further information on the research conducted and its implications, please view the eUGM from February 21st, 2019 in the Education Centre.

The Portfolio Manager in Beyond Charts (PM) will be used in accordance with the risk management rules described above and the money allocation parameters that follow. The SPA3 Investor USA Equal Weighting Stocks Leveraged Portfolio will be equally spread across 15 Stocks on a first come first served basis or be partially or totally in cash.

5.1 Open Positions and Risk Distribution

The Planned number of Open Positions will be 15.

Please view the recorded eUGM of February 21st 2019, in the Education Centre for further information.

5.2 Money in the Market

The objective is to have all capital exposed to the market with up to 15 of the securities from the list in section 3. If none of the Stocks listed in section 3 are SPA3 Investor open trades, then the portfolio will be 100% in cash.

5.3 Position sizing

USD \$33,064.29 was injected into the SPA3 Investor Portfolio Manager (PM) in Beyond Charts.

PM will calculate the next position size based on the *Position Size Nominal Portfolio Value* (PS NPV) less half the *Open Profit at Risk*, multiplied by the Leverage Factor of 1.6, divided by 15.

The formula is:

$$\text{Next Position Size} = (\text{PS NPV} - (\text{Open Profit at Risk} / 2)) * 1.6 / 15$$

Where 1.6 is the Leverage Factor and 15 is the maximum number of simultaneously open positions.

To minimize the probability of getting a Margin Call, no new positions are to be opened while Margin Utilization % is greater than or equal to 75%.

5.4 Exponential Growth

From October 2021, the portfolio will be managed to achieve exponentially leveraged growth.

When the *Margin Utilisation %* is less than 60% and a SPA3 Investor entry signal occurs in either of the S&P500 or NASDAQ Composite indices, inject sufficient 'nominal' cash into the PS NPV to raise the *Margin Utilisation %* to around 60%.

To account for unrealised profits that are included in the Portfolio Value, 70% will be used in the calculation to increase the *Margin Utilisation %* to around 60%, or slightly higher.

1. The size of the 'nominal' cash injection is calculated by first calculating what the *Margin Used* needs to be increased to: Target Margin Used = Portfolio Value – (Open Profit at Risk / 2) * 70%
2. Target Market Exposure = (Target Margin Used / Margin Requirement)
3. Target PS NPV = Target Market Exposure / Leverage Factor
4. 'Nominal' Cash Injection = Target PS NPV – Current PS NPV

The full formula is:

$$(((\text{Portfolio Value} - (\text{Open Profit at Risk} / 2)) * 70\%) / \text{Margin Requirement}) / \text{Leverage Factor}) - \text{PS NPV}$$

For example, applying this formula on 15/10/2021 when an entry signal occurred for the S&P500:

Portfolio Values	
SPA3 Investor - US Equal Weighted Stocks Leveraged	Close
Portfolio	Close
Summary	Statistics
Portfolio Values	
As at End Date	\$87,374.27
As at Start Date	\$33,064.29
Change	\$54,309.98
Open Trade Profit	\$12,377.20
Open Profit at Risk	\$12,588.34
Cash Balance	\$74,997.07
Open Positions	15
Vacant Positions	0
Invested %	159.04%
Market Value	\$238,333.34
Capital Allocated	\$225,731.14
Margin	
Margin Available	\$39,707.60
Margin Used	\$47,666.67
Margin Utilisation	54.55%
Position Size Nominal Portfolio Value	\$154,309.98

$$\begin{aligned} \text{'Nominal' Cash Injection} &= ((((87,374.27 - (12,588.34 / 2)) * 70\%) / 20\%) / 1.6) - 154,309.98 \\ &= 23,052.74 \end{aligned}$$

Edit the *Money Management* rules for the leveraged portfolio by increasing the *Nominal Injection for Position Size* in PM from 100,000.00 with the 'nominal' cash injection of 23,052.74:

Details	Trade Accounts	Money Management	Trading Rules	Brokerage Rules												
Rules:	<table border="1"> <thead> <tr> <th>Rule</th> </tr> </thead> <tbody> <tr> <td><input checked="" type="radio"/> Equal Portion</td> </tr> </tbody> </table>				Rule	<input checked="" type="radio"/> Equal Portion										
Rule																
<input checked="" type="radio"/> Equal Portion																
Description:	The trade value is a specified equal portion of the portfolio value based on the maximum number of portions. The trade value is the trade value divided by the price. Commission is not taken into account.															
Values:	<table border="1"> <thead> <tr> <th>Display Name</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>Portions</td> <td>15</td> </tr> <tr> <td>Position Size Based On</td> <td>Open Profit At Risk</td> </tr> <tr> <td>Leverage Factor</td> <td>1.6</td> </tr> <tr> <td>Nominal Injection for Position Size</td> <td>100,000.00</td> </tr> <tr> <td>Margin Requirement</td> <td>20.00%</td> </tr> </tbody> </table>				Display Name	Value	Portions	15	Position Size Based On	Open Profit At Risk	Leverage Factor	1.6	Nominal Injection for Position Size	100,000.00	Margin Requirement	20.00%
Display Name	Value															
Portions	15															
Position Size Based On	Open Profit At Risk															
Leverage Factor	1.6															
Nominal Injection for Position Size	100,000.00															
Margin Requirement	20.00%															

