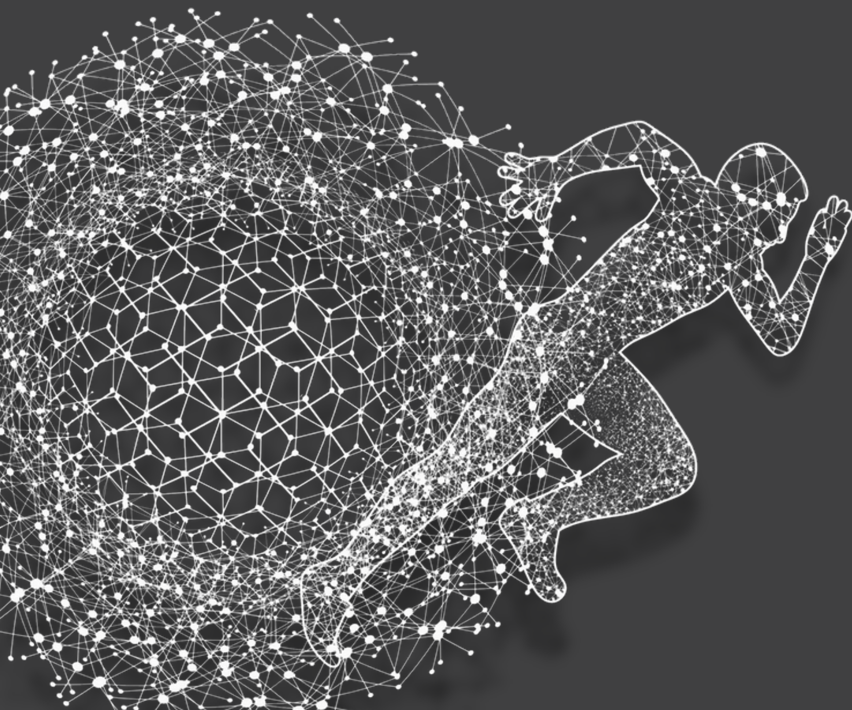
INVEST SMART

A BEGINNER'S GUIDE TO BUILDING WEALTH



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INTRODUCTION

Hello!

If you are holding this ebook in your hands or viewing it on your device, it means that you are ready to take the first step towards something that can change your financial future - *investing*.
This is an important moment, because the decision to start investing can be one of the best you will make. But before we start, I want to reassure you - **you don't have to be a financial expert or have millions in your account to start investing.** Everyone started at some point, and this guide will help you take your first steps with confidence and a clear plan of action.

Who are We and why is it worth listening to us?

Our name is Quanti Trading, and we have been investing for over *20 years*. During this time, we had the opportunity to gain experience in the financial markets and learn how to effectively manage capital.

Our beginnings were similar to those you are facing now - **full of questions, doubts and fears**. But thanks to a systematic approach and willingness to learn, we managed to build a stable investment portfolio. Now we want to share our knowledge and experience with you to make your path easier and more conscious.

Why is investing so important?

In today's world, saving alone may not be enough to ensure a stable financial future. Inflation, rising living costs, and uncertain pension systems mean that putting money aside in a bank account does not provide the benefits we might expect. Investing

allows your money to work for you, and a properly selected strategy can bring tangible benefits in the long term.

You may now feel uncertain and wonder if investing is for you. That's normal! However, remember that anyone, regardless of experience and amount of capital, can learn how to invest smart. This guide is designed for people like you - who want to understand how the market works, how to set financial goals, and how to take the first, but thoughtful steps in the world of investing.

What will you find in this ebook?

In the following chapters, you will find practical advice, explanations, and strategies to help you start your investing adventure. You will learn what the most popular forms of investment are, how to choose the right tools for you, and how to avoid the most common mistakes that beginners make. We will also present proven strategies that you can use regardless of how much you have to start with. The whole thing will be conducted in a simple and clear way, so that you don't have to worry about the intricacies of financial jargon.

Why Now Is the Best Time to Start?

It's never too late to start investing, but the best time is... **now**! The sooner you start, the more you can achieve over time. Whether you're in your 20s, 30s, or 50s, well-planned investments can help you achieve financial freedom. This ebook will help you on your journey.

1

WHAT IS INVESTING?

Let's start with the basics - *investing is the process of allocating money across various assets with the hope that they will generate a profit over time*. Simply put, investing is about making your money "**work**" for you so that it will be worth more in the future than it is now.

However, this does not mean making money quickly. Investing is a conscious and deliberate process that involves both the possibility of profit and the risk of losing capital. The key is to understand that investing is a tool that allows you to build wealth over the long term.

Investing vs. Saving – What's the Difference?

At first glance, investing and saving may seem similar, as both involve putting money aside for the future. However, there are significant differences between them:

ASPECT	INVESTING	SAVINGS	KEY CONSIDERATIONS
PURPOSE	Grow wealth over time through asset appreciation.	Preserve capital and provide liquidity for short-term needs.	Assess your financial goals and timeline.
RISK LEVEL	Higher risk due to market volatility; potential for loss.	Lower risk; typically insured (e.g., FDIC insurance in banks).	Understand your risk tolerance.
RETURNS	Potentially higher returns; varies based on market performance.	Generally lower returns; often limited to interest rates.	Evaluate the potential return against your goals.
TIME HORIZON	Typically long-term (5 years or more).	Short-term (less than 5 years).	Match your investment/savings strategy to your time frame.
LIQUIDITY	Varies by asset; some investments may take time to sell.	High; funds are readily accessible.	Consider how quickly you may need access to funds.
TYPES	Stocks, bonds, mutual funds, real estate, ETFs, etc.	Savings accounts, money market accounts, CDs.	Diversification can enhance investment performance.
INFLATION IMPACT	Can outpace inflation if investments perform well.	Often loses purchasing power over time due to low-interest rates.	Keep inflation in mind when planning your finances.
MANAGEMENT	Requires research and active management or investment strategies.	Minimal management; usually straightforward and easy to maintain.	Stay informed about market conditions if investing.
TAX CONSIDERATIONS	Capital gains taxes may apply when selling investments.	Interest earned may be taxed, but generally more straightforward.	Consult a tax advisor for personalized advice.
EMOTIONAL IMPACT	Can cause stress due to market fluctuations; requires a long-term mindset.	Generally more stable; provides peace of mind due to security.	Balance emotions with financial strategy.

