GOLDEN SHOWER INVESTMENT CLUB (2024)

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1 **Chief Investment Officer**
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Abstract The Golden Shower Investment Club is dedicated to one goal: making its members financially successful (rich). We promote financial literacy by sharing and generating knowledge. Our approach is simple but advanced.

Investment Principles

Let your money work, be patient, be consistent, don't FOMO, diversify, keep transaction and ongoing cost low, dollar-cost-average in each position, use savings plans, use proven investment factors to achieve outperformance, don't overcomplicate and overdiversify, only check your portfolio on a ~~quarterly~~ yearly basis.

> "The more you learn, the more you earn."
> – Warren Buffet (Investment Guru)

Golden Rule 1. A savings plan is what you need.

Good Benchmarks

Start with selecting your appropriate benchmark aligned with your risk preferences and investment goals and horizons.

MSCI World (broad benchmark), FTSE All World (broader benchmark), NASDAQ 100 (aggressive benchmark), Minimum Volatility Index (defensive benchmark), Savings Account (risk-free rate).

Now, we can (a) invest in the benchmark or (b) try to beat the benchmark. Nothing wrong with (a).

Ultradiversification or Overdiversification

How much diversification is enough? Should you hold 10, 30, 100, 1000 or even more stocks? Ultradiversification vs diworsification. How big should be your largest position/top ten positions?

Factor Investing

Choose a multi-factor ETF vs selecting single-factor ETFs? Which factors we can rely (= bet) on? Quality, Momentum, Value, Size, Minimum Volatility, more exotic factors? The optimal company from a factor perspective: small, high profitability, low investment, high expected investment growth (Hou et al., 2021, 2024). From this perspective the quality factor is the most promising single factor ("the greatest aberration of all time in the market", Jeremy Grantham); well, Figure 16 is not so clear.

Golden Rule 2. Don't look (too often).

Regional and Sector Allocation

Should you over- or underweight the United States? How can you determine if a given sector or region is overweighted? Which sectors have the best business models? Which regions will have competitive advantages? Can countries be too risky?

Maximum Growth Expectation

Leveraged ETFs could be one way to take extremely high risk to achieve high returns – given the market is not crashing (Figure 8). Is it worth the increased risk over the long run? Is a 2x or 3x leverage ETF a component of the growth optimal portfolio (Christensen, 2012), i.e., the portfolio with maximum expected return over the long run?

> "Saving is for the poor and investing is for the rich." – Nick Maggiulli (can calculate your *breakeven point* from poor to rich)

YOLO

Actually, very important to remember. Risk vs the risk of not taking risk. You do not want to take too much (broke) but also not too less (poor) financial risk because You Only Live Once (YOLO). Live fast, die young. Get rich, or die trying. Invest early, and die rich (eventually, Figures 9 & 10).

Golden Rule 3. Keep your costs low.

Risk Management

We should not need to manage risk if we are confident in our asset allocation. We want to avoid the urgency to actively manage risk since we want to avoid (too) active portfolio management in principal. Only invest *what you don't need* into conservative assets. Only invest *what you can loose* into risky assets. **The rest is cash (emergency fund), i.e., not invested at all.** This guarantees you a good sleep.

Exit Strategy

Divesting, maybe the hardest part of investing. This crucially depends on your personal investment goals, emergency funds, savings target, FIRE (Free, Independent, Retire Early) ambitions, market conditions, exit window. Generally, it again makes sense to "dollar cost average" out of your risky positions and allocate them to less volatile investments (cash, bonds, dividend or low volatility ETFs).

Alternative Investments

Bonds (too defensive – on the long run), personal real estate (chunk risk, leverage risk), private equity funds (adverse selection, high fees, illiquidity risk), venture capital (even worse), angel investments (if you have too much money), commodities (no dividends), derivatives (evil), crypto currencies (scam), NFTs (please), art (subjective), wine (consumption good), spirits (too strong).

Golden Rule 4. Diversify without overdiversifying.

Target Allocation

What to put into your weekly savings plan?

Golden Shower

We are young and not yet rich.

95% Internet Innovation ETF

4% Nasdaq 100 (2x Leveraged) ETF

1% Nasdaq 100 (3x Leveraged) ETF

Silver Shower

We are afraid of too much risk.

