Planning Your Trades - Intelligently

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Introduction

To help you plan your trades intelligently there is a tool in Stock Rover called Portfolio Modeling. Portfolio Modeling can act as a very powerful assistant in helping you plan trades. It will show you the consequences of trades you are contemplating across a number of different dimensions such as cash consumed or freed, changes in sector balance and changes in risk profile. The portfolio modeling tool is found by right clicking on a portfolio and selection "Model" from the resulting menu.

Basic vs. Premium Differences

Portfolio Modeling is that it is available to both Basic and Premium users. There are two differences between modeling for Basic and Premium users. The first is Stock Rover does not store the model across sessions for basic users. So for Basic users the sequence is do all your planning in one session and then export the model to an Excel spreadsheet. Premium users can maintain the model in Stock Rover. The second difference is Premium users can detach the window and separate it from the main display.

The Modeling Concept

The basic idea of portfolio modeling is to use an existing portfolio as the baseline and then create a new "model" portfolio that results from a series of planned trades. The new model can be compared to the existing portfolio to see if it meets your investment objectives across a number of criteria (potential return, risk, sector balance etc.). If it doesn't the model can be "tweaked" by adjusting trades until the new model portfolio "looks good" to you according to the criteria you care about.

Once the model is complete, then you have a simple trade list that you can execute at your brokerage house, confident that executing the set of trades in the list will result in a portfolio is designed to meet your investment objectives. The trade list also help prevent errors that occur from seat of the pants investment decisions made while the brokerage trade window is open

Nuts and Bolts – How does its work in practice?

A new model portfolio derived from existing model and a set of trades. We then compare new portfolio to existing portfolio among a number of key factors:

- Cash level (cash consumed or cash freed by trades)
- Sector balance
- Max Drawdown
- Return and risk adjusted return vs. the S&P 500
- Correlation with the S&P 500
- Beta and Volatility
- Sharpe Ratio
- P/E, P/B and Earnings growth
- Dividend payments and dividend yield

Portfolio Modeling Feature Walk Through

- Portfolio selector
- Highlight changes option
- Print
- Export
- Adding tickers
- Changing quantities
- Removing tickers
- $Cash line
- Grouping
- Changing reporting period
- Right panel expansion contraction
- Analytics and Historical Return
- Getting Analytics Help
- Metrics
- Sector balance

Portfolio Modeling Example Portfolios

Note all portfolios were created equal weight on 1/1/14.

- MSFT vs. GOOGL
    - See how swapping Google for Microsoft affects portfolio
- Sector Balance
    - Maintain balance across 5 sectors, each with two stocks
- Big Dog Growth
    - Selected large cap big dog growers
- GARP vs Value
    - Lowest EV/EBDITA vs. Lowest Forward PEG in the S&P 100
- Dividend Stocks
    - Biggest yielders vs. fastest dividend growers in the S&P 100

Summary

The Portfolio Modeling facility is quite powerful as a trading partner. You can plan, test your plan, tweak your plan before you execute any orders. Then the actual execution of trades is just a mechanical process with no emotion. This is a much safer and smarter way to invest.