Benefits of Investing

Wondering why you should invest? Here are a few reasons:

1. **Beat inflation:** Inflation causes your money to lose value over time. Investing can help you earn more than the inflation rate, which helps your money retain its purchasing power.
2. **Build wealth:** The right investments can help you build wealth over the long term, which can be key to achieving financial goals like buying a home, educating your children, or securing retirement.
3. **Passive income:** Some forms of investment, like real estate or stock dividends, can generate regular income without any active work on your part.
4. **Achieve financial freedom:** Well-planned investments can give you greater financial freedom, giving you more options in the future, whether you're working or in your life.

Investing as a Long-Term Strategy

Investing is a marathon, not a sprint. Unlike speculation or trying to profit from short-term market fluctuations, successful investing requires patience and consistency. It's worth remembering that markets can be volatile, but they usually rise over the long term.

A Long-Term Approach Example

Imagine investing **$1,000** in stocks on the stock market that return an average of **10% per year**. After 10 years, your investment will be worth about **$2,593.74**, and after **20 years, $6,727.5.** This shows how the power of long-term investing can grow your capital over time, even at moderate rates of return.

Total value of your investment:

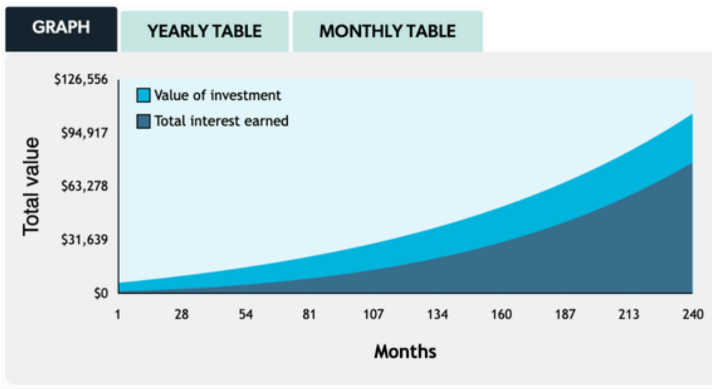
$105,463.42

Total interest earned:

$76,463.42

Your initial investment of **$5,000.00** plus your **monthly** investment of **$100.00** at an annualized interest rate of **10%** will be worth **$105,463.42** after **20 years** when compounded **yearly**.

The longer your time horizon, the more benefit you'll see. Learn more about growing your savings with compound interest.



example of investment for 20 years

The Risk of Investing

Investing involves risk. The key is to understand that any investment asset can lose value and that profits are not guaranteed. However, risk is part of the process – without it, there is no way to achieve higher returns. It is important to properly adjust the level of risk to your investment profile, which you will learn more about in the following chapters.

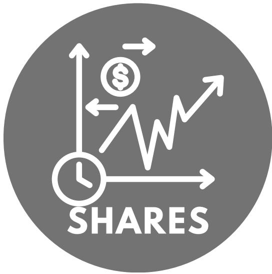
Investing is not only a way to protect yourself from inflation and build wealth, but also a tool that allows your money to "work" for you over time. Although it involves risk, the right approach and long-term perspective can bring tangible benefits.

2

TYPES OF INVESTMENTS

Now that you understand what investing is, it's time to understand what you can invest in. There are many different forms of investment, each with its own unique characteristics, risk levels, and potential rewards. In this chapter, we'll discuss the most popular ones so you can choose the ones that best suit your goals and risk profile.

TYPES OF INVESTMENTS



Shares

They are shares in companies that are listed on the stock exchange. *When you buy shares, you become a partial owner of the company and gain the right to share in its profits*, usually in the form of dividends.
In addition to dividends, you can also earn on the growth of the share value - if the company is growing, its shares may increase in price, which allows them to be sold at a profit.

Advantages:

- Potential for high returns, especially in the long term.
- Possibility of receiving dividends (regular payments from the company's profits).
- High liquidity - it is easy to buy and sell shares on the stock market.

Disadvantages:

- High risk - share prices can change rapidly in a short period of time.
- Requires knowledge or support from an advisor to effectively assess the potential of companies.

Bonds

Bonds are a form of loan that you give to a government or company. In return for your money, the bond issuer agrees to return the capital to you after a set period, and in the meantime pay regular interest (so-called coupons). Bonds are considered safer than stocks, although they tend to offer lower returns.

Advantages:

- Lower risk compared to stocks, especially treasury bonds.
- Stable, regular interest income.
- A good way to diversify your investment portfolio. market.

Disadvantages:

- Lower profit potential compared to stocks.
- Corporate bonds can carry the risk of default by the issuer.

Mutual funds

A mutual fund is a *pool of money from many investors that is invested by a fund manager in a variety of asset*s – these can be stocks, bonds, real estate, or other instruments. These funds allow investors to diversify their portfolio without having to directly manage individual investments.

Advantages:

- Professional management by experienced managers.
- Diversification – funds usually invest in a variety of assets, which spreads the risk.
- Ability to invest small amounts.

Disadvantages:

- Fund management fees can be high.
- You don't have full control over individual investments.

Real estate

Investing in real estate is a popular form of capital allocation. It can be the purchase of an apartment for rent, a house, a commercial premises or a plot of land for development. Real estate has the potential to generate passive income (from rental) and increase in value over a longer period of time.

Advantages:

- Stable, regular income from rental.
- Real estate can increase in value over time.
- Less susceptible to short-term market fluctuations than shares.

Disadvantages:

- High entry costs - buying real estate requires a large initial capital.
- Lack of liquidity - it is more difficult to sell a property in a short time if you need cash quickly.
- The need to manage the property or outsource this task.

Cryptocurrencies

Cryptocurrencies are *digital currencies, such as Bitcoin, Ethereum or others, that operate on the principle of blockchain technology*. This is a fairly new and at the same time very risky form of investment, which can bring large profits in a short time, but also large losses.

Advantages:

- High potential for value growth.
- Modern technology and decentralized nature.
- Possibility to invest small amounts.

