Stock Doctor

Stock Exit/Re-entry Strategies

A solution for an investor's biggest challenge

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Stock Doctor

In this White Paper we cover

Tim Lincoln
Managing Director, Chief Investment Officer

As Managing Director and Chief Investment Officer of Lincoln's Managed Funds, Tim is responsible for the company's overall strategic direction, business management and custodian of Lincoln's proprietary investment methodology and philosophies. Tim's motivated by a belief that; share market success has nothing to do with luck. And that, everyone can build a stable financial future if given the right mindset, education, tools and support. This is what drives him to continue his dad's legacy and share his proven investment methodology, coaching thousands of Australians to invest successfully with control, confidence and peace of mind.

Elio D'Amato
Executive Director

Elio plays an integral role in both business and product development, including the evolution and maintenance of the Stock Doctor platform. With a research career extending 15 years, Elio shares his deep technical expertise with both staff and Stock Doctor members, providing pragmatic solutions to complex research matters in an easy to understand way. He is our chief educator and key media spokesman (you may recognise him from regular segments on TV for the ABC and Sky Business television networks. He also appears on radio and is a regular contributor to the Australian Financial Review). Elio's role includes presenting at both industry events and investment workshops.

Kien Trinh
Head of Research

Kien leads the Stock Doctor research team and has extensive experience in the investment field, specifically in quantitative research techniques. He previously worked in the role of Portfolio Manager and Senior Quantitative Analyst at Patersons Securities for over 10 years, and prior to that, at Russell Investment providing portfolio construction and risk management strategies to large scale institutional clients including Telstra Super and UniSuper. With a background in actuarial finance, Kien is responsible for the current Stock Doctor research process, including Lincoln's acclaimed Financial Health methodology. He is a key contributor to evolving research processes and mentor to the Stock Doctor research team.

Executive Summary

We are proud to provide you with a solution and strategies to overcome the most common stock market investors dilemma:

The inability to sell and exit a stock in a timely and informed manner

This dilemma is toxic to a portfolio as it leads to severe neglect, doubt and long-term unnecessary underperformance.

If this is you, then please read on, we can definitely help you

Following extensive and rigorous testing, Lincoln Indicators has successfully discovered a way to significantly enhance its **fundamental/quantitative stock selection process** with the **introduction technical price trend indicators** that are to be applied to Stock Doctor's Golden Rule #5 – Share Price sentiment.

The Technical Indicators Project (The Project) was an extension to the preliminary testing completed in 2016 that showed how the application of **certain technical indicators** helped achieve the following objectives:

1. **Assist investors who are sensitive to significant share price declines with exit and re-entry strategies**
2. **Not negatively impact our impressive long-term Star Stock performance**

We tested a **range of indicators from stop loss levels (short/long) and moving average studies.** The result confirmed our hypothesis and achieved our above objectives; combinations of fundamental and technical indicators could **deliver improved long-term Star Growth Stock performance**, and in many instances, **helped avoid large catastrophic share price declines**. It was very important that the selected technical indicators were **replicable and scalable true quantitative metrics** and therefore **programable into the Stock Doctor platform for ease of member application** without the need for subjective visual interpretation as is the case with most technical indicators.

The two most powerful and optimal indicators that achieved our above objectives are:

- **SD30TSR** - Stock Doctor Trailing Stop loss 30% exit / 30% re-entry
- **SDMAX** - Stock Doctor 4/13-week High/Low Simple Moving Average crossover

An investor should select the appropriate indicator based on **how sensitive they are to significant price declines.** This, and their experience / conditioning to market volatility, will determine which is the most appropriate indicator to apply.

Of course, the conditioned, non-nervous **members can simply choose to apply** a passive approach to portfolio construction with the proven Star Stock equal weight/rebalance or non-rebalance (let stocks rise and fall) approach.

