

A Federation Testimonial

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No-one to date has written the book, 'Mars and Venus In The Stockmarket', but our experiences with SPA, trading the Australian stock exchange, could well provide some material for such a book. My Martian orders his world through facts, logic, and analysis and once all the information has been gathered, he procrastinates himself to a standstill. I order my world through feelings, intuition, and pragmatism and once I have gathered all the information, I organise and run our lives like a field Marshall. His catch-cry is "Show me the system!" Mine is, "Show me the money!" We both love SPA. We have built our lives around it and will continue trading until either dementia or demise occurs.

Our initial involvement with SPA was an act of faith. A trusted friend, in whose judgement we had faith, introduced us to it. At the SPA presentation, I gained faith in the common-sense theory behind the system and in the integrity of Gary Stone and after months of testing and paper-trading, Mars gained faith in the integrity of the system. This faith was the cornerstone of our full commitment to Mechanical Trading and long before we saw a profit we re-structured our lives around SPA. This meant:

- Disciplined daily routines.
- New computer equipment; a Notebook computer, Broadband access, a mobile phone capable of serving as a modem for the nightly downloads (for when we are away from home and do not have access to a landline) external hard disk for back-ups and a hardware firewall.
- Scheduling every aspect of our lives around the nightly downloads and 11 a.m. if we need to trade. E.g. gym classes, appointments, shopping, visitors etc. We ensure that one of us is always available for these tasks.
- Attending User Group Meetings once every 2 months.
- Reading the User discussions in the SPA on-line forum.
- Taking computer classes because I was computer illiterate, I did not know even how to e-mail. I had to become computer savvy enough for Mars to teach me how to operate the SPA system once we began trading.
- Learning the language of trading and a Mechanical System
- There was also of course the huge learning curve of mastering the system, developing a Trading Plan, putting Money Management strategies into place and familiarising ourselves with all the SPA rules and we are still learning.
- Learning how to reconcile our trading bank account with the financial information in SPA TradeMaster.
- Attending the training courses offered by ShareFinder.

Before SPA, we had zero trading experience and even less interest in it. We had 2 stock with a combined outlay of \$12,000, Telstra 2 (sucked in by the hype!) and Blackmore's, because I liked their vitamins. We were going to hold onto them until hell froze over because we could never decide when we should sell them. We also had a finite financial resource and the fear that it might run out before we did. With SPA, we needed neither interest nor skill, because all we have to do is follow signals. It doesn't care what we know or don't know and it doesn't react emotionally to market gossip. The system works and when things go wrong, and they will, don't look to the system, look to the idiot at the keyboard.

We made every possible mistake and then invented some. And we still made money. If we were not trading mechanically we would not be trading at all and consequently our financial future would not appear as comforting as it does now.

Mars and I are DINKS, (double income no kids.) I retired in 2002, aged 49 after 28 years teaching. Mars retired in 2005, aged 52 after 31 years as a computer analyst. We had \$250,000 to live off until our Superannuation becomes available in 2008. While it is suggested that SPA can garner profits 15%-20% above the All Ords, we set our goals much lower. If it could generate more money than the 6% offered by conservative investments we would be happy, with 10% we would be flying, Europe hopefully.

We bought the system in September 2004 and Mars paper traded and tested the system until February 2005 at which time we entered the market with \$50,000. We did not want to make our first mistakes with a larger amount of capital and we would have to sell out our portfolio in 3 months anyway because we would be overseas. Up until this point Mars and I had worked harmoniously together. As luck would have it, we entered the market almost moments before it went into a downturn and our first SPA experience was the

realisation of losses. On top of that, Mars took poetic license with our Trading Plan, while I wanted to trade strictly according to the rules. Interplanetary war broke out and the trading Federation fell into disarray.

