



CANADIAN INVESTORS' COURSE

Session 4 – Finding Equities Commentary



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Canadian Investors' Course





Technical vs. Fundamental Analysis

- Both groups don't agree with each other's method
- FLLC advocates both disciplines/methods be used together
- As an investor, be sceptical, use history to back test a method
- Let's try doing this: Back Test the use of moving average Crosses to buy or sell
- the following charts use historical data of the Dow Jones Index



Technical Analysis: Rules-Based Investing

Using 'Monthly' time frame charts give fewer, but more accurate signals. This is a very important tool for a 'Rules-Based' investment approach that will be discussed in a later lesson. The next slides go back to 1929 and assume that an investor buys at the top of the market in 1929. A 'Buy and Hold' investor would have lost a major portion of their wealth. But, this Rules Based approach, based on a set of Rules, gave you a profit EVERY DECADE! These charts use 6 and 13 month moving averages. The results will amaze you. We will calculate the compounded rate of return for each decade assuming:

- Start with \$100,000 at the beginning of each decade
- Report what a Buy and Hold investor would have made
- Report what an investor would have earned using crosses to be either in Cash or invested in the Index

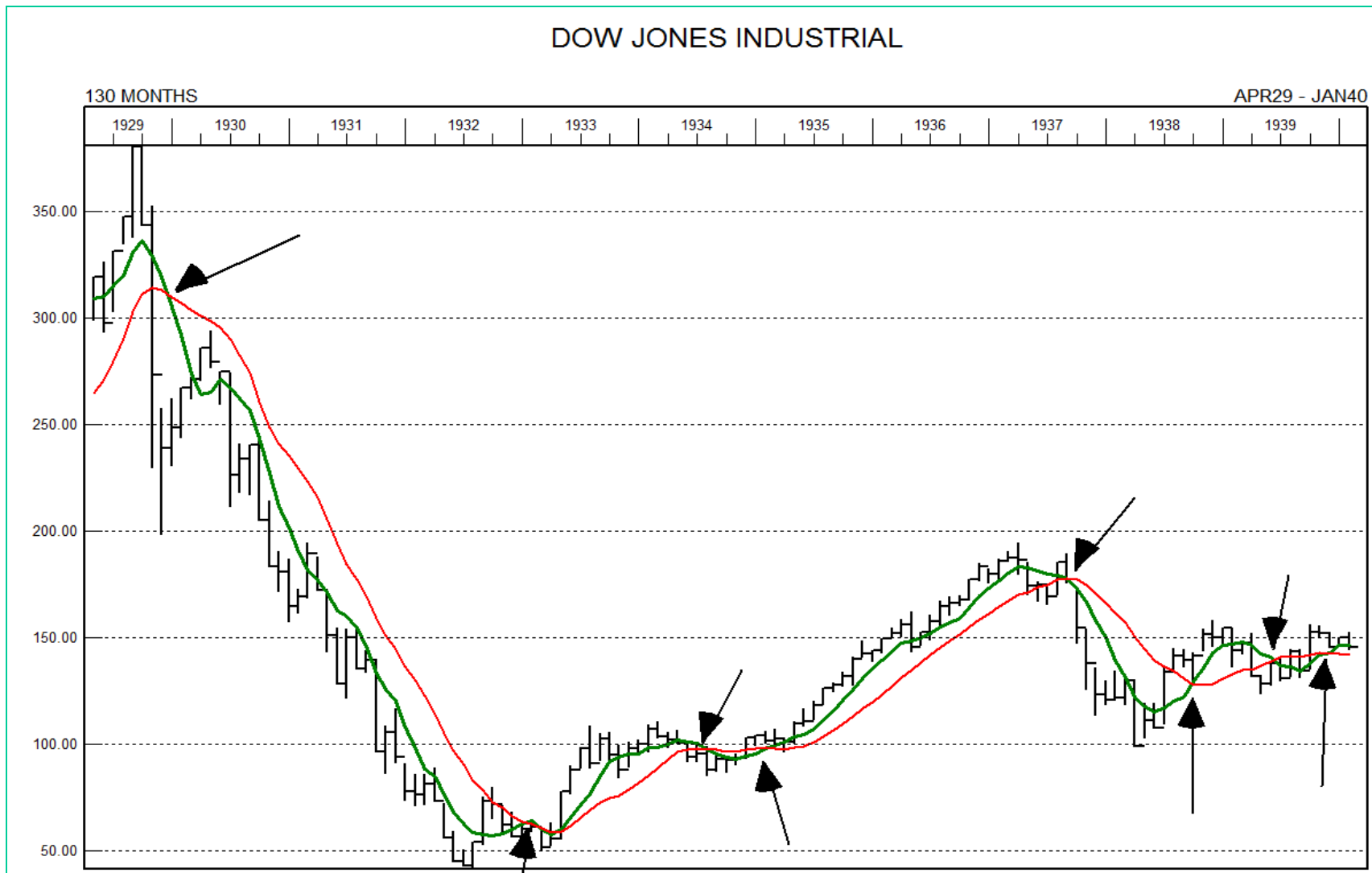
Note: Rules-Based Technical Analysis can be applied to indices, individual stocks or bonds, ETFs and even commodities.