50% Global Multi-Factor ETF

40% Internet Innovation ETF

10% Emerging Markets ETF

Bronze Shower

We want to retire soon.

50% Minimum Volatility ETF

30% Quality Factor ETF

20% Internet Innovation ETF

Golden Rule 5. Use factors whenever you can.

Watchlist

Other interesting targets are summarized in our little watchlist. Many of them are, of course, totally overvalued. But we have to trust Mrs. Market on these ones and assume she acts rational. The sorting of the two lists could reflect our portfolio weights and sentiment.

ETFs

Internet Innovation, Robot & Automation, true Quality Factor, Momentum Factor, Nasdaq, China Tech, Global Multi-Factor, All World.

Stocks

Apple, LVMH, Mastercard, Pandora, Booking, **Alphabet**, PDD, Aehr, Meta, MSCI. Richemont, Rambus, ~~Kering~~, Digitalocean, Hims & Hers, Lantheus, ACM Research, ~~Danaher~~, Microsoft, Atlassian, Tencent, Baidu, Halozyme, AppLovin, Appfolio, Axcelis, Grab, ~~Berkshire~~, Mercadolibre, AlphaWave, HomeToGo, Enovix, Novo Nordisk, Futu, Nu, Hermes, ASML, Applied Materials, Ferrari, Visa, NVIDIA, Qualys, Agilysys. Ionos, Xpel.

Golden Rule 6. Learn to say: NO.

Technicalities

Multi-Factor ETFs

Selecting a high-quality multi-factor ETF is crucial, as many underperform due to poor factor definition, selection and combination. Well-constructed ETFs shall balance factors effectively, enhance diversification, and reduce volatility. Stay picky and pick wisely!

Quality Factor ETFs

Even picking the right Quality Factor ETF is not as straightforward as you might think (Table 1). You cannot find high-quality companies in every sector. Stay picky! Pick wisely!

Broker

Choose a broker with low fees and a good reputation. Don't get ripped off by traditional banks. It is a modern human right to get zero-cost savings plans. It does not hurt to have multiple brokerage accounts if they come for free. Let's call it diversification. Trading flat: uughh.

Taxes

You should pay. They reduce your net return!

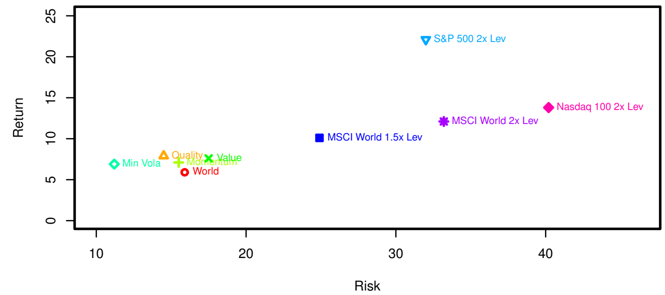

Figure 7. MSCI Factor Indexes and Leveraged ETFs.

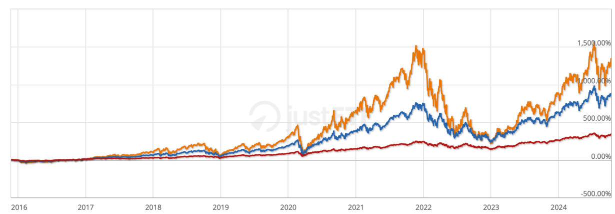

Figure 8. NASDAQ 100 without leverage (red), 2x leverage (blue), and 3x leverage (orange) from Nov 2015 to Oct 2024.

Portfolio Rebalancing

Overrated, when you are not approaching your divestment phase. You often want to let your winners run (compound) and do the heavy lifting. Selling losers is okay if you completely change your investment hypothesis. In many cases, adjusting the savings plan rates is enough. We definitely don't want to rebalance every year.

> "Know the rules well, so you can break them effectively."
> – Dalai Lama XIV (Spiritual Guru)

Overconfidence Bias

Overconfidence bias blinds us to our own limitations, like a fog that hides the edges of a cliff. It lures us into decisions with false certainty, making us believe we're infallible. In its grip, we may charge ahead, ignoring the wisdom of caution, dismissing the unknown, and underestimating the complexity of what lies ahead. In the end, it's not the obstacles we see that trip us, but the ones we overlook—our own unchecked arrogance, quietly sowing the seeds of failure. Keep it low-key, Goldie!

