



## Making Money in a Bear Market – Stay Informed

While the woods remain dark and cold, investors need to remain 'smarter than the average bear'. Making money in a bear market is within reach for all investors with patience and discipline. wise-owl.com was born during the last major bear market in 2001-02, and our ability to identify the stocks that rose against the tide earned us the reputation which we proudly garner today.

Outwitting the bear requires investors to adopt an active approach to portfolio management. Timing your entry and exit becomes very important as profits made during 'bear market rallies' can quickly disappear.

We have witnessed some great examples this year of how carefully timing your entry into outstanding stocks can yield handsome returns in the most brutal of bear markets. The table below shows some examples of outperformers we've picked in 2008. Notice how these returns were achieved in very short time frames? The average holding period was 14 weeks, however, some of these returns were realised in just 8 weeks, which is a testament to the importance of active portfolio management during bear market conditions.

wise-owl.com 2008 Bear Market Winners 							
Company	Code	Buy Date	Buy Price	Sell Price	Return (%)	Holding Period (weeks)	Report
Abra Mining	All	20/04/2008	0.4	0.58	45.00	8.14	Equities
CI Resources	CII	4/05/2008	0.515	1.145	122.33	8.57	Equities
Coal of Africa	CZA	13/01/2008	1.77	3.51	98.31	24.57	Equities
OM Holdings	OMH	24/02/2008	1.105	2.25	103.62	17.86	Equities
Western Areas	WSA	9/03/2008	6.67	9.6	43.93	12.57	ASX200
David Jones	DJS	20/04/2008	3.47	4.15*	19.6*	NA	ASX200
						Average	14.34

Timing is an important factor in making money during bear markets. Source: wise-owl.com  
\*DJS remains an open position, and \$4.15 is the profit stop. 19.6% is the theoretical return based on the profit stop.

While a more hawkish approach is required when it comes to monitoring your share portfolio, an equally important factor in being 'smarter than the average bear' involves what you don't do. We are in the business of making members money, not providing recommendations for the sake of it. Relentlessly issuing 'buy' recommendations week-in week-out during a bear market can lead to wealth destruction.

Therefore, we have adopted a selective approach when it comes to recommending stocks so far in 2008. There are many outstanding companies trading at levels that appear very cheap, however, this alone does not guarantee that their share prices won't head lower. By being patient and sticking to companies where 'the time is ripe' for a rally, we aim to protect our members from the storms currently engulfing the stock market.

More opportunities similar to those displayed in the table above will arise, however, unless you have a 'birds eye view' of the price action, they are likely to be missed. Dealing with the pains of a bear market is one thing....as most investors get caught in the downward draught and the hurt is common. However, dealing with the 'double whammy' of a bear market and missing out on the recovery is another. How will you know when the tide is turning? Stay informed.