Star Stock Strategy / indicator	Action	Investor sensitivity to volatility	Frequency for a portfolio decision	Portfolio churn	New Star Growth Stock criteria performance (10 yr) *
Equal weight / Rebalance	Rebalance on an event - Star Stock in/out	Low	Infrequent	Low	**16.00% pa**
No rebalance	Let Star Stocks rise and fall	Low	Infrequent	Low	**16.73% pa**
SD30TSR	Exit on 30% decline from high since Star Stock 'in'. Re-enter when price rises 30% from lowest close	Moderate	Moderately frequent	Moderate/ Low	**18.56% pa**
SDMAX	Exit /re-enter on a Simple Moving Average Crossover	High	Frequent	High	**18.27% pa**

Note: New Star Growth Stock criteria to be released in early 2019. Performance figures may differ to current reported performance figures based on the existing Star Growth Stock criteria.

The above table highlights the improved returns that can be achieved with the application of the SD30TSR and SDMAX.

However, it is critical that for SD30TSR and SDMAX to add consistent value to the long-term performance of one's portfolio, they **must be applied with absolute discipline.** Investors must be very active and vigilant in the management of their portfolios and **accept that at times there will be false indicators.**

Should investors not master this **skill and discipline with a high degree of confidence and comfort**, then an investment in one of the Lincoln Managed Funds is possibly a sound option.

We hope this latest Stock Doctor innovation is a long-term financial benefit to you.

Best wishes

Tim Lincoln
Managing Director and Chief Investment Officer

Introduction

Brief history of Stock Doctor research

Established in 1984, Lincoln Indicators is a specialised equities research house and boutique fund manager with the mission of ‘empowering global stock market investors to invest successfully with control, confidence and peace of mind’. We utilise fundamental analysis and a proprietary bottom-up quantitative financial screen (90%) with a qualitative risk overlay (10%) in order to make high conviction stock selections.

Our unique **PhD based Methodology** has a **strong track record** of success achieved by focusing on identifying **quality/financially healthy businesses** ahead of commonly used techniques such as value investing and top-down macroeconomic and sector analysis.

Our research and portfolio management solutions are delivered by the **Stock Doctor cloud-based membership platform** for DIY investors and **Lincoln Managed Funds** designed for investors who believe in our methodology but prefer a more hands-off approach. The cornerstone of our process is Lincoln’s proprietary Financial Health Model. First developed by Dr Merv Lincoln over 30 years ago, Financial Health forms the first and most important of our 9 Golden Rules for successful investing.

In its infancy, Lincoln Indicators simply distributed Financial Health ratings on companies. The system evolved to include a range of other quantitative data measures to help investors make buying and selling decisions on a quality base of companies while avoiding potential financial disasters. This led to the advent of the Stock Doctor platform in 1996 and subsequent Star Stock recommendations.

Over time, the Star Stock model evolved, and Star Income Stocks and Borderline Star Growth Stocks were introduced in 2012.

Today, we are living Dr Lincoln’s vision by making fundamental analysis a reality for everyone through the Stock Doctor platform. Without it, the essential task of fundamental analysis and the identification of the true underlying quality of a business would not be an option for most investors.

Stock Doctor’s fundamental analysis allows investors to make informed and confident investment decisions and removes a high degree of speculation.

What is Technical Analysis (TA)?

Technical analysis (TA) is a trading tool employed to evaluate securities and identify trading opportunities by analysing statistics gathered from trading activity, such as price movement and volume. Technical analysis focuses on charts of price movement and various analytical tools to evaluate a security's strength or weakness[1].

Often valued for its simplicity and definitive buy and sell triggers, TA has become popular with DIY investors who feel their information disadvantage can be overcome through an analysis of past price history.

The world of TA can span from mathematical calculations through to predictive wave techniques. As in fundamental analysis, there are many different ways TA can be applied.

1 Investopedia, June 2018

Why is Lincoln considering combining TA with its fundamental research?