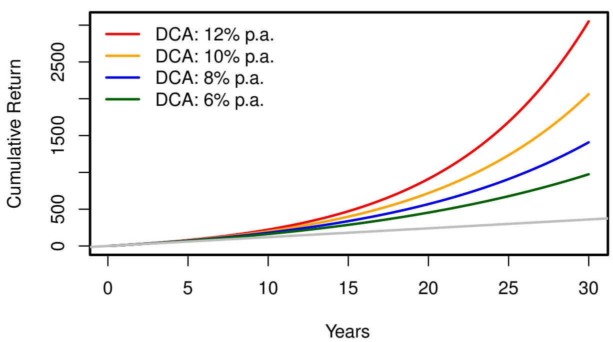

Figure 9. Cumulative return of dollar cost averaging.

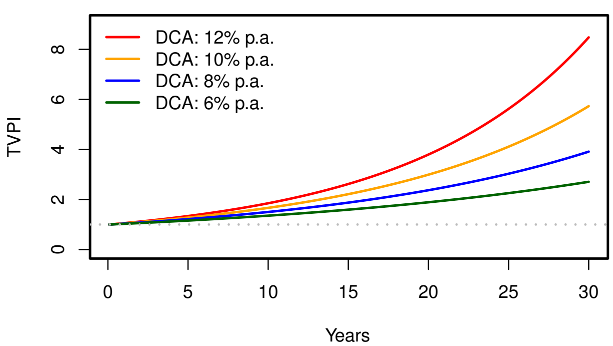

Figure 10. TVPI ratio of dollar cost averaging.

Is the Stock Market a Bubble?

Or better, is the stock market *always* a bubble? So we don't need to listen to all these doomers with their bubble but(t)s. Or does the stock market follow an almost inevitable, mechanic boom and bust cycle ("The mood swings of the securities markets resemble the movement of a pendulum", Howard Marks). On the other hand, there are always investors with very pessimistic and, at the same time, very optimistic future beliefs, which interpret incoming data according to their (subjective, potentially stubborn) prior beliefs. Cognitive dissonance – a constant in life. Is there an objective way to determine the "fair" value of the market. When we look at current valuation levels and the 12.5% average return of the S&P 500 from 2010 to 2024 and compare it to the historical average of around 8% (Figure 14) we can definitely sympathize with some of the bubble talk. If all stocks are expensive, we want to buy at least the stocks with the highest quality.

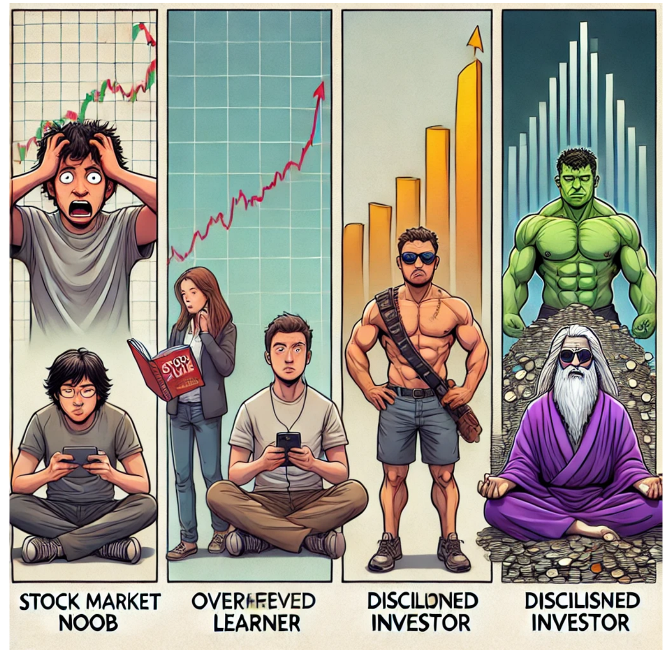

Figure 11. Investor's Evolution: From β to α.
1. **Diversified Investor:** buy them all. (Risk of Underperformance [RoUp]: 0%, Chance of Outperformance: 0%)
2. **(Multi-)Factor Strategist:** dismiss unneeded stocks based on academic evidence in a passive ETF strategy. (RoUp: low) Next, we want to learn why factors work.
3. **Business Analyzer:** distill "wonderful" business models and favorable sector economics. (RoUp: moderate)
4. **Stock Picker:** concentrated, high-conviction bets after patient meditations, defy risk (RoUp: high)