Canadian Investors' Course



1929-1939





Canadian Investors' Course



Sept-1-1929 to Dec-31-1939

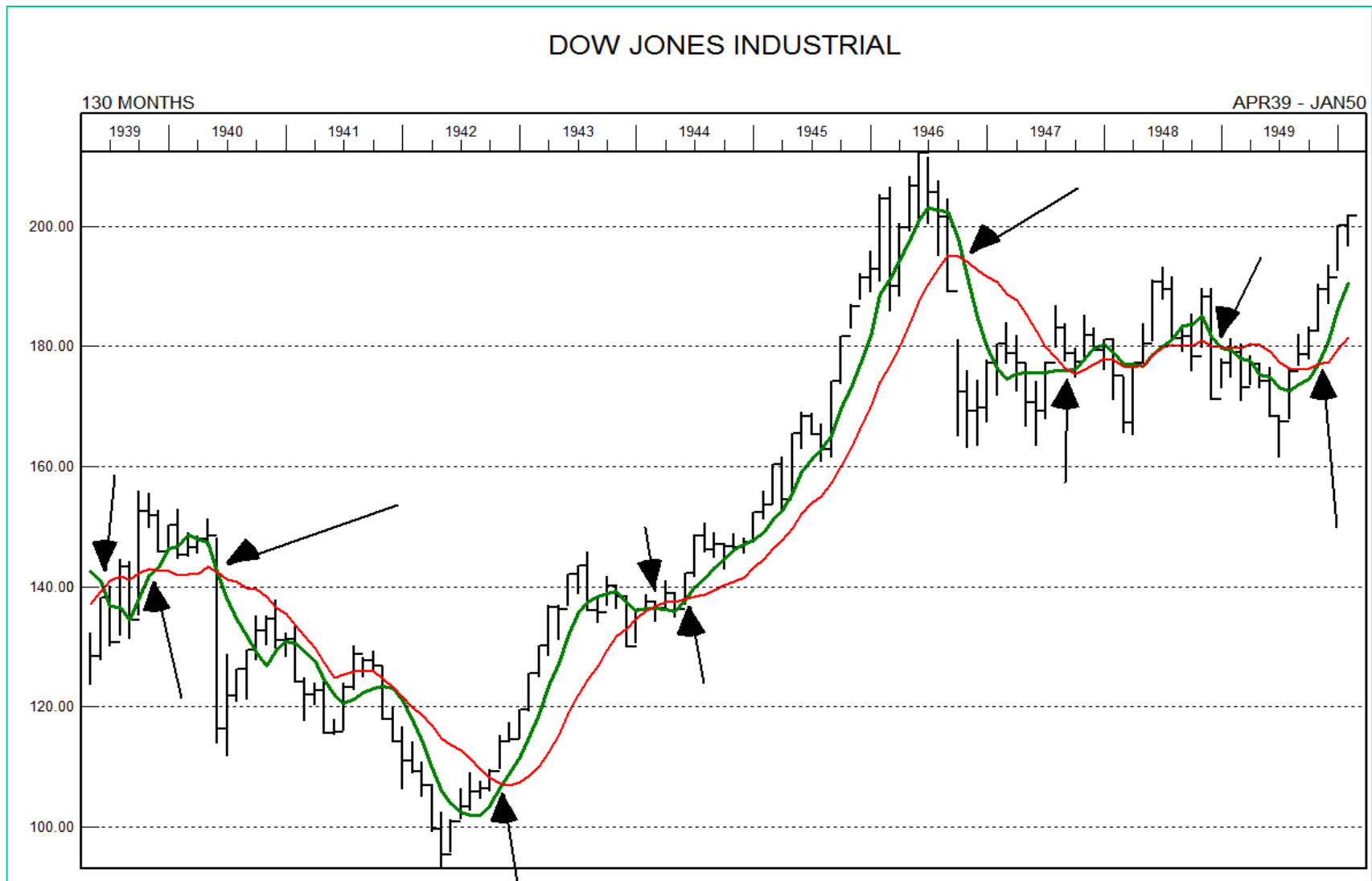
	Rules-Based Investing	Buy&Hold
Opening Balance	\$100,000	\$100,000
Closing Balance	\$228,304	\$39,415
Change	+128%	-61.5%
Annual Rate of Return	+8.32%	-8.62%