Even though Stock Doctor delivers **outperforming Star Stocks** and a **powerful platform** that conducts its research at speed, it can still be a challenge for many DIY investors to make timely and informed buy and sell decisions from the Star Stocks presented. Further, the experience of a catastrophic loss and reduction in capital from a rogue star can **impact the psyche** of a member and **erode confidence** in our Methodology.

To overcome these issues, many members utilise alternative methods such as TA to help them with the timing of buy and sell decisions, whilst also helping them avoid catastrophic declines in share price. In fact, many have evolved their existing strategy into one where they **combine both fundamental and technical analysis** to make decisions.

Though respectful of the quality fundamental research that Stock Doctor delivers, as time passed, a number of our members become more vocal towards our business advocating for the use of TA as an overlay to Star Stock companies. This chorus gathered pace during a period where several negative shocks within the Star Stock model portfolio occurred.

Many members not currently using TA started to explore options. The topic of TA was also being discussed and championed at a number of face-to-face Stock Doctor Investors' Network meetings. This raised concerns as these discussions were not Lincoln sanctioned and there was no proof that the strategies being discussed added value to our Star Stock buy and sell decisions.

In response to this rising chorus, **Tim Lincoln put out a challenge** to members to definitively prove, via a **systematic back testing regime**, that the implementation of TA would improve or at least not detract from the already outstanding long-term fundamentally based Star Stock performance. It was not surprising that given the size of conducting such a task, no one was able to deliver on Tim's challenge.

However, this did not temper the calls from some, so under Tim's direction, Lincoln Indicators embarked on a preliminary study to see if they could find some simple TA indicators themselves that may achieve the previously stated objectives.

First, we asked members to share preferred TA strategies. On further viewing, many of the methods put forward offered subjective elements whereby there would need to be a '**subjective call**' made via a combination of experience, patterns or a 'hunch'. This made those methods impossible to test. We needed to identify TA indicators that were **replicable, programable, testable and scalable** without the need for any subjectivity. Ultimately, any indicator had to be **totally quantitatively based** to allow for **broad replication and Stock Doctor member application.**

An exploratory test was conducted in 2016 covering the period from when Star Growth Stocks were first identified. We ran basic stop loss, price/moving average crossover and moving average crossovers.

The results were positive with some indicators delivering strong contributors to Star Stock outperformance while avoiding significant price declines. These results were sufficient proof for both Tim and Elio D'Amato to declare, at the 2016 User Group Meeting (UGM) that we believed the application of TA could add value.

The challenges

Before we started the process of the full TA test, there were several challenges which needed to be overcome:

- First was the need to develop a rigorous, substantial and pure quantitative data testing environment which meant **a significant investment in time and resources.**

- It was important that the testing was conducted over a time that represented a prolonged market cycle. This was to ensure an assessment of the value of TA beyond protecting downside risk. We also needed to see their behaviour in bull and sideways markets before making a full assessment. It was determined that the period where sufficient data was available and could be relied upon, was 10 years. This period did include the GFC and therefore was considered sufficient for back-testing purposes. However, the figures shown in this report have been updated to 30 June 2018.

- During testing a further challenge emerged. **Star Stock performance was so strong** that finding models that could outperform was going to be a challenge. While TA can help add strong performance on a list of bad stocks, on a list of good stocks that have delivered strong outperformance, was a very different scenario.

The process

The first step of the process was building out the Lincoln Calculation Lab. This **was a significant project,** and a large investment in time and resources. This investment was required as the Lab was the engine that would need to perform the significant volume of calculations, ensuring consistent measurement across all test applications. It could in time, also form the basis of testing alternative theories in the future.

For the Project, the Calculation Lab was configured to calculate returns in a dollar weighted (DWR), non-rebalanced manner. This varied from the current Star Stock Performance Methodology of time weighted return (TWR), equal weight rebalances. This change in calculation style was required because:

- From a TA perspective rebalancing cash into losing trades made no sense
- DWR is a better indicator to measure dollar return to the investor, and as TA analysts manage cash in and out of the market, it was more appropriate
- When periods such as the GFC occur then TWR gives undue performance influence in periods when there are a small group of stocks.