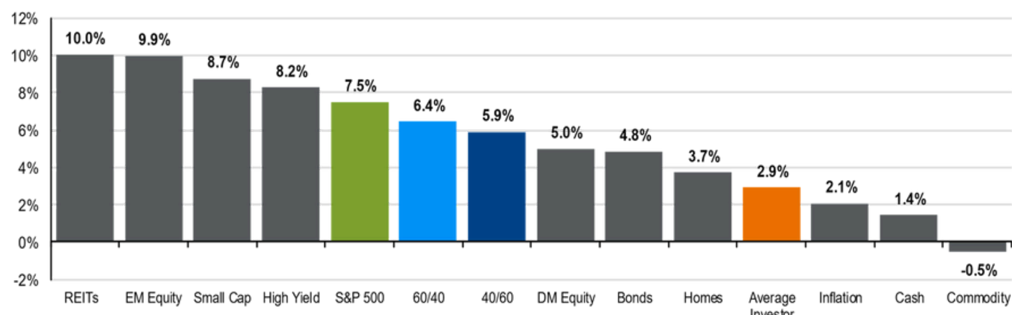
Disadvantages:

- Very high volatility and risk of losing capital.
- Lack of legal regulations and risks related to digital security.

Other forms of investment

Commodities: Gold, silver and other precious metals
Commodities such as gold, silver or oil are another alternative to traditional forms of investment. They are often considered a *"safe haven"* in times of economic crises, when the value of currencies and stocks may fall.

Startups and investments in new technologies
Investing in young companies or innovative projects, although risky, can bring huge returns if the company is successful. Such investments often take the form of venture capital or crowdfunding.



Source: Bloomberg, FactSet, Standard & Poor's, J.P. Morgan Asset Management; (Bottom) Dalbar Inc, MSCI, NAREIT, Russell.
Indices used are as follows: REITs: NAREIT Equity REIT Index, Small Cap: Russell 2000, EM Equity: MSCI EM, DM Equity: MSCI EAFE, Commodity: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Bonds: Bloomberg U.S. Aggregate Index, Homes: median sale price of existing single-family homes, Cash: Bloomberg 1-3m Treasury, Inflation: CPI. 60/40: A balanced portfolio with 60% invested in S&P 500 Index and 40% invested in high-quality U.S. fixed income, represented by the Bloomberg U.S. Aggregate Index. The portfolio is rebalanced annually. Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior.
Guide to the Markets – U.S. Data are as of February 22, 2022.

Each type of investment has its own unique characteristics, risk level, and potential reward. Choosing the right investments should depend on your financial goals, risk profile, and financial resources.
In the following chapters, you will learn how to match these options to your individual needs and how to start building your investment portfolio.

3

HOW TO START INVESTING?

Understanding the basics of investing and learning about its different forms is the first step on the path to financial success. Now it's time to get down to specifics - *how do you start your investing adventure?* In this chapter, we'll guide you through the basic steps that will help you take your first step into the investment market.

1. DEFINE YOUR FINANCIAL GOALS

The first and most important step before you start investing is to clearly define your **financial goal**s. Think about why you want to invest and what your priorities are. These can be various goals, such as:

- *Securing your retirement*
- *Buying a flat or house*
- *Educating your children*
- *Building long-term wealth*

Setting a specific goal will help you determine what investment strategy to choose and how long you should invest your funds for.

Types of goals:

- **Short-term (1-3 years):** Achieving your goal in the short term requires more conservative investments, such as *bonds or money market funds,* where the risk of losing capital is lower.
- **Medium-term (3–10 years):** Here, you might want to consider a *mix of stocks and bonds* to balance risk and potential rewards.
- **Long-term (10+ years):** Long-term goals allow for more exposure to risky assets like *stocks or real estate,* since you have time to ride out market volatility.

2. UNDERSTAND YOUR RISK PROFILE

The next step is to assess your risk tolerance. Every investment comes with a certain level of risk, and how much risk you're willing to accept should depend on your financial situation, age, experience, and goals.

TYPES OF INVESTMENT PROFILES

Conservative
People with a low risk tolerance who prefer stability over lower returns tend to choose bonds, money funds, or fixed-income deposits.

Balanced
Investors with a moderate risk tolerance who prefer a mix of stable and riskier assets, such as 50% bonds and 50% stocks.

Aggressive
Investors who are willing to take on more risk in exchange for potentially higher returns. They often choose stocks, cryptocurrencies, or startups.

3. CREATE AN INVESTMENT PLAN

An investment plan is a strategy that will allow you to achieve your financial goals step by step. Creating an investment plan includes:

1. **Initial amount:** How much can you invest to start with?
2. **Regular deposits:** Can you regularly put aside additional funds? Even small but systematic deposits can significantly affect the final result.
3. **Time horizon:** How long do you intend to invest? Is your goal a short-term or long-term strategy?

4. CHOOSE THE RIGHT INVESTMENT PLATFORM

To start investing, you need the right tool to manage your funds. Here are some popular options:

a) Brokerage houses
Traditional brokerage houses offer a wide range of services, including access to stock, bond and investment fund markets. Brokers also offer investment advice, but usually charge higher fees for transactions and portfolio management.

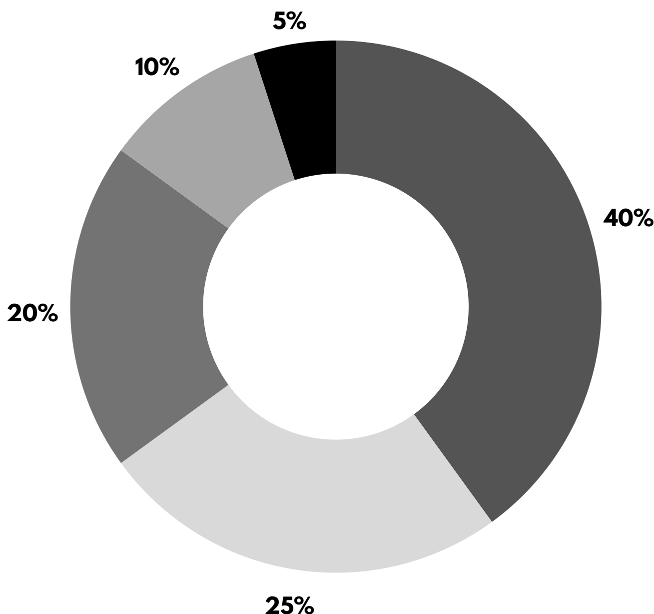
b) Online investment platforms
In recent years, online platforms have gained popularity, which allow you to invest for lower fees. They are intuitive and available to everyone, regardless of the initial capital. Examples of such platforms include:

Interactive Broker, eToro, XTB – for stocks, cryptocurrencies and ETFs.

c) Robo-advisors
If you don't feel confident in choosing investments on your own, you can use the so-called robo-advisors. These are automatic systems that, based on your preferences (risk tolerance, time horizon, etc.), will propose a ready-made investment portfolio. Robo-advisors offer low costs, and their advantage is automation.