Canadian Investors' Course



1939-1950





Canadian Investors' Course



Jan-1-1940 to Dec-31-1949

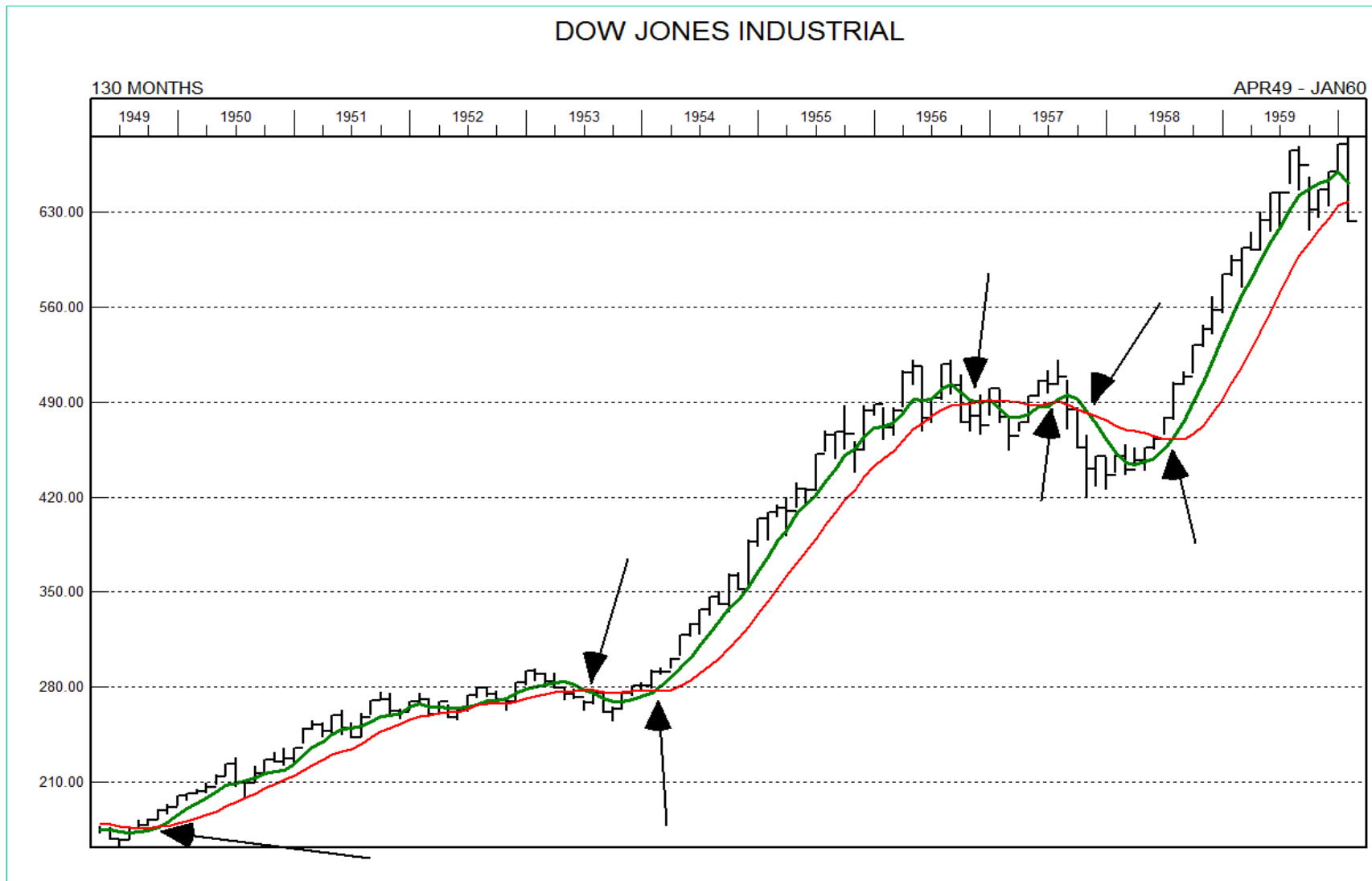
	Rules-Based Investing	Buy&Hold
Opening Balance	\$228,304	\$39,415
Closing Balance	\$444,600	\$52,496
Change	+94.75%	+33.2%
Annual Rate of Return	+6.89%	+2.91%



Canadian Investors' Course



1949-1960





Canadian Investors' Course



Jan-1-1950 to Dec-31-1959

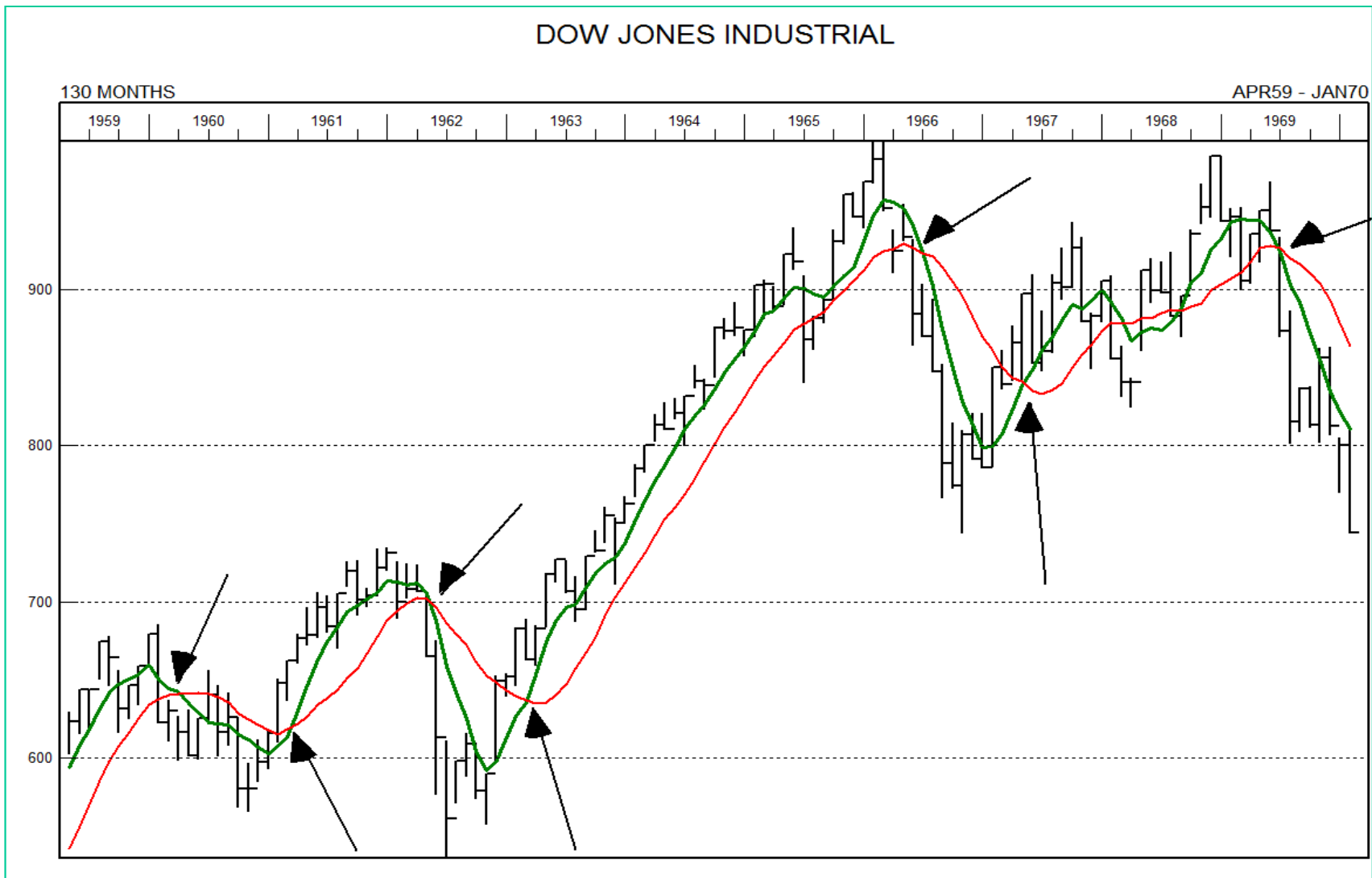
	Rules-Based Investing	Buy&Hold
Opening Balance	\$444,600	\$52,496
Closing Balance	\$1,591,942	\$178,227
Change	+258%	+239%
Annual Rate of Return	+13.60%	+13.0%