Technical indicators tested

The tests that were conducted were similar to the first round in 2016, with additional options.

Below is a list of indicators tested:

1. **Stop loss indicators**
    - Different levels (tight and loose levels)
    - Delayed re-entry
2. **Moving average crossovers**
    - Different time periods
    - Daily/weekly/monthly patterns
    - Varied exit and re-entry

The focus of our testing was specifically around the **five- and 10-year periods**. This would ensure it caught the large correction of the GFC and subsequent return to favour afterwards. This was deemed acceptable for our goal of avoiding significant price declines, without compromising overall historical Star Stock performance.

Assumptions

As with any testing regime we applied a number of assumptions (some have already been covered). These are **not necessarily limitations** of testing as all back tests will face challenges. However, it is important to be aware of the assumptions.

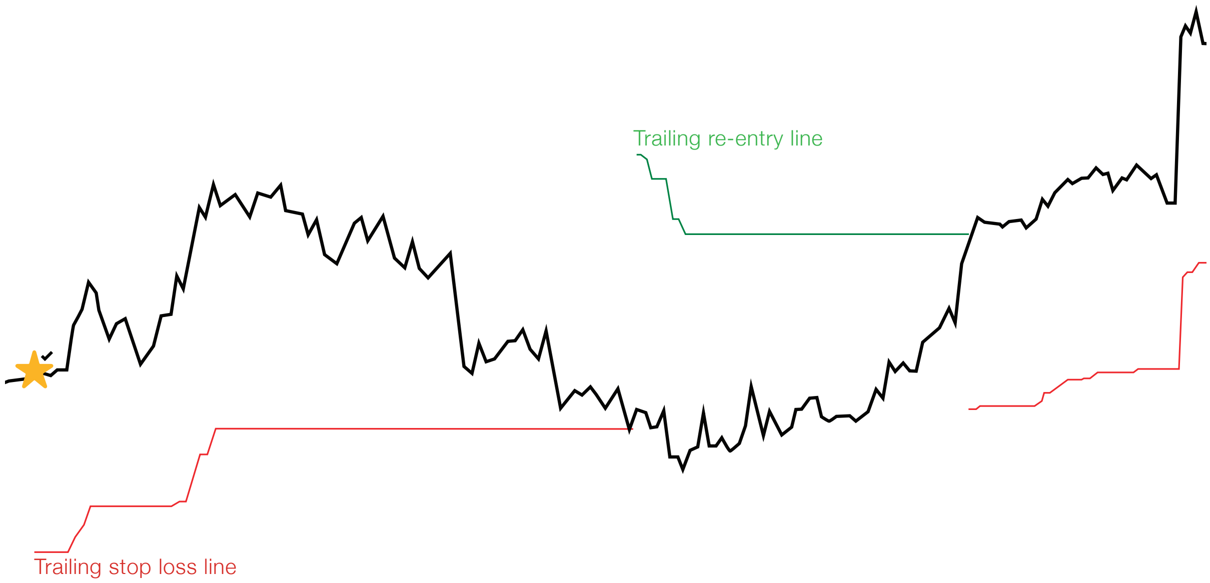
1. Transaction cost of **50 basis points** both in the entry and exit
2. **10-year** analysis period
3. Tested on **Star Growth Stocks only** as per our new naïve model. No tests were completed on other categories of Star Stocks or the broader market. However, we believe that the end indicators can be applied to all stock types
4. **No cash management strategy** was considered
5. Further to the above, this meant that **no cash asset** was considered as part of **overall portfolio performance**
6. Assumes **no slippage** (ie investors get in and out at the appropriate time)
7. Access to **unlimited funds** to purchase stocks under the dollar weighted approach

The results

We were able to identify **two indicators** that not only met the objective of helping avoid some significant price declines and not be to the detriment of historical Star Growth Stock performance, but also fell into a narrative that was logical and could easily be explained.

