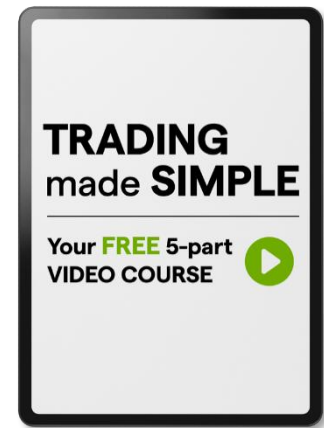


# Position Sizing Formula



## Step 1:

How much money in total do you have to invest in the market?

## Step 2:

For your first 3 trades, don't place more than 10% of this in a single position.

E.g. if you have \$100,000, ensure that each position is \$10,000 or less.

With experience, the maximum position size shouldn't exceed 25%.

## Step 3:

How much money are you prepared to lose in each position?

Suggestion: <1% of total trading equity on any 1 position.

E.g. \$1,000 total loss on a \$100,000 portfolio.

## Step 4:

Look at the chart to find a logical stop loss point.

E.g. share price minus 3 ATR (Average True Range).

## Step 5:

a) Current Price - Stop Loss Price = Risk.

i.e. you are prepared to risk \$1.35

b) Total Loss \$ / Risk = Number of Shares you can purchase

e.g. \$1,000/\$1.35 = 741 shares

c) Number of Shares x Share Price = Total Investment can purchase

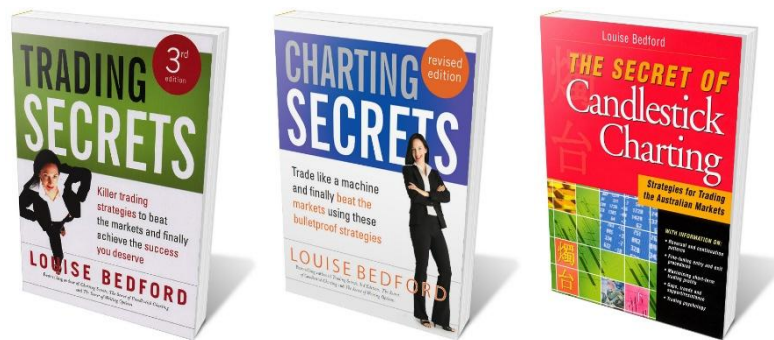
e.g. 741 x \$15.13 = \$11,211

Let's assume the current price is \$15.13 and you've decided your stop loss is at \$13.78 (i.e. \$1.35 lower)

**Position size must be < 25% of Total Equity unless you have a GSLO (Guaranteed Stop Loss Order).**



If you're not familiar with any of these terms, read these books...



The Trading Game Pty Ltd (ACN: 099 576 253) is an AFSL holder (Licence no: 468163). This information is correct at the time of publishing and may not be reproduced without formal permission. It is of a general nature and does not take into account your objectives, financial situation or needs. Before acting on any of the information you should consider its appropriateness, having regard to your own objectives, financial situation and needs.



tradinggame.com.au  
© The Trading Game Pty Ltd