Canadian Investors' Course



1959-1970





Canadian Investors' Course



Jan-1-1960 to Dec-31-1969

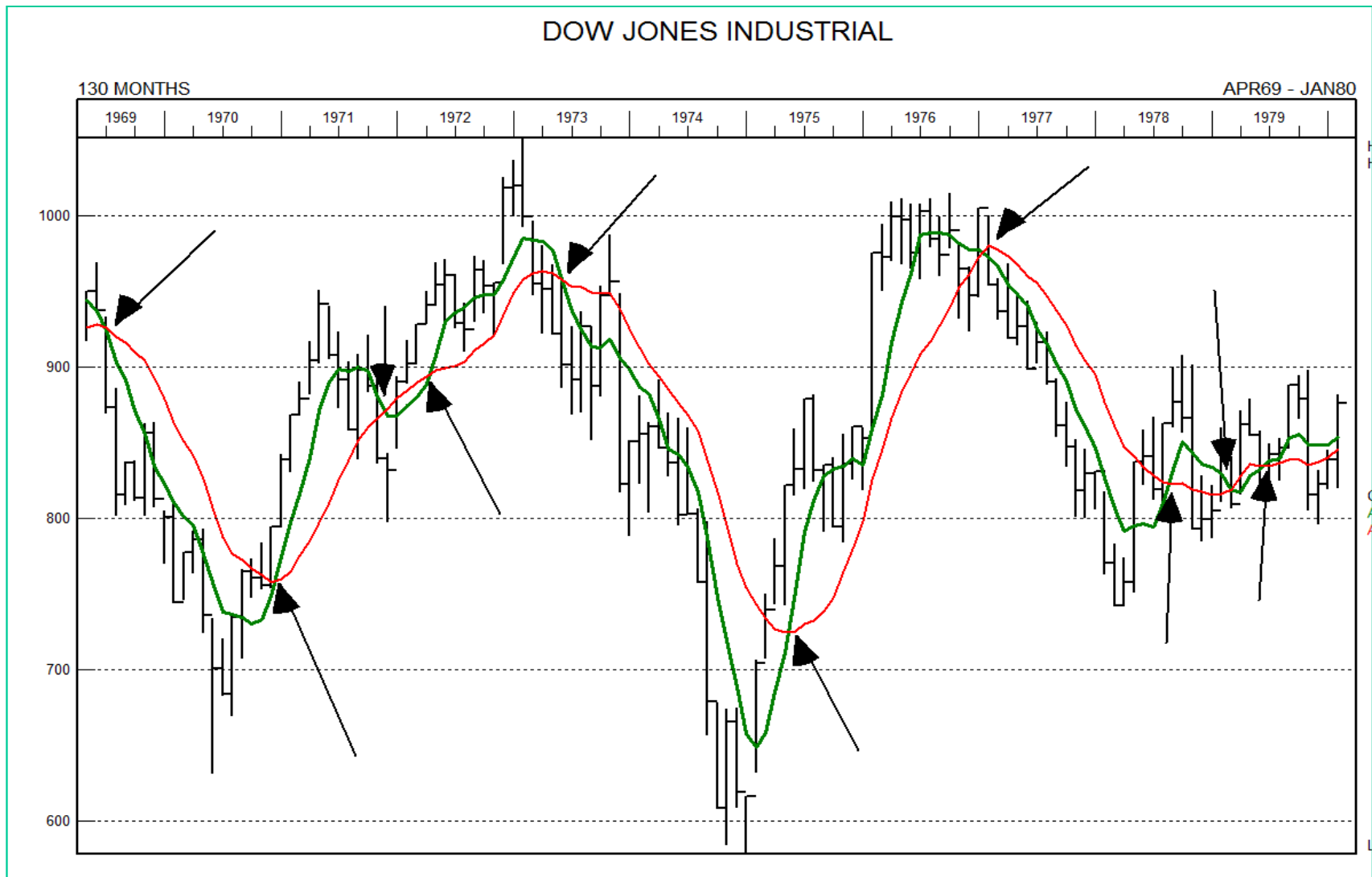
	Rules-Based Investing	Buy&Hold
Opening Balance	\$1,591,942	\$178,227
Closing Balance	\$2,747,719	\$209,971
Change	+72.6%	+17.8%
Annual Rate of Return	+5.61%	+1.65%