While the overlay of the two indicators improved on the Star Growth Stock performance on a 10, 5, 3, 2- and 1-year timeframe, none were necessarily the best performer over all time periods. Rather, they were selected for their consistent outperformance over all periods, and their natural flow/symmetry to their implementation.

1. **SD30TSR** - Stock Doctor Trailing Stop loss 30% exit / 30% re-entry (daily)



Appropriate for those moderately sensitive to price declines but are still prepared to let stock price fall by 30%.

In this indicator, from the day a stock is identified as a Star Stock, a stop loss is set at 30% below that point. If the price closes below that level on a daily chart, then it is stopped out.

In order to re-enter, the stock needs to stop falling, rebound and close 30% above the lowest close.

It is important to note that even if a new Star Stock inclusion is currently 30%+ off its highs, the stop loss level is set from the Star Stock ‘ín’ price.

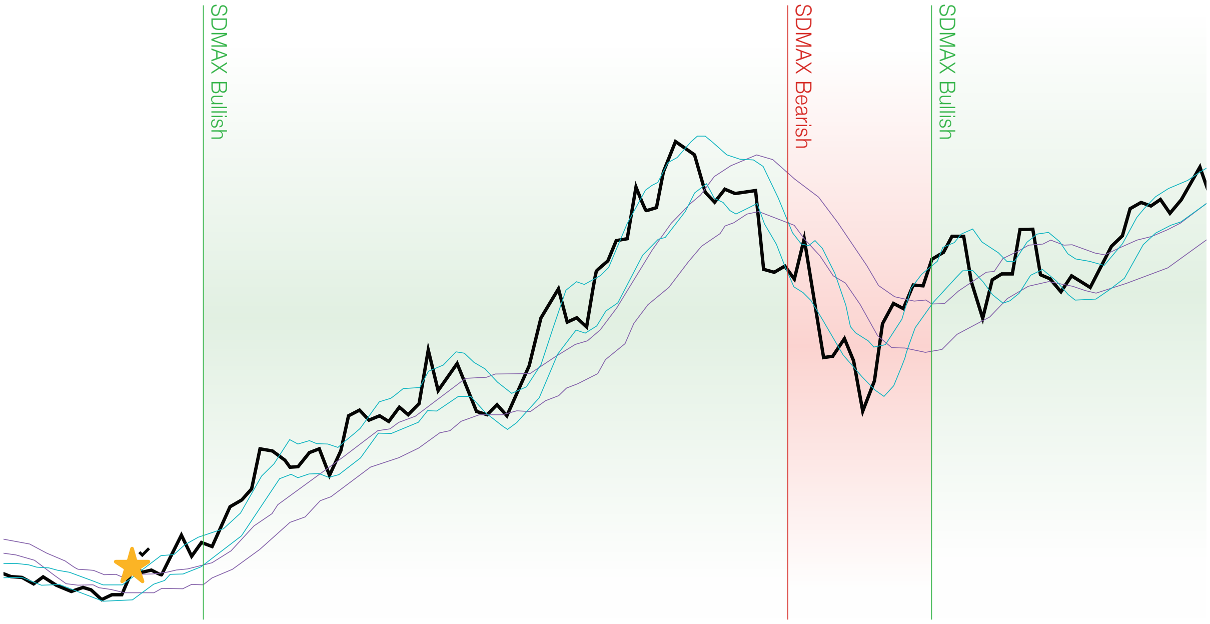
Pro’s

- Comfortable with short term price declines/retracements in great businesses
- Suits those who prefer less churn but will make decisions as necessary
- Low churn and good average tenure
- Improved the performance of Star Stock selections
- Daily reviews make it less likely things will get out of hand

Con’s

- To capture Star Stock performance there will be times when you will have a large number of stocks in your portfolio
- Higher churn and lower win rate means **increased importance of getting re-entry**
- Drawdown can be very large if a downward price spike occurs after a prolonged period of weakness prior.
- Win/loss ratio deteriorates more often as losses are cut more frequently
- If stocks have two legs down (fall 30%, rebound but then fall again) the losses can increase

2. **SDMAX** - Stock Doctor 4/13-week High/Low Simple Moving Average crossover (weekly)



Appropriate for those very sensitive to price declines and are therefore willing to be very active in the management of their portfolio which will experience increased stock churn. They wish to capture as much Star Stock performance as possible however, as they are **more sensitive to price declines**, they will cut losses earlier to avoid (potentially) greater loss.