5. DIVERSIFICATION

Don't put everything on one card
Diversification is a key element of effective investing. It means spreading your funds across different assets and asset classes to reduce risk. By investing in different sectors (e.g. technology stocks, treasury bonds, real estate), you protect yourself from sudden drops in the value of one of them.



Portfolio diversification example:

40% stocks (different sectors and regions)
35% bonds (corporate and government bonds)
20% real estate
10% cryptocurrencies
5% commodities

6. MONITOR AND ADJUST YOUR INVESTMENTS

Investing is a dynamic process. Once you have invested your money, monitor your investments regularly and adjust them if necessary. You may find that your goals or financial situation change, which will require a change in your investment strategy.
Monitoring tips:

- *Review your portfolio performance at least once a quarter.*
- *Avoid making changes too often, but react to significant changes in the market or your life situation.*
- *Remember to have a long-term plan and don't panic if your investments decline in value in the short term.*

4

RISK MANAGEMENT

Investing is not only the art of increasing capital, but also the ability to cope with risk. Every investment, regardless of its type, involves a certain level of risk. Understanding how to minimize it and how to respond to changing market conditions is crucial for every investor.

What is investment risk?

Investment risk is the uncertainty associated with the possibility of losing some or all of the invested capital. Financial markets are subject to fluctuations that may result from various factors, such as changing economic and political conditions or even global crises.

Not all risks can be completely eliminated, but they can be minimized by using appropriate portfolio management techniques.

Market risk (systematic): Risk related to the general volatility of the market (e.g. stock market changes, recessions). We do not have full control over this risk, but we can diversify it.

Specific risk (unsystematic): Risk related to a specific company, sector or asset. This risk can be partially eliminated through diversification.

TYPES OF RISK

Inflation risk: Decrease in the purchasing power of money due to rising inflation.

Currency risk: Currency fluctuations can affect the value of an investment, especially when investing in foreign markets.

Liquidity risk: Difficulty in quickly converting assets into cash without losing their value.

Diversification as a risk management tool

Diversification is a key strategy for minimizing risk. It involves spreading capital across different assets, sectors and markets, allowing you to balance potential losses in one asset class with gains in another.

How to diversify a portfolio?

- **Geographically:** Investing in different markets (e.g. Europe, the US, Asia).
- **Sectorally:** Investing in different industries (e.g. technology, energy, health).
- **Asset classes:** Investing in stocks, bonds, commodities, real estate at the same time.

The rule "Don't invest everything you have"

One of the key principles of risk management is to invest only that part of your capital that, *if lost, will not threaten your financial stability.* This means that we should not invest all of our savings in risky assets. It is always worth leaving some of our funds in more liquid and safe investments (e.g. bonds, deposits), which provide a "financial cushion".

Example:

70% of capital in riskier investments
(e.g. stocks, equity funds).
30% of capital in low-risk investments
(e.g. bonds, deposits).

The 5% rule - limits for a single investment

One of the commonly used risk management tools is **the 5% rule**. This means that no more than 5% of your investment capital should be invested in one specific asset (e.g. one company or one cryptocurrency). Thanks to this, if a given investment turns out to be unsuccessful, its impact on the entire portfolio will be limited.

Stop Loss – automatic loss limitation

Stop Loss is a tool that allows investors to automatically sell assets if their value falls below a certain level. It is a mechanism to protect against further losses in the event of sudden and large market declines.

> **Example of how Stop Loss works:**
> You invest in company shares that are priced at $ 100 per share.
> You set Stop Loss at $ 90.
> If the share price falls to $ 90, the system will automatically sell the shares, minimizing losses.

Managing emotions and the psychology of investing

One of the biggest challenges for investors is managing their own emotions. Panic during market declines or excessive euphoria during growth can lead to ill-considered investment decisions.

Here are some tips on how to avoid psychological traps:

- *Avoid emotional decisions:* Never make investment decisions based on momentary emotions.
- *Be patient:* Investing is a marathon, not a sprint. The value of an investment may temporarily decline, but long-term strategies often bring stable profits.
- *Trust the plan:* If you have a clearly defined investment plan, stick to it, even in the face of short-term market volatility.

Regularly evaluate and adjust your strategy

The risks in financial markets can change over time. That's why it's important to regularly evaluate your investments and adjust your strategy as needed. You should pay attention to factors such as:
Changes in the global economy.

The financial situation of individual companies.

Changing regulations.

Your personal financial goals.

Portfolio protection – defensive investments

In times of market uncertainty, it's worth considering adding defensive assets to your portfolio, which are less volatile and can act as a "**safe haven.**"
Examples of such investments include:

- *Gold and other precious metals: Traditionally seen as a safe store of value in times of crisis.*
- *Treasury bonds: Less risky than stocks, especially during economic downturns.*
- *Money market funds: Stable, although less profitable, financial instruments.*

Risk management is a key element of success in investing. It includes technical tools like diversification and stop losses, as well as the ability to manage your emotions. Investing is a long-term process, and understanding risk will help you make more informed and thoughtful decisions.

5

INVESTMENT STRATEGIES
HOW TO CHOOSE THE RIGHT ONE?

Each investor, depending on their goals, time horizon and risk tolerance, can use different investment strategies. Choosing the right strategy is key to investing success. Whether you plan to invest long-term or are looking for short-term gains, there is a strategy that may suit your needs.

Long-term investing (buy and hold)

One of the simplest and most effective strategies is **long-term investing**, known as "*buy and hold*". It involves buying assets (e.g. stocks, ETFs) with the intention of holding them for many years, regardless of short-term market fluctuations.

Why is it worth it?

- *Benefits of compound interest:* Investments have a chance to grow over time, and reinvesting profits allows for a "snowball effect".
- *Lower costs:* Fewer transactions mean lower brokerage commissions and fees.
- *Long-term trends:* Markets tend to grow in the long term, despite periodic declines.