Canadian Investors' Course



1969-1980





Canadian Investors' Course



Jan-1-1970 to Dec-31-1979

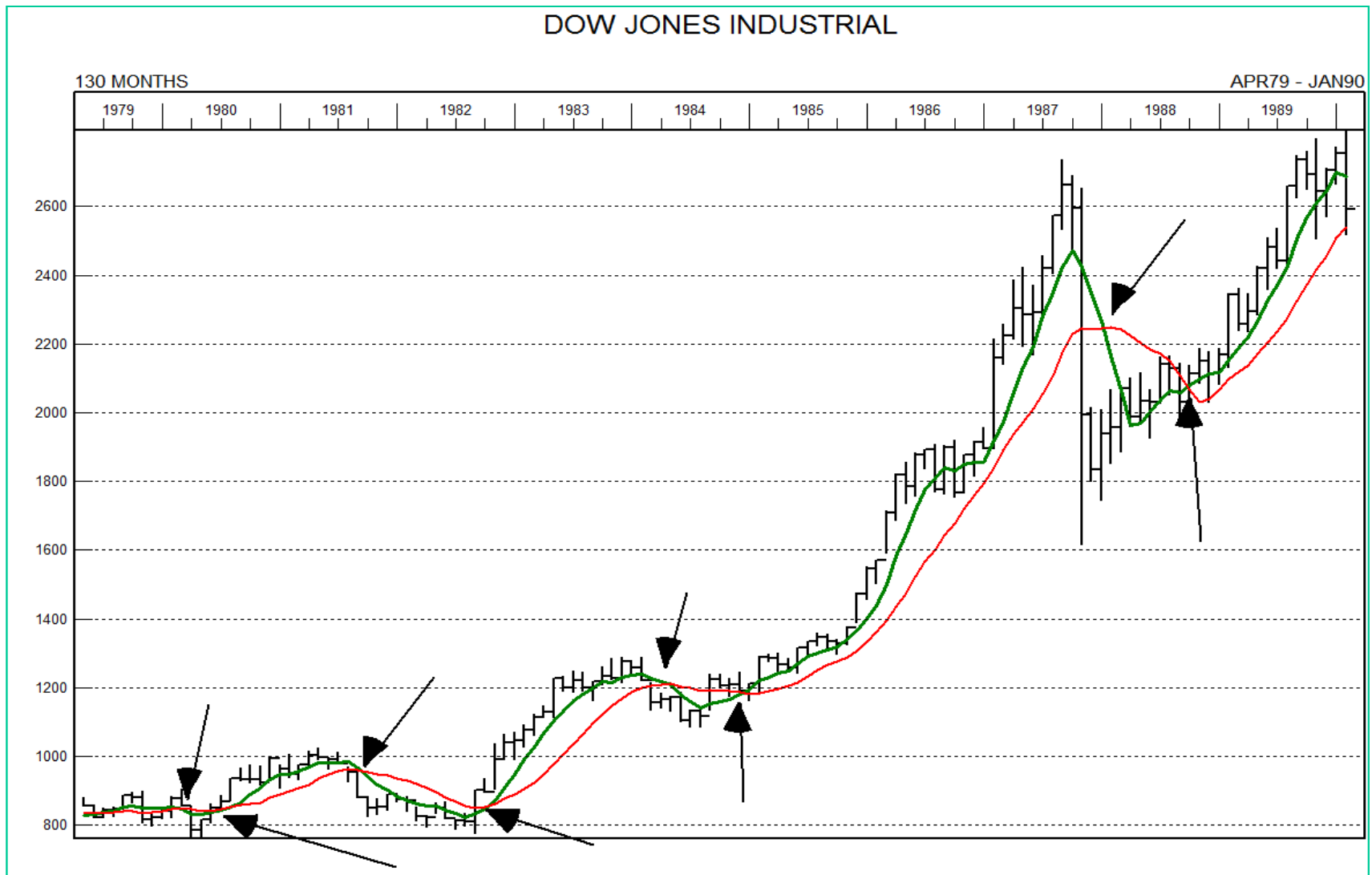
	Rules-Based Investing	Buy&Hold
Opening Balance	\$2,747,719	\$209,971
Closing Balance	\$4,763,125	\$220,033
Change	+73.4%	+4.79%
Annual Rate of Return	+5.66%	+0.47%