In this indicator, two **simple moving averages** (MA's) are drawn for each of the time periods specified (creating 4 lines in total).

The first set of simple MAs is based on a 4-week period. These are drawn based on the **high / low close** of the week effectively creating two parallel lines. These are the **fast** set of moving averages.

The second set of simple MAs is based on a 13-week period. These are drawn based on the high / low close of the week. These are the **slow** set of moving averages.

The sell trigger (Bearish red zone) occurs when both fast MAs cross below both slow MAs (or more specifically, the **high of the fast** MA crosses below the **low of the slow** MA) The buy/re-entry trigger (Green Bullish zone) occurs when both fast MAs cross above both slow MAs (or more specifically, the **low of the fast** MA crosses above the **high of the slow** MA). Refer to image above.

SDMAX Contined.

Pros

- Suits those who are highly sensitive to drawdowns in their stocks
- Cuts deep price losses (drawdown) sooner than the passive or SD30TSR approach
- Gets into up-trending stocks sooner than the SD30TSR
- Weekly reviews mean investors are less prone to false signals

Cons

- Increased churn than other stop loss methods
- Be prepared for more losing trades
- If investors apply this strategy incorrectly ie. do not buy back in, then it will cost them
- If the previous uptrend was VERY strong, it may take some time for the averages to revert which could become a big draw down.

Key indicator performance and characteristics metrics

Star Stock Strategy / indicator	Action	1 year	2 Year (p.a)	3 year (p.a)	5 year (p.a)	10 year (p.a)
Equal weight / Rebalance	Rebalance on an event - Star Stock in/out	35.76	23.39	22.14	22.46	16.00
No rebalance	Let Star Stocks rise and fall	35.57	23.27	23.98	24.29	16.73
SD30TSR Daily	Exit on 30% decline from high since Star Stock 'in'. Re-enter when price rises 30% from lowest close	41.62%	26.33%	28.46%	26.79%	18.56%
SDMAX Weekly	Exit /re-enter on a Simple Moving Average Crossover	45.09%	25.91%	28.99%	25.91%	18.27%

Star Stock Strategy / indicator	Action	Investor sensitivity to volatility	Frequency for a portfolio decision	Portfolio churn	New Star Growth Stock criteria performance (10 yr) *
Equal weight / Rebalance	Rebalance on an event - Star Stock in/out	Low	Infrequent	Low	**16.00% pa**
No rebalance	Let Star Stocks rise and fall	Low	Infrequent	Low	**16.73% pa**
SD30TSR	Exit on 30% decline from high since Star Stock 'in'. Re-enter when price rises 30% from lowest close	Moderate	Moderately frequent	Moderate/ Low	**18.56% pa**
SDMAX	Exit /re-enter on a Simple Moving Average Crossover	High	Frequent	High	**18.27% pa**

Note: New Star Growth Stock criteria to be released in early 2019. Performance figures may differ to current reported performance figures based on the existing Star Growth Stock criteria.

Metrics	Equal weight / Rebalance	No rebalance	SD30TSR	SDMAX
Average Tenure (days)	359	359	251	191
Smallest no. held (GFC)	30	30	15	9
Largest no. held	71	71	67	64

It's now your choice

There are four strategies for investors to consider as part of a disciplined investment strategy.