Example:

Buying stocks in a global stock market index (e.g. S&P 500) and holding them for 10, 20 or even 30 years. Historically, such an index has produced stable returns over the long term.

Value investing

Value investing is a strategy that involves finding undervalued stocks that are trading below their intrinsic value. The goal is to buy such assets in the hope that their price will increase as the market sees their intrinsic value.

Features of the strategy:
Opportunity-hunting: Investors analyze the fundamentals of companies, such as *earnings, price-to-earnings (P/E) ratio, cash flow, and compare them to market valuations.*

Patience: This strategy requires patience, as it can take a long time for the market to “appreciate” a company.

Example:

Warren Buffett, one of the most famous investors in the world, is known for value investing. He bought stocks in companies he believed were undervalued, such as Coca-Cola and Apple.

Growth investing

Growth investing focuses on companies that have high growth potential. These are often young, dynamic technology companies that can quickly develop and increase their revenues, although this is often associated with higher risk.

Strategy features:

- High profit potential: Investments in growth companies can bring significant profits, but are usually riskier.
- Less importance of fundamental indicators: Investors often pay less attention to traditional indicators, such as profit, and more to the growth rate.

Example:

Investing in young technology companies (e.g. Tesla, Amazon in the early years) is a typical example of a growth strategy.

TESLA

amazon

Dividend Investing

A dividend investing strategy focuses on *buying stocks of companies that regularly pay dividends*. Many investors find it a way to earn passive income and stable, long-term portfolio growth.

Why Choose It?

- Regular Income: Companies that pay dividends provide a steady, passive income stream, which is especially appealing to investors looking for stability.
- Lower Risk: Companies that pay dividends are typically stable, which can lower portfolio risk.

Example:

Buying stocks of companies like Johnson & Johnson, Procter & Gamble, or Coca-Cola, which are known for paying regular dividends.

Index Investing

Index investing is a strategy that involves investing in index funds (e.g., ETFs) that track the performance of a specific market index (e.g., S&P 500, MSCI World). It is a passive strategy that requires minimal management and often produces stable results over the long term.

Why Choose It?

- Low Costs: The lack of active management reduces costs, and index funds often have lower fees.

- Diversification: Index funds offer immediate diversification because they invest in a wide variety of companies.

- Historically Strong Performance: Many indexes (such as the S&P 500) have produced solid returns over the long term.

Example:

Investing in an S&P 500 ETF is a popular index strategy. Investors don’t have to pick individual stocks; they can simply invest in the entire index.

Contrarian Investing

Contrarian investing involves buying assets that are currently out of favor or have fallen in price due to short-term issues. Contrarians believe that markets sometimes overreact to news and that opportunities can be found in assets that have been unfairly dismissed.

Why?

- Profit from Emotional Market Reactions: Often, asset prices fall too quickly in market panics, creating opportunities for contrarian investors.
- High growth potential: If markets return to rational valuations, high profits can be achieved.

"Momentum" Strategy

A momentum strategy is based on analyzing market trends. Investors using this strategy look for assets that have recently appreciated in value and buy them in the hope that the trend will continue. On the other hand, they may sell assets that are declining in value, assuming the downtrend will continue.

Characteristics of the strategy:

- Short-term nature: Momentum investors often trade on shorter time horizons, taking advantage of current market trends.
- Potentially high profits but higher risk: Momentum strategies can yield high profits, but require close monitoring of the market.

Example:

Buying stocks that have been rising in price for months and selling those that are declining.

Choosing an investment strategy depends on your personal goals, time horizon, and risk tolerance. Each strategy has its advantages and disadvantages, so it is important to carefully consider which one is best for you before making a decision.

6

HOW TO BUILD AN OPTIMAL INVESTMENT PORTFOLIO?

Building an investment portfolio is a process that determines the future returns and risks an investor faces. Your portfolio should be tailored to your individual needs, such as risk tolerance, investment goals, and time horizon. In this chapter, we'll walk you through the process step by step, discussing the most important aspects to consider.

Defining Your Investment Goals

The first step in building an investment portfolio is to clearly define your goals. Your goals can be **short-term** (e.g., saving for a vacation, buying new equipment) or **long-term** (e.g., retirement, children's education).

Each of these goals will require a different investment strategy and different asset classes.
Questions to ask:

- *What are my short-term and long-term financial goals?*
- *Over what time frame do I want to achieve these goals?*
- *What is my approach to risk?*

Assessing Risk Tolerance

Every investor has a different level of risk tolerance, which depends on individual preferences, financial situation, and experience. A proper assessment of your risk tolerance will allow you to adjust your portfolio composition so that you feel comfortable with the potential fluctuations in the value of your investments.

How to assess your risk tolerance?

Conservative investor: Prefers to avoid risk and prefers stable, low-risk investments, even if they bring lower returns.

Balanced investor: Accepts a certain level of risk in exchange for potentially higher returns.

Aggressive investor: Accepts high risk, seeking maximum returns, aware of the possibility of large fluctuations in the value of the portfolio.

Selection of asset classes

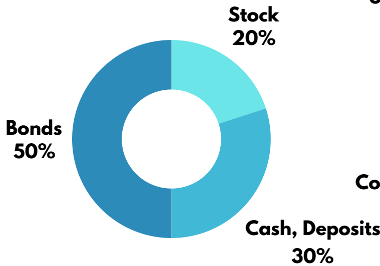
Your investment portfolio should be diversified in terms of asset classes. Each class has different characteristics, risk levels, and potential returns. Here are the most popular asset classes:

Asset allocation – the key to success

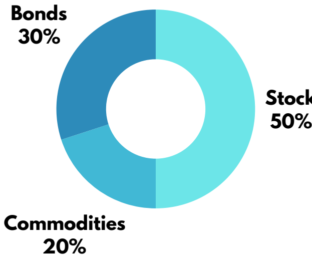
Asset allocation is the process of dividing your capital between different asset classes. It is the most important element of an investment strategy, which aims to balance risk and reward in a portfolio. The allocation should be tailored to your risk tolerance and investment goals.