How to draw a Personal Financial Roadmap

Define your financial goals: Determine your short-term and long-term financial objectives. What are you saving for? What lifestyle do you aspire to?
Assess your current financial situation: Analyze your income, expenses, assets, and debts. What is your net worth? What is your cash flow?
Develop a savings plan: Create a plan to track your income and expenses, and establish a savings strategy (*save what you can*) aligned with your goals.
Create an investment strategy: Determine your risk tolerance, investment horizon, and asset allocation based on your goals and understanding of market dynamics. (Sometimes review and adjust your plan.)
Grow your income: You want annual salary raises, then increase your savings rate by 50% of the raises.

Sector	World	World Quality	World Sector Neutral Quality	World Quality Low Carbon SRI
Information Technology	24.77%	31.91%	24.41%	28.82%
Health Care	11.71%	17.14%	11.64%	13.61%
Industrials	11.10%	12.76%	11.21%	15.38%
Communication Services	7.55%	11.75%	7.75%	6.24%
Consumer Staples	6.49%	10.01%	6.48%	3.11%
Financials	15.43%	7.80%	15.67%	20.76%
Consumer Discretionary	10.25%	5.78%	10.19%	5.09%
Materials	3.77%	2.41%	3.89%	2.86%
Real Estate	2.31%	0.25%	2.33%	2.72%
Energy	3.91%	0.16%	3.70%	0.22%
Utilities	2.70%	0.02%	2.73%	1.20%
Returns	**World**	**World Quality**	**World Sector Neutral Quality**	**World Quality Low Carbon SRI**
Avg. Return (2014-2023)	10.2%	13.7%	10.6%	9.8%
Cum. Return (2014-2023)	240%	316%	248%	231%

Table 1. Sector Weights and Return Comparison of MSCI Indexes (Sep 30, 2024). *Too bad that the pure MSCI World Quality Index is not available as ETF.* Source: https://www.msci.com

Member's Lounge

Time to have some fun and play some little games.

Investor Profiles

Let me introduce myself.

Goldie Membership Card #1

Golden Alias Investment Killa

Investment Style Passive-aggressive

Savings Target 1 Mio+

Savings Rate 20%

Risk Preference Ultra high risk individual

Portfolio Benchmark NASDAQ 100

Guilty Pleasure Funding my rap career

Best Investment Apple

Worst Investment Pandora, Publity

And now it's your turn.

Goldie Membership Card #2

Golden Alias ______________________________

Investment Style __________________________

Savings Target ____________________________

Savings Rate ______________________________

Risk Preference ___________________________

Portfolio Benchmark _______________________

Guilty Pleasure ___________________________

Best Investment ___________________________

Worst Investment __________________________

Goldie Pot

We create a golden portfolio where each member can allocate 100$ in each advisory session.

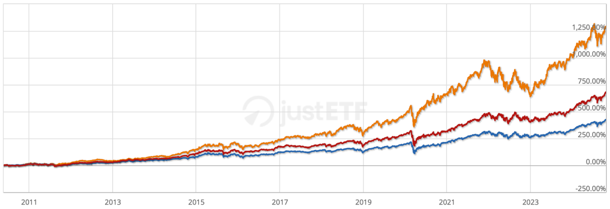

Figure 12. *Can the NASDAQ do it again?*
Nasdaq 100 (orange), S&P 500 (red), MSCI World (blue) ETFs from May 2010 to Oct 2024.

Bad Investors

1. Who would invest in a pyramid scheme and then try to recruit everyone at the next family reunion?
2. Who is most likely to gamble their savings in Vegas because they're convinced they can "beat the odds"?
3. Who would stay in a miserable relationship because they're financially dependent on their partner?
4. Who is most likely to fake their own death to avoid paying back crippling debt?
5. Who is most likely to launder money through a shady investment and act innocent when caught?
6. Who is most likely to sell everything they own to buy into a weird cult that promises financial freedom?
7. Who would risk going to jail for insider trading if they thought it could make them a millionaire?
8. Who is most likely to start a side hustle, fail miserably, and still insist they're "an entrepreneur"?
9. Who is most likely to buy an expensive fitness gadget and justify it as an "investment in my health"?
10. Who would spend thousands on a financial advisor and then completely ignore their advice?