By the end of April 2005 we were over \$10,000 down, \$5,000 on the system and set up costs and \$5,000 in trading losses. Faith really stepped in here. We trusted the system despite the fact that we had no proof that it would make money. We re-entered the stock market in mid June as Federated but strictly self-governing bodies with a \$75,000 portfolio each. July and August proved to be excellent trading months and with money still in reserve we took every Pyramid that signaled. By the end of August we had regained all our losses and moved into profit. With our confidence bolstered, we injected more funds into each portfolio.

We both now trade a portfolio of \$125,000, with 15 positions at a value of \$8,000 each. We never buy the same stock as each other, which means that we can buy more of the signaled stock and we cast a wider net to hopefully catch the trades which will make a good profit. Our approach is a hybrid of the Money Management and Trading rules but it is the one that gives us a good night's sleep. In the six months to December our combined portfolios have averaged better than 20%. Not a bad income for 20-30 minutes work per day!

We began trading in June 2005 as conservative Type 2 traders. As our confidence in the system and experience with the vagaries of the stock market has grown, we have begun trading as a variation on the more aggressive Type 5 trader. We have to continually practice being calm not only when we realise a loss, but also when we make a profit. On one memorable, lift you out of your seat occasion, a stock held by Mars increased \$7,000 in one day. After the initial euphoria and sense of having been touched by God, we reminded ourselves of the trading truth, "You only make a profit when you sell." Also, "What goes up must come down." Being calm and patient is a must when trading. Being able to perform the required routines consistently in an inconsistently performing market is also a required discipline.

Our trading performance on the two occasions we entered the market was a matter of luck. The system is excellent at finding trades and we have profited from companies we have never heard of. It is luck however, which will determine how QUICKLY profits are realised. With our first attempt we were unlucky because the market went into a downturn but we were lucky that the downturn was short-lived. We were lucky that the market was very robust when we entered it the second time. The uncertainty of not knowing what was going to happen to our money each day was initially stressful. Now that there is some profit between our initial capital and our portfolio value, the result of the downloads each night is like the next exciting installment in an adventure story, or in some cases, a thriller.

At times we would have liked the SPA exit signals to get us out of a trade earlier and therefore leave us a larger slice of the profit. Defining what is enough and controlling greed has been a vital lesson. Mechanical Trading is simple but it is not easy. It is not the system that has let us down, but rather, ourselves and the mistakes we have made have been a reflection of our fears.

In early July 2005, SPA signaled a TTM signal, Take The Money. It was the first time we had seen this particular signal and it came on the first profit we had made since buying the system 9 months earlier. We were rushing that morning so we took the money, all of it. (We should have RTFM!) When we realised later that day that we should only have sold 33% of the stock, we felt sick, even more so over the following weeks as the stock continued to soar. So why did we allow ourselves to rush and not take the 20 secs required to check the manual? Through discussion, we realised that both of us were deeply upset over our initial and still un-recouped \$10,000 loss. Gary Stone suggests that a trading profile is determined by how much emotional pain a person can take when faced with losses. We were in a lot of pain and not taking it well. We were frightened. We had not been trading with the system long enough to know that profit would happen again and our fear of eroding our capital base lead us to conspire with each other to be 'rushed' so that some profit could be squirreled away. We are still learning all the ways that fear manipulates us; fear of loss through stocks whose prices fall, fear of High Market and or Sector Risk, fear of a downturn or worse, fear of a crash. The trick has been to be introspective and honest about our fears and to use those fears as the motivator for developing strategies. Ultimately the essence of our fear is that we will not be able to handle things if something goes badly wrong. To a great extent SPA protects us from that anxiety by telling us what to do and when to do it. More trading experience will help us build more confidence in ourselves. Our current goal is to move beyond fear and to become detached from the daily fluctuations of our portfolios, accepting that the system will continue to generate profit and that it and we can weather any market downturn.

Having initially begun Mechanical Trading with neither knowledge nor interest in the stock market, we are now hooked. It keeps our minds active and we are continuously learning more about ourselves, each other, the system, the stockmarket and other traders. We had been looking for a retirement hobby to share and we have found it in SPA. Mars and Venus leave you with the Vulcan blessing, "Live long and prosper."