After injecting the 'nominal' cash the PS NPV rises by \$23,052.74 and the *Invested %* drops to 136.82%. It is now the investor's task to get the *Invested %* back up to 160% by investing with larger Position Sizes based on the higher PS NPV.

SPA3 Investor - US Equal Weighted Stocks Leveraged		Filter
Close		Start Date: 30/05/2018
Close		End Date: 15/10/2021
Date Filter		
Portfolio		
Summary Statistics		
Portfolio Values		
As at End Date	\$87,374.27	
As at Start Date	\$33,064.29	
Change	\$54,309.98	
Open Trade Profit	\$12,377.20	
Open Profit at Risk	\$12,588.34	
Cash Balance	\$74,997.07	
Open Positions	15	
Vacant Positions	0	
Invested %	136.82%	
Market Value	\$238,333.34	
Capital Allocated	\$225,731.14	
Margin		
Margin Available	\$39,707.60	
Margin Used	\$47,666.67	
Margin Utilisation	54.55%	
Position Size Nominal Portfolio Value	\$177,362.72	

5.5 Starting the Portfolio

There are two ways that a new SPA3 Investor USA Equal Weighting portfolio can be started at inception:

1. Each position in the portfolio can be opened when a new SPA3 Investor entry signal or a BAP (below Action Price) occurs for each selected Stock
2. To open positions in 13 of the selected Stocks that are open trades at the time that the portfolio is started.

[Note: At inception this portfolio had 13 open positions and this was increased to 15 in August 2018.]

The future is unknown so depending what happens in the ensuing weeks after starting the portfolio will determine which the better option is. There is no way of knowing for sure in advance.

Investors may wish to choose either provided it is documented in their Investing Plan.

To initially start this Public Portfolio, it was decided to use Option 2, but with reduced position sizes to account for the open trades being above their Action Prices.

5.6 Maximum Brokerage Percentage Rule

If the brokerage for any transaction is equal to or greater than 1% of the market value then the transaction will not be executed.

6 PROCESS MANAGEMENT

The details of all Positions will be entered into the SPA3 Investor Portfolio Manager (PM).

The above rules will be followed closely.

Any deviation from the Investing Plan will be noted. If the deviation results in a modification to the Investment Plan it will be formalised. If the deviation was an error, action will be taken to ensure that it does not recur.

The following statistics will be automatically updated using PM and analysis conducted:

- Total profit positions versus loss positions
- Average profit/loss per transaction
- Average hold period
- Return of portfolio versus the S&P500 Total Returns Index for the month and since the portfolio started.
- Profit/loss percentage
- Maximum Drawdown %

6.1 The Daily Process

- **Step 1** – Price data update

Ensure that the latest daily price data has been collected for the USA markets.

- **Step 2** – Check for an exit signal

There may be between 1 and 15 open Stock Positions in the portfolio. Check that all the currently open Stock positions are still open positions.

This is achieved by:

1. Stepping through a Watch List called “SPA3 Investor USA Equal Weighted Stocks Leveraged” for each of the charts of the open Stock positions and visually checking if an exit signal alert is displayed on the chart.
2. Or checking the SWS App for Sell Alerts, or in your sync’ed portfolio in the SWS App.
3. Or running a Scan in Beyond Charts.

If an exit signal has occurred then exit this position at the open on the following market day.

The Margin Utilisation % must be checked every day to ensure that it is less than 80%. If greater than or equal to 80%, then the lowest RS open position must be exited until Margin Utilisation % is less than 80%

- **Step 3** – Check for entry signals

This step is only required if there are < 15 open positions in the portfolio AND Margin Utilisation % is less than 75%.

For the particular Stocks listed in section 3, if any of them have their last signals as an Exit signal, that is, there are closed SPA3 Investor positions, then check these for entry signal alerts being displayed on their charts.

If an entry signal has occurred in any of them then open a position on the next market day using the Position Sizing calculation in section 5.3

END OF INVESTMENT PLAN