24 Questions

1. SHOW ME YOUR ASSets NOW!

(a) WHAT'S YOUR BIG STACK?! What's the yearly cash income? How much is the fish earning?!

(b) MONEY BURN RATE: How much you torchin' every month on rent, food, bills, the whole kit 'n' kaboodle?!

(c) DEBT MONSTER ALERT! Any dark debts or wild credit lurking in the shadows? Spill the dirt, no secrets here!

(d) EMERGENCY CASH STASH: Got a pile in case things go sideways?! How many months could it cover? We're talkin' survival mode!

(e) ASSET PILE: What's the current market value of your goldmine – property, accounts, investments, the whole shebang?

(f) HEAVY DUTY WEIGHTS: Got any monstrous debts? Mortgages? Massive loans? We're takin' it all in here!

2. YOUR BIG BOSSIN' GOALS!

(a) WHY ARE YOU IN THE GAME?! What's the ULTIMATE reason for investing?! (New crib? Retire like a king? Stacks on stacks on stacks?)

(b) TIME ON THE CLOCK! How long are you holdin' tight before you cash out? (1-3 years, 3-5 years, or we talkin' 10+ years—GO BIG OR GO HOME!)

(c) BIG WITHDRAWAL ALERT! Any plans to pull a FAT STACK out soon? Give us the WHEN and the HOW MUCH!!

3. RISK LEVEL = MAX?!

(a) ARE YOU A WIZARD OR A NOOB?! What's your level? (None, Beginner, Market Mastermind!)

(b) SMACKDOWN SCENARIO: Market crushes your portfolio 10% overnight—WHAT'S YOUR MOVE?!

- ABANDON SHIP! Sell it ALL and cut the losses!
- Trim it down and reduce the risk.

- Stay cool, HOLD THE LINE.
- BUY MORE! It's shopping season, baby!

(c) RETURN RUSH!! What kinda gains are you CRAVING every year?!

- 0-2% (CHILL)
- 3-6% (LET'S GROW)
- 7-10% (HOLD ON TIGHT!)
- 10%+ (STRAP IN, WE'RE GOING HIGHER!)

(d) RISK LEVEL = EXTREME! How much action can you handle?!

- NONE! Keep it LOCKED and SAFE!
- Low risk—tiny bumps, we're cruisin'.
- Medium risk—I'm READY for the ups and downs!
- HIGH risk—GO FULL THROTTLE, bring on the wild ride!

4. CHOOSE YOUR WEAPON!

(a) STYLE MODE: How do you wanna roll?

- ACTIVE BEAST MODE—pay the big fees, chase the big wins!
- PASSIVE CHILL MODE—low fees, smooth sailing, let it ride!

(b) SECTOR SNIPER: Got your sights on any industries you're lovin' or dodgin'? (Tech? Healthcare? Green energy? All aboard or NO thanks!)

(c) SOCIAL AND GREEN VIBES? Into investing with a conscience? We're talkin' ESG, baby—socially and environmentally conscious!

- Yes, stack it socially responsible, GO GREEN!
- Nah, I'm open to all the cash flows!

(d) CASH-OUT FLEXIBILITY! Need quick access, or you good with locking that cash away and letting it ride?!

5. RETIREMENT PARADISE :)

(a) THE EXIT PLAN: What age are you peacing out of the daily grind?!

(b) MONEY FLOW: Where's the cash comin' from when you're livin' the dream? (Pensions, Social Security, 401(k), bring it all in!)

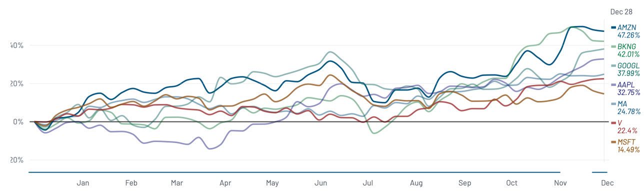

Figure 13. One-year returns of seven big-tech stocks. Source: https://www.marketbeat.com/compare-stocks

(c) LIFESTYLE LEVELS: You lookin' for BASIC, COZY, or DELUXE digs for the retirement years?!