Canadian Investors' Course



1979-1990





Canadian Investors' Course



Jan-1-1980 to Dec-31-1989

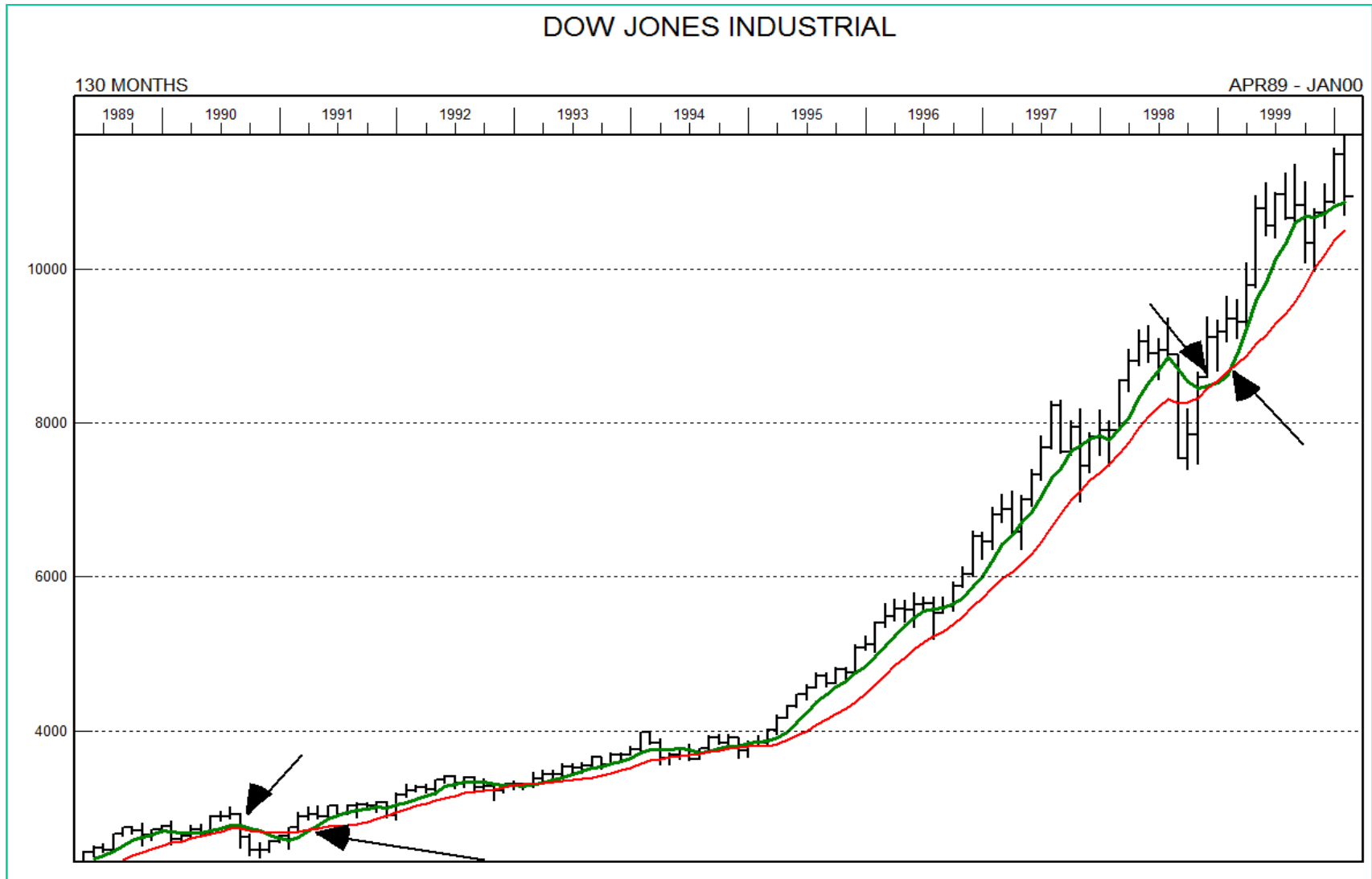
	Rules-Based Investing	Buy&Hold
Opening Balance	\$4,763,125	\$220,033
Closing Balance	\$19,413,594	\$722,301
Change	+307.9%	+228.3%
Annual Rate of Return	+15.1%	+12.62%



Canadian Investors' Course



1989-2000





Canadian Investors' Course



Jan-1-1990 to Dec-31-1999

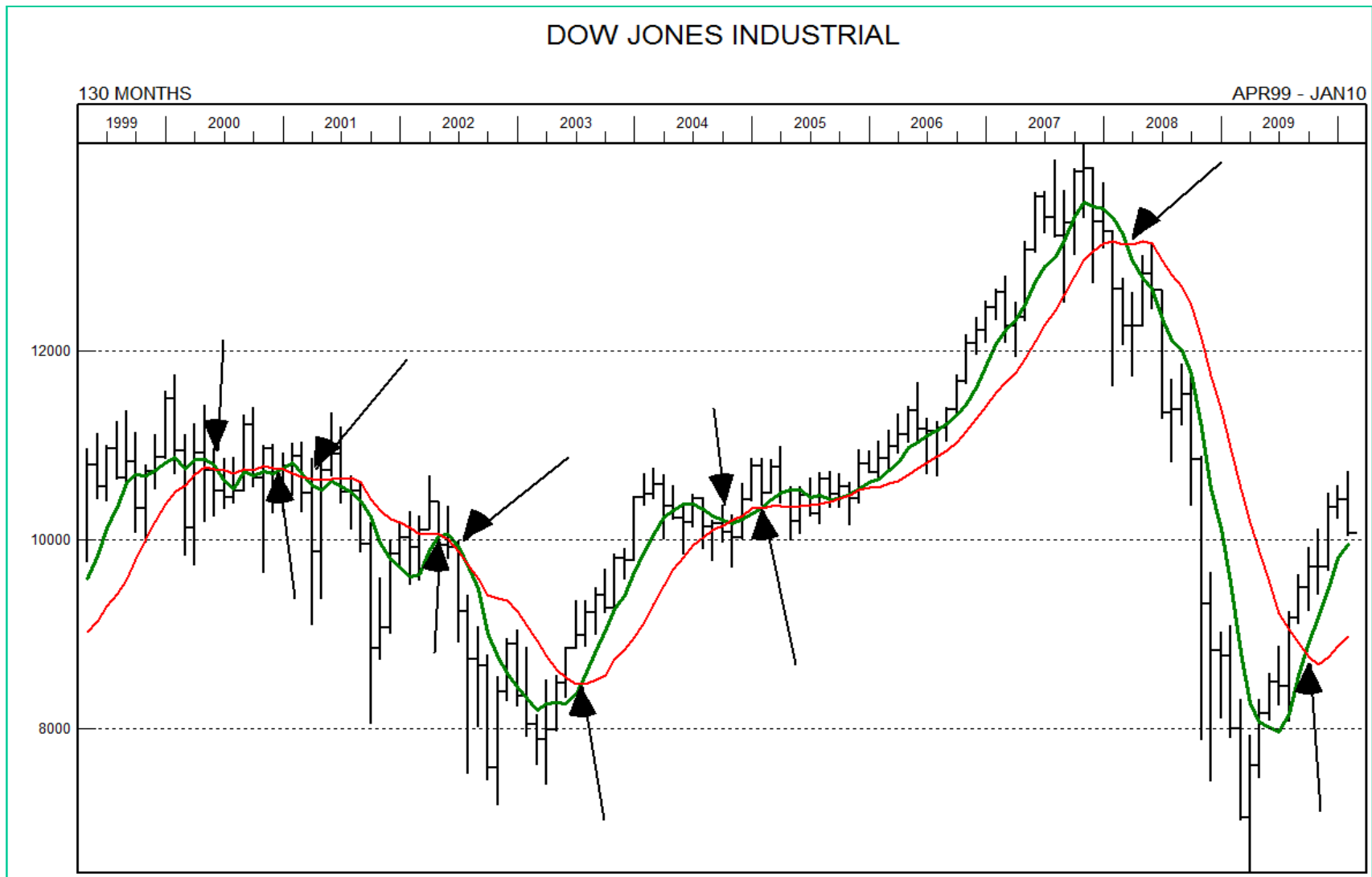
	Rules-Based Investing	Buy&Hold
Opening Balance	\$19,413,594	\$722,301
Closing Balance	\$79,712,515	\$3,016,236
Change	+310%	+317%
Annual Rate of Return	+15.1%	+15.4%