Example asset allocations:

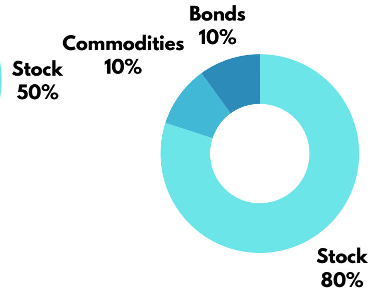
Conservative investor:



Balanced investor:



Aggressive investor:



Asset allocation is not static – it should change depending on your life situation, age and changes in the financial markets.

Portfolio diversification

Diversification is a basic principle of investment portfolio management, which involves spreading investments across different asset classes, sectors and geographic regions. This reduces the risk of large losses in the event of problems in one market or sector.

Portfolio rebalancing

Rebalancing is the process of restoring the original asset allocation in a portfolio. Over time, some investments may grow faster than others, which leads to a change in the proportions in the portfolio. Regular rebalancing helps maintain an appropriate level of risk in line with your strategy.

How often should you rebalance your portfolio?

You can do it quarterly, semi-annually, or annually. It is important to regularly monitor your portfolio and adjust it to changing market conditions and your goals.

Investment costs – how to minimize them?

Investment costs can have a significant impact on your profits, especially in the long term. It is worth choosing investment products that offer competitive commissions and fees.
Pay special attention to:

- **Brokerage fees:** Costs associated with buying and selling stocks, ETFs, and other financial instruments.

- **Management fees:** Costs associated with managing investment funds, especially active ones.

- **Transaction fees:** Costs of currency conversion, transfers, and other financial operations.

By investing passively (e.g. in index funds or ETFs), you can significantly reduce your costs, which is important, especially for long-term investing.

The importance of portfolio liquidity

Portfolio liquidity is the ability to quickly convert assets into cash without significantly losing their value.
Low liquidity can be a problem if you need access to funds in an emergency. Therefore, it is important that part of your portfolio consists of assets that are easily accessible, such as cash or short-term bonds.

Building an optimal investment portfolio is a process that takes time and planning. The key steps are to define your goals, assess your risk tolerance, choose the right asset classes, and regularly rebalance your portfolio. Well-diversified portfolio can not only minimize risk, but also increase your chances of achieving your financial goals.

7

INVESTING PSYCHOLOGY

Investing is not just about mathematics, statistics and technical analysis. Emotions and psychology play a big role in it. Even the best investment plan can be ruined by impulsive decisions that result from emotions such as fear, greed or panic. Understanding and controlling your emotional reactions can be a key element of investment success.

Psychological Traps of Investors

Investing can trigger a variety of psychological mechanisms that lead to suboptimal decisions.

Here are some of the most common traps that await investors:

The FOMO Effect (Fear of Missing Out):
This is the fear of missing out on an opportunity that could bring quick profits. Investors, watching the rapid growth of stock or cryptocurrency prices, may make impulsive decisions, wanting to "jump on the train", often at the peak of a speculative bubble.

Loss Aversion:
People are more afraid of losing what they already have than they are happy about the potential gain. This leads to early withdrawals from investments as soon as small losses occur, which can block potential profits in the long term.

Overconfidence:
Investors, especially after a series of successful trades, may tend to overestimate their skills. Overconfidence can lead to risky decisions without proper analysis.

Fear and greed – two dominant emotions in the market

Two emotions dominate the financial markets: fear and greed. Both can lead to extreme decisions that are not beneficial to the investor in the long term.

Fear:
It can manifest itself during sharp declines in asset prices. Investors, in a panic, sell their assets at low prices, losing potential profits that could come after the market calms down.

Greed:
It manifests itself during dynamic market growth. Investors, driven by greed, buy assets without deeper analysis, believing that the price will rise forever. This often leads to buying at the top and taking losses when the market corrects.

The Herd Effect – Succumbing to the Influence of the Majority

One of the biggest challenges for investors is peer pressure and the herd effect. This is the tendency to make investment decisions based on what the majority of other investors are doing. This often leads to investing in assets that are "on the rise" but may already be overvalued.

How to Avoid the Herd Effect?

- Independent Thinking: Make sure you are making decisions based on your own analysis and not just because "everyone else" is investing in a given asset.
- Confidence in the Long-Term Strategy: Stick to your plan, even if other investors are making decisions that contradict your assumptions.

The Emotional Market Cycle – How to Understand Your Reactions?

In the financial markets, there is a cycle of emotions that accompanies investors during the rise and fall of asset prices. Understanding this cycle can help you avoid mistakes.

Key phases of the Emotional Cycle:

Euphoria: When the market reaches peaks, investors feel euphoric and convinced that prices will continue to rise. During this phase, they often take excessive risks.

Contentment: When the market is rising steadily, investors feel confident and happy with their decisions. This is the moment when they can ignore the upcoming risks.

Anxiety: When prices start to fall, anxiety sets in. Investors wonder if they should sell.

Fear and panic: When the market falls sharply, many investors panic and sell their assets at the worst possible moment.

Capitulation: When the market hits bottom, many investors give up and sell the rest of their investments. This is the moment when the market often starts to bounce back.

Hope: When prices start to rise, there is hope that the market will regain its value.

Optimism: When the market starts to grow, investors regain confidence.

How to deal with emotions when investing?

Controlling emotions is one of the most important elements of investment success.
Here are some proven ways to keep a cool head:

- Stick to your plan: A well-thought-out investment strategy will help you avoid impulsive decisions.
- Understand that markets are volatile: Volatility is a natural feature of financial markets. Instead of reacting impulsively to every change, look at your investments from a long-term perspective.
- Avoid checking your portfolio daily: Constantly monitoring your investments can lead to emotional overreactions. It is better to set regular, infrequent times to review your portfolio.
- Meditation and relaxation: The stress of investing can be relieved with relaxation techniques. It is worth taking care of your mental health and resting regularly.
- Seek support from data: Emotions often take over when we lack reliable information. Analyzing data and hard facts can help you make rational decisions.

The Importance of a Long-Term Perspective

Understanding that investing is a marathon, not a sprint, will help you manage your emotions. Financial markets have cycles where downturns are followed by upturns and vice versa.
The greatest profits are made by investors who can keep their cool in difficult times and stick to their long-term plan.

Investing is not only about market knowledge and analysis, but also about managing emotions. Fear, greed, overconfidence, and the herd effect are just some of the traps an investor can fall into. Understanding the emotional cycle and using emotion management techniques will help you make better investment decisions and increase your chances of success.