(d) SAVINGS LEVEL! What percentage of your cash flow are you funneling into that RTMT jar?!

(e) SHORTFALL ALERT! Expectin' any gaps between what you'll have and what you'll NEED? We gotta plug those holes, baby!

6. NEED DAT CASH FLOW BOOST?

(a) BIG TICKET IN THE NEAR FUTURE? Need a chunk of change in the next 3-5 years? (Home, college fund, massive spend—let's PLAN it out!)

(b) INCOME STREAM MACHINE: Want steady cash from your investments? Dividends? Bonds? We talkin' pASSive InCOME, baby!

When

2025 Tesla Crash

2026 NVIDIA Crash

2027 AGI

2028 ASI

2029 Robo Apocalypse

2030 Lambo

2031 Rambo

2032 Next Big Thing

2033 Metaverse

2034 Weltmeister

"Maria, Maria, I like it rich!" – Unknown Artist

	Aehr	Alphabet	Apple	Booking	LVMH	MSCI	Mastercard	Meta	PDD	Pandora
Aehr		40%	25%	40%	55%	55%	30%	40%	60%	60%
Alphabet	75%		55%	70%	60%	65%	65%	65%	70%	85%
Apple	75%	55%		70%	60%	65%	65%	65%	70%	85%
Booking	70%	35%	30%		55%	55%	45%	65%	55%	85%
LVMH	70%	55%	40%	65%		55%	45%	55%	55%	75%
MSCI	70%	40%	45%	65%	60%		55%	65%	65%	75%
Mastercard	75%	55%	45%	70%	55%	55%		65%	70%	85%
Meta	70%	40%	40%	65%	60%	60%	60%		60%	75%
PDD	60%	40%	30%	55%	45%	35%	45%	45%		65%
Pandora	55%	20%	20%	35%	30%	40%	25%	20%	30%	

Table 2. Predicted Probability Of Outperformance Matrix (PPOOM) over 10-year horizon. We asked GPT-4o the following question: "What is the predicted outperformance probability of company A over company B with a ten-year horizon as of Oct 16, 2024." Our 4o friend seems to be a little bit of a momentum investor which may be related to his parrot genes. Mabye o1 will turn out to be a little more thoughtful.

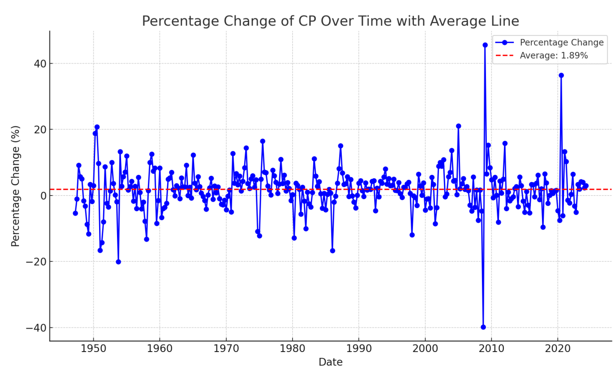

Figure 14. Quarterly corporate profits growth from 1947 to 2024. The annualized historical average is 7.77% with an annualized standard deviation of $\sqrt{4} \times 7\% = 14\%$.
Source: https://fred.stlouisfed.org/series/CP
For the S&P 500, the average yearly return is 8.0% with a yearly standard deviation of 19.1% from 1928 to 2024.
Source: https://www.macrotrends.net

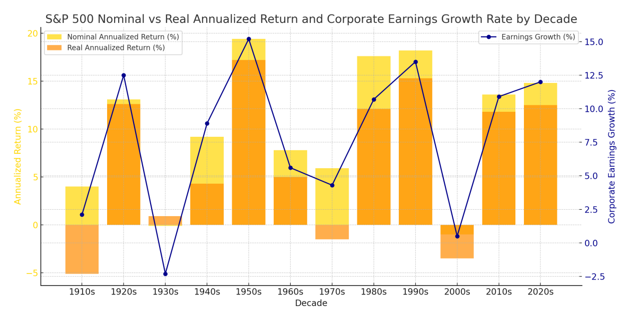

Figure 15. Nominal and real S&P 500 returns and corporate earnings growth by decade. *There are better and worse times to be born as an investor.* Inspired by Nick Maggiulli. Generated by GPT-4o in one shot (likely not 110% correct).