Canadian Investors' Course



1999-2010





Canadian Investors' Course



Jan-1-2000 to Dec-31-2009

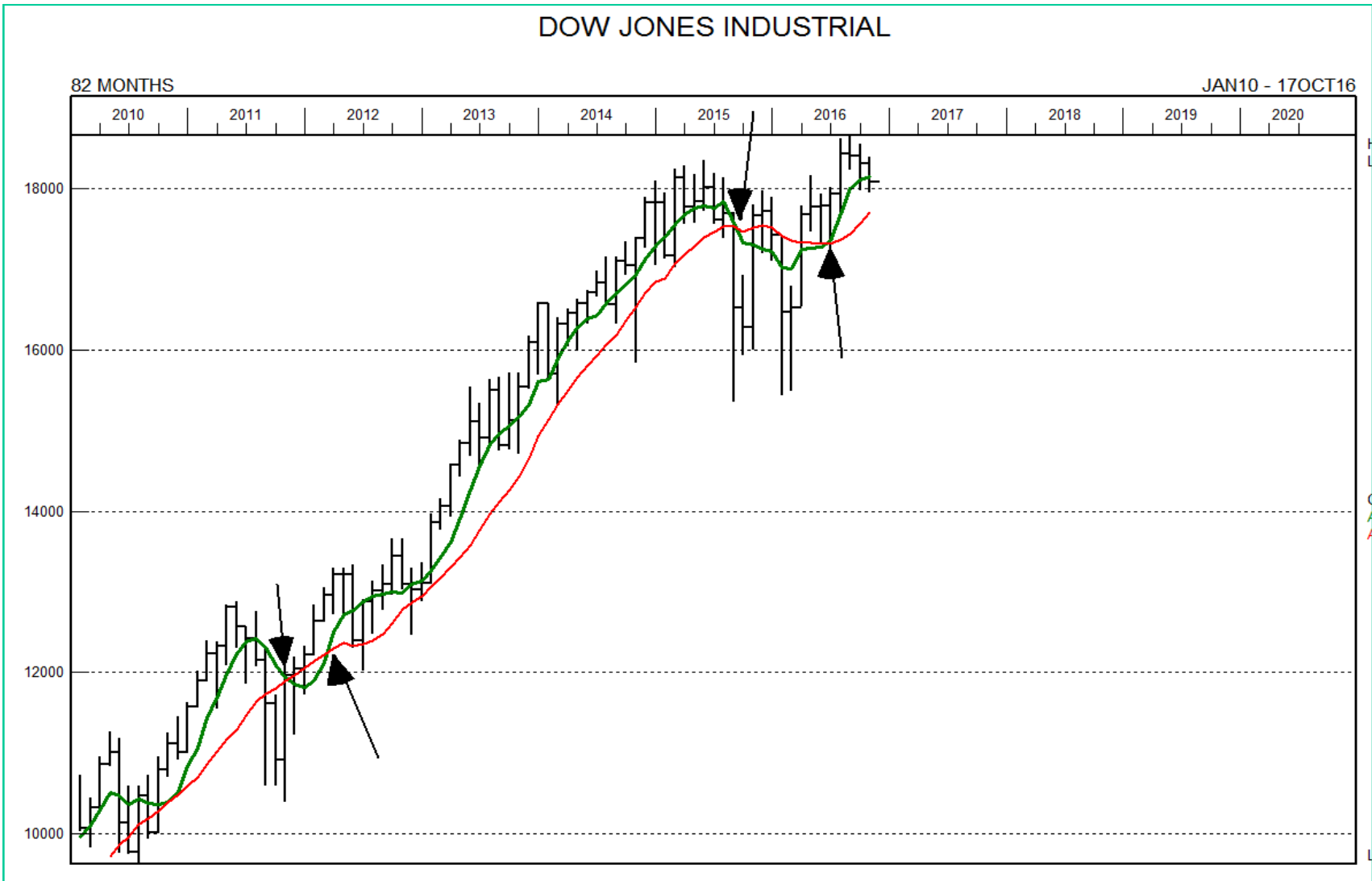
	Rules-Based Investing	Buy&Hold
Opening Balance	\$79,712,515	\$3,016,236
Closing Balance	\$129,721,790	\$2,735,784
Change	+62.7%	-9.30%
Annual Rate of Return	+4.99%	-0.97%