8

WHAT’S NEXT? THE PATH TO INVESTING SUCCESS

Congratulations! If you’ve made it this far, you already have a solid foundation of knowledge that will allow you to start investing with greater confidence. But your journey doesn’t end there. Investing is a process of continuous learning, refining your strategy, and adapting to changes in the financial markets.

Continually expand your knowledge

Financial markets change dynamically, so investing is not just a one-time learning experience, but a lifelong process. It is crucial to regularly deepen your knowledge and update your information.
Here are some ways to develop your skills:

- Read books and articles about investing
- Follow market news
- Take online courses

Monitor your investments and adjust your strategy

Your investment portfolio should be monitored and adjusted as the market and your financial goals change. Investing is a dynamic process, so regular portfolio reviews are essential to ensure your strategy is still effective.

- Rebalancing your portfolio: The aforementioned rebalancing is the process of returning your original asset allocation and should be done regularly to maintain the right risk-reward ratio.
- Review your investment goals: Your financial goals may change as you age, work, or family circumstances change. Regularly update your goals and adjust your investments to meet new needs.

Be patient—investing is a marathon, not a sprint

One of the key elements to investing success is patience. Markets can be volatile in the short term, but history has shown that they deliver solid returns for patient investors in the long term. Here are some rules to help you keep things in perspective:

- Avoid short-term speculation: Investing is a long-term process. Avoid the temptation to make a quick buck on short-term market fluctuations, as this is risky and often leads to losses.

- Trust your strategy: If you have carefully planned your investment strategy and tailored it to your goals and risk tolerance, stick to it even in the toughest moments. Emotions often lead to hasty decisions that can cost you dearly.

Diversify your income sources

Don't limit yourself to investing in the capital market alone. Over time, it's worth considering other forms of building wealth that can complement your portfolio.
Here are a few examples:

- Real estate: Investing in real estate can be a long-term strategy that generates both appreciation and passive rental income.
- Businesses and start-ups: If you have the right knowledge and experience, investing in the development of small businesses or start-ups can be an interesting option for diversifying your income sources.
- Alternative investments: Art, wine, cryptocurrencies - these are just a few examples of alternative forms of investing that can add diversification to your portfolio.

Consult with experts

Even if you feel confident as an investor, it's worth consulting experts on your decisions. Professional investment advisors can help you analyze the market, assess risk, and optimize your portfolio for taxes.

Take Care of Financial Security

Investing is an important part of building wealth, but don’t forget the foundations of financial security. **Here are some tips on how to do it:**

- Emergency Fund: Make sure you have a liquid emergency fund that will cover at least 3-6 months of living expenses.
- Insurance: Protect your health, life, and property with appropriate insurance. This will help you avoid large financial losses in the event of an accident or sudden events.

Take the First Step!

Now that you have the knowledge, don’t wait – take action! Investing may seem complicated, but the best way to learn how to do it effectively is to practice. Start small, invest regularly, stick to your strategy, and develop your skills.

9

KEY POINTS TO REMEMBER AND YOUR PATH TO SUCCESS

Congratulations! You've covered all the essentials of investing. Now it's time to recap what you need to remember and how you can put that knowledge into practice.

Here are the key points to help you at every stage of your investing journey:

Start with a Plan – Define your investment goals and create a strategy that fits your needs and risk tolerance. Without a plan, it's easy to get sidetracked.

Diversification is Key – Don't put all your eggs in one basket. By investing in different asset classes, you reduce your risk and increase your chances of stable returns.

Manage Risk – There's always risk in investing, but you can manage it effectively. Set a stop loss, regularly evaluate your decisions, and adjust your strategy as needed.

Psychology Matters – Investing isn't just about numbers and analysis, it's also about emotions. Learn to control them, avoid impulses, and the herd effect.

Learn and Adapt – Markets change, and you need to stay up to date. Expand your knowledge, monitor your investments, and adjust your strategy to new conditions.

Be patient – The best investors are those who can keep their cool in difficult times. Markets always have their ups and downs – investing is a marathon, not a sprint.

Be financially secure – Remember to have an emergency fund and adequate insurance before you start riskier investments.

Your path to success:

Now is the time to put this knowledge into practice! Investing may seem difficult at first, but you don't have to be an expert to succeed. The key is making informed decisions, being consistent, and constantly improving.

Start small – You don't have to invest large amounts of money right away. Over time, as your knowledge and confidence grow, you will be able to increase your involvement.

Invest regularly – Regularly investing, even small amounts, will help you build capital over the long term.

Stick to your strategy – Even in the face of market volatility, trust your plan. A long-term perspective is the best defense against emotional decisions.

Finally, remember that every investor started from scratch. The key is perseverance, learning from mistakes, and consistently achieving your goals. Now you have the tools and knowledge to start your investing adventure - don't wait, take the first step today! **Good luck! Your financial success starts now.**

CHECKLIST TO GET STARTED INVESTING: SIMPLE STEP-BY-STEP

Here's a simple list of steps to help you get started investing. Follow this checklist to build a solid foundation and minimize risk:

- ☐ **Determine your financial goals**
  What are your short-term and long-term goals? (e.g. retirement, buying a home, children's education)
  Determine the amount you want to invest and the time frame you need to see the profits.

- ☐ **Assess your risk tolerance**
  Think about how much risk you're willing to take. You can use simple online tools to assess your risk profile (conservative, moderate, aggressive).

- ☐ **Build an emergency fund**
  Before you start investing, make sure you have enough money saved to cover at least 3-6 months of living expenses in case of emergencies.

- ☐ **Open a brokerage or investment account**
  Choose a broker or investment platform. Look for commissions, ease of use, and additional services like access to analytics or advisor support. Start with education and test strategies. Use a demo account that lets you invest virtual funds. This is a great way to test strategies without risk.

- ☐ **Establish an asset allocation plan**
  Divide your investments across different asset classes (stocks, bonds, real estate, commodities) according to your goals and risk tolerance.

- [ ] **Invest small amounts regularly**
  Even if you have a limited budget, start with regular, small investments. Dollar-cost averaging allows you to invest the same amount at regular intervals, reducing the risk of bad timing.