1. **Star Stock Equal weight / Rebalance Portfolio on a Star Stock event**

   This strategy is for those investors who are experienced and not fazed by share price volatility and significant price declines and prefer a more passive approach to investing. It is useful for those with limited funds where there is not a significant cash pool to draw on. A rebalance approach allows you to realise gains and use those funds to make another purchase or seize an opportunity in a good business that is oversold. This method has more transactions and requires more activity, however, allows for an exposure in a business irrespective of your portfolio size, allowing you to capture overall Star Stock performance

2. **Star Stock No Rebalance – let stocks rise and fall**

   This strategy is for those investors who are experienced and not fazed by share price volatility and significant price declines and prefer a more passive approach to investing. The investor buys and holds and sells Star Stock on inclusion and exclusion. This strategy means you simply let the Star Stocks rise and fall, comfortable that the overall strategy has delivered consistent outperformance as a collective over the long-run. This is the most passive and simple of approaches that requires little to no intervention.

3. **SD30TSR – Stock Doctor Trailing Stop loss 30% exit / 30% re-entry (Daily)**

   This is useful for those proactive investors comfortable with volatility and want to hold Star Stocks for as long as possible. However, a significant price fall of greater than 30% may indicate that something unknown may be brewing and an investor will want to avoid future disappointment. Particularly if it is shown that for a stock to regain from such a large fall requires considerable time, if it ever does. However, should it recover 30% from any subsequent low within period that it remains a Star Stock, then it can be considered for re-inclusion as the likely cause of the decline in the first place may have been resolved. This strategy introduces increased transactions and requires a more regular review than strategies 1 and 2 described above.

Watch the Video

SD30TSR

4. **SDMAX – Stock Doctor 4/13-week High/Low Simple Moving Average crossover (weekly)**

This strategy is for investors who are highly sensitive to drawdowns and are therefore willing to be more proactive with their investing. The concept of SDMAX is to remove stocks that are trending down and only focusing on those where the SDMAX indicator is **bullish**. This strategy is the most proactive of all strategies and introduces increased churn and losing trades. This is because we cut our losses sooner to protect ourselves from big falls, yet hopefully capture the big run ups that deliver maximum performance. The fact the indicator is built on a weekly chart and uses High/Low cross-overs means that there is less flip-flopping with more focus on identifying strong trends.

Watch the Video

SDMAX

Frequently asked questions

Q. Why 30% for the SD30TSR stop loss indicator? That seems like a long way to fall before kicking them out?

A. We also tested levels of 10% and 20%. Their performance was inferior. This is due to the underlying Star Growth Stock performance being so good that cutting these stocks too early detracts from performance, as quality businesses tend to rebound. Volatility is normal when investing. Being out of great stocks is a key reason for underperformance. This stop loss strategy will be appropriate for those who are comfortable with short-term volatility. However, should a stock fall 30%, then it is often difficult for a stock to recover in time for when the next set of fundamentals are reported.

Q. Why can't you add SD30TSR to a weekly or monthly Chart?

A. Our proprietary SD30TSR indicator is a daily indicator. A 30% fall in a stop is still a significant drawdown of share price. Irrespective of whether it was daily, weekly and monthly, the implementation of a SD30TSR improved performance. However, in most case, a 30% fall takes some time to occur. By delaying further, a possible exit trigger to weekly or monthly meant that in some instances the exit signal could come weeks later in the case of the monthly indicator. Therefore, the daily was selected as it delivered outperformance and didn't increase churn by too much (given Star Stocks as a collective generally do very well). Members can build a daily or monthly SDMAX is they wish, simply by replicating the 4/13-week model with 20/65-day High/Low or 1/3-month high / low.

Q. For SDMAX, why not us EMA? Why SMA instead?

A. Many technical analysts who use moving averages prefer to use the exponential moving average (EMA) to help avoid slow signals and better reflect a change in trend. However, in our testing of the Stock Doctor moving averages, the simple moving average (SMA) returned better performance.