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2010-2016





Canadian Investors' Course



Jan-1-2010 to Sept-30-2016

	Rules-Based Investing	Buy&Hold
Opening Balance	\$129,721,790	\$2,735,784
Closing Balance	\$225,767,000	\$4,803,102
Change	+74.0%	+75.6%
Annual Rate of Return	+5.70%	+5.79%



Canadian Investors' Course



Sept-1-1929 to Sept-30-2016

	Rules-Based Investing	Buy&Hold
Opening Balance	\$100,000	\$100,000
Closing Balance	\$225,767,000	\$4,803,102
Annual Rate of Return	+9.27%	+4.55%

Annual Rate of Return Calculator

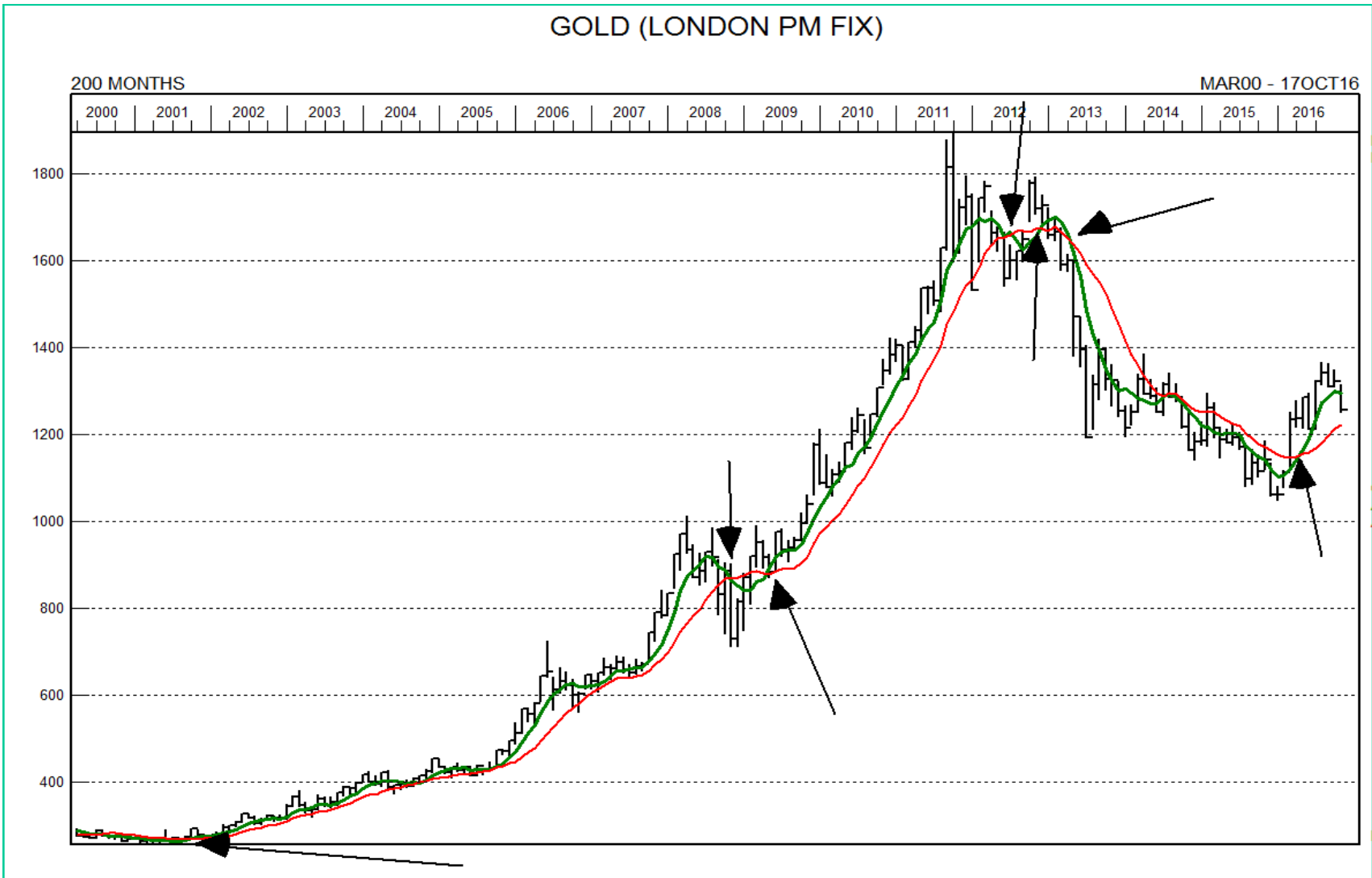
<http://www.dinkytown.net/java/AnnualReturn.html>



Canadian Investors' Course



2000-2016





Rules-Based Investing

Unfortunately, the 'Buy and Hold' investing approach does not cater to using the technical analysis technique we just demonstrated. The exercise that was demonstrated in his commentary is just one simple tool in technical analysis. There are other technical tools to use together with this 'Crosses' method. This method of investing is ideal if **capital preservation is important to you**. You can easily repeat this exercise. Be skeptical, try it yourself. This is to be discussed further in a later lesson. Finding Stocks to Buy and/or Sell, I believe, involves both Fundamental and Technical Analysis.

Is your wealth professional practicing this, or 'Buy and Hold'? Is your wealth professional licensed to do this? If the answer is no, then why? We search for wealth professionals that practice this. The locator button at the bottom of our webpage will reveal one in your area. **Click and enter your postal code** on our website. This method is ideal if capital preservation is important to you. As was demonstrated, this is a simple, but very valuable tool.



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We will revisit Fundamental and Technical Analysis in Session 15 titled Rules Based Investing.



Canadian Investors' Course



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