- [ ] **Monitor your investments**
  Regularly review your portfolio to see if your investments are aligned with your goals. Rebalance if one asset class starts to dominate.

- [ ] **Stay calm in the face of market volatility**
  Markets can be volatile, but remember that investing is a long-term process. Don’t make hasty decisions based on short-term fluctuations.

- [ ] **Keep learning**
  Investing is a continuous learning process. Read, listen to podcasts, take courses to constantly develop your skills.

KEY INVESTMENT TERMS

Active Investing
A strategy that involves actively selecting investments and adjusting the portfolio to outperform the market benchmark. Typically associated with higher management costs.

Allocation of Assets
The process of dividing an investment portfolio among different asset classes, such as stocks, bonds, real estate, or commodities, to manage risk.

Beta
A measure of a stock's volatility in relation to the overall market. A beta greater than 1 indicates that the stock is more volatile than the market, while a beta less than 1 suggests lower volatility.

Blue Chip
Shares of large, stable, and reputable companies with a long history of financial success, such as Apple, Microsoft, or Coca-Cola.

Bond
Long-term debt securities issued by governments or corporations that obligate the issuer to make regular interest payments and repay the principal at a specified date.

Benchmark
A reference indicator, such as a stock market index, used to assess the performance of an investment portfolio. Investors compare their results to the benchmark to evaluate the effectiveness of their strategy.

KEY INVESTMENT TERMS

Derivatives
Financial instruments whose value is derived from the value of another asset, such as futures contracts or options. Often used for hedging against risk or speculation.

Diversification
An investment strategy that involves spreading capital across different asset classes, sectors, or geographical regions to minimize risk.

ETF (Exchange-Traded Fund)
An investment fund traded on stock exchanges that reflects the performance of a stock index or a set of assets. ETFs allow for investing in a broad market with a single transaction.

Fundamental Analysis
A method of evaluating a company's value based on its financial performance, such as profits, revenue, assets, and liabilities, as well as macroeconomic factors.

Investment Portfolio
A collection of investment assets held by an investor, such as stocks, bonds, real estate, or commodities, aimed at achieving specific financial goals.

Liquidity
The ability of an asset to be quickly and easily converted into cash without significant loss of value. Stocks of large companies are typically more liquid than, for example, real estate.

KEY INVESTMENT TERMS

Market Capitalization
The total market value of all outstanding shares of a company, calculated as the stock price multiplied by the number of shares outstanding. A measure of a company's size on the stock market.

Passive Investing
An investment strategy that involves replicating the performance of a stock market index rather than actively managing the portfolio. The goal is to achieve market-matching returns at low costs.

Portfolio Management
The process of managing an investment portfolio, including asset allocation, risk management, and performance assessment.

Return on Investment (ROI)
A measure of an investment's profitability expressed as a percentage, calculated by dividing the profit from an investment by the initial investment amount.

Risk Management
The process of identifying, analyzing, and taking action to mitigate investment risk, such as through diversification or the use of stop-loss orders.

Securities
Financial instruments that represent an ownership position in a company (equity securities, such as stocks) or a creditor relationship with a governmental body or corporation (debt securities, such as bonds).

KEY INVESTMENT TERMS

Stop-Loss Order
An automatic sell order for an asset when its price falls to a specified level to limit losses. It is a risk management tool.

Technical Analysis
A method of forecasting future price movements of assets based on chart analysis, trends, and technical indicators. It operates on the assumption that history tends to repeat itself.

Volatility
A statistical measure of the dispersion of returns for a given security or market index, indicating how much the price fluctuates over time.

Volume
The number of units of a given asset (e.g., stocks) that have been bought or sold in a specific period. High volume often indicates significant market activity.

Warrants
Long-term options that give the holder the right, but not the obligation, to buy shares of stock at a specific price before a specified expiration date.

Yield
The income generated from an investment, usually expressed as a percentage of the investment's cost. It can come from interest payments on bonds or dividends from stocks.

FAQ – FREQUENTLY ASKED QUESTIONS

1. Can I invest with a small amount?
Yes! You can start investing with a small amount. Many investment platforms allow you to invest small amounts, and also offer options for investing in ETFs or stocks with a low entry threshold.

2. What are the risks of investing?
Investing always involves risk. Asset values can go up and down, and history shows that markets can be volatile. The key is to understand your risk profile and diversify your portfolio to minimize potential losses.

3. Do I need an investment advisor?
This is not necessary, but it can be helpful, especially if you are a beginner investor. Investment advisors can help you create an investment strategy that is tailored to your goals and risk tolerance. Alternatively, many online resources allow you to learn and make decisions on your own.

4. What are the best investment strategies for beginners?
For beginners, a buy-and-hold strategy and portfolio diversification are often recommended. You may also want to consider investing in index funds or ETFs, which give you exposure to the broader market without the need for active management.

5. How often should I monitor my investments?
It’s recommended to review your portfolio regularly (e.g. quarterly or semi-annually) to make sure it’s aligned with your goals and strategy. However, avoid monitoring the markets daily so that you don’t make hasty decisions based on short-term fluctuations.

FAQ – FREQUENTLY ASKED QUESTIONS

6. Should I invest if I have debt?
It depends on your situation. If you have high-interest debts (e.g. credit cards), you may want to focus on paying them off first. Otherwise, you can start investing a small amount while you pay off your debts, but the priority should be to eliminate the costs associated with the debt.

7. What if my investments are losing value?
Stay calm. Investing is a long-term process, and markets can be volatile. Instead of panicking, check to see if your investments are still aligned with your goals and strategy. If not, consider rebalancing your portfolio, but avoid selling on emotion.

8. What are the differences between stocks and bonds?
Stocks are shares in companies and their value can rise or fall based on the company's financial performance and general market conditions. Bonds are debt issued by governments or companies that pay interest. They are usually less risky than stocks, but they can offer lower yields.

9. How do I start investing in real estate?
You can start investing in real estate by purchasing physical property or by investing in REITs (Real Estate Investment Trusts), which allow you to invest in real estate without having to own it.

10. Can I invest on my own without any knowledge of financial markets?
Yes, many people start investing on their own. It's important to take the time to educate yourself and understand the basics of investing through books, courses, and online resources. Remember, investing is a process that requires constant learning and adaptation.

Thank you for reading!

If you want to contact us here it the email:
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