The majority of the performance we deliver is in our ability to pick great businesses. The longer they are in, and the less false signals, the better the performance. As SDMA increased the lag around a crossover it naturally reduced whipsawing activity due to the nature of its calculation. Therefore, we ultimately chose the measure which gave the better performance i.e. SMA. We will consider testing other moving average styles e.g. Weighted, Wells Wilder etc in the future.

Q. Why can't you adjust the parameters on SDMAX or SD30TSR studies?

A. As part of our back-testing regime we adjusted parameters on literally hundreds of different combinations of all the indicators we tested, to arrive at the ones selected. While different indicators and parameters could deliver better performance for the odd period, the parameters used for the SD30TSR and SDMAX were the ones that consistently, over longer and shorter time frames) delivered outperformance while delivering the best combination of churn, portfolio size and average tenure. Members are welcome to build their own stop-loss levels (via the Alert tool) or moving average crossovers (via the Advanced Charting Tool) to suit their own preferences if they wish.

Q. Why is Stock Doctor stressing the importance of getting back in (re-entry)?

A. As the underlying Star Growth Stock performance is incredibly strong, the more you miss, the worse off you will be. Many investors will find exiting on a signal easier than the re-entry. This is because it may mean an investor has to buy back in to stock at a higher price than their selling price.

But if the company remains quality, then the investor needs to capture the run back up to compensate for taking a capital loss when they sold the stock. If they don't, then effectively they realise two lost trades, resulting in a bigger total loss (capital + opportunity loss).

Q. Will you be testing more indicators?

A. We now have the tools and systems to apply a regular testing regime, therefore we will continually validate the performance of all current indicators as well as test new indicators that may add value to achieving the stated projects objectives. While we have no definitive timeframe, we will allow time to see how these indicators work in a live environment.

Q. Why use high / lows for moving averages rather than the close?

A. We have adopted a different take on the traditional moving average crossover. An often-held criticism for moving averages is they lag on both entry and exit. Ie the signal to exit/enter a stock takes too long to trigger. However, given the strength of Star Stock performance, then being out costs in terms of returns. So, using the high / lows actually increases the lag and makes it longer to crossover allowing us to capture more Star Stock performance. Further, once crossed, it takes longer to cross back. Therefore, in this instance the high / low lag helps us define strong trends and reduces whipsawing (ie. rapid in / out transactions).

Q. Why did you go with such simple indicators…? Why not more complicated?

A. As mentioned previously, Star Stock performance is strong on its own, therefore introducing an over complicated process that increases the duration of a stock being out from the portfolio will cost in terms of performance. While more complicated systems may work on a random list of poor companies, our Star Stocks do the majority of the performance lifting. Therefore, these indicators are purely complimentary for those that want to avoid the catastrophic loss and slightly enhance performance.

Plus, we once again we emphasise the importance of being able to replicate, program and deliver the indicators to Stock Doctor members. The more complicated the indicator the more difficult they are to replicate and the more subjective they become.

Q. Why not include TA as a Star Stock criteria?

A. It is obvious from our testing that it is the Star Stock selection process that adds the most value. The remaining Golden Rules outside of Star Stock criteria, are to be used to help members construct a holistic investment strategy based on their preferences. GR#5 – Share price sentiment is one of those rules. The user can choose to apply which strategy assists them with the timing of stock entry and exit.

Further, excluding a quality business from research due to a price trend is non-sensical for an investor who is currently not invested in the stock. “Volatility creates opportunity” in quality companies that are unloved. Therefore, just because it fails a rule doesn’t mean that it should be discounted all together for all investors.

TA also creates more churn and is not suitable for long-term investors.

The SD30TSR and SDMAX (Indicators) have been identified through a rigorous research process using historical price data against Star Stock selections. Each Indicator has its strengths and weaknesses. The information contained within the Indicators is for general information purposes only. It is not intended as investment advice, or as recommendations to buy, sell or hold a stock and is not to be relied upon as such. Past performance is not an indication of future returns.

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All figures are as at 30 June 2018 unless stated otherwise.

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