Market Returns Over 10-Year Horizon

In our bonus section, we will reveal the expected market return over the next ten years. A period likely dominated by AI and robots – accompanied by a transformation to green capitalism, disappointing growth rates in Good Ol' Europe, big question marks in some of the defiant emerging market nations and the US stronger (indebted) than ever.

In this so wonderful yet gloomy future, can we maintain the high growth rates of the past decade in the (big) tech sector? – Yes, we (definitely) can. But will there emerge any other sector/country (Health, Energy, Kenya) to genuinely challenge tech's undisputed pole position? – No, where? Can the world manage to perpetuate some system of political stability? – Maybe, there (definitely) is potential for upside.

Infinite growth is only possible in the metaverse (Mark) or on Mars (Elon). The answer to everything is technology – doomsday scenarios aside.
13.5% (until singularity (or doomsday)).

	Aehr	Alphabet	Apple	Booking	LVMH	MSCI	Mastercard	Meta	PDD	Pandora	∅ OP
Aehr		5.0%	5.0%	5.0%	5.0%	3.0%	3.0%	5.0%	3.0%	5.0%	4.3%
Alphabet	3.0%		1.5%	3.0%	2.0%	4.0%	2.0%	3.0%	3.0%	8.0%	3.3%
Apple	5.0%	-1.0%		3.0%	2.5%	2.5%	1.5%	2.0%	3.0%	5.0%	2.6%
Booking	2.0%	2.0%	2.0%		2.0%	2.0%	1.0%	3.0%	2.0%	5.0%	2.3%
LVMH	-2.0%	-2.0%	1.5%	2.0%		2.0%	1.5%	2.0%	3.0%	3.0%	1.2%
MSCI	2.0%	2.0%	1.5%	2.0%	2.0%		1.5%	2.0%	-2.0%	3.0%	1.6%
Mastercard	3.0%	3.0%	2.0%	3.0%	1.5%	1.5%		3.0%	3.0%	5.0%	2.8%
Meta	5.0%	1.5%	2.0%	3.0%	3.0%	4.0%	2.0%		3.0%	5.0%	3.2%
PDD	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.0%		5.0%	2.9%
Pandora	-3.0%	-4.0%	-5.0%	-1.0%	-3.0%	2.0%	-2.0%	-2.0%	-2.0%		-2.2%
∅ UnderPerf	1.9%	0.9%	1.5%	2.6%	2.0%	2.7%	1.5%	2.2%	1.8%	4.9%	

Table 3. Expected annualized alpha by Warren "AI" Buffet over 10-year horizon. We asked GPT-4o the following question: "What is the expected annualized alpha of company A over company B over the next ten years? Think like Warren Buffet, use information as of 2024-10-16." The final column ∅ OP means (predicted) average outperformance, the final row ∅ UnderPerf means (predicted) average underperformance.

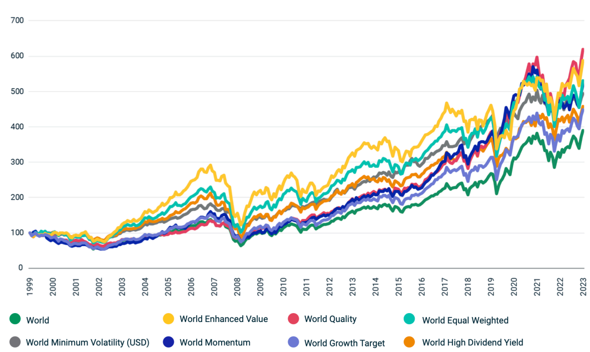

Figure 16. MSCI World Factor Indexes: Cumulative Returns from 1999 to 2023. From https://www.msci.com

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Disclaimer

This document is only advising active members of the Golden Shower Investment Club. The use of the insights contained in this document by anyone outside the Golden Shower Investment Club is strictly prohibited.

Figure 17. The Holy Amumbo in mainstream media.

Final Thoughts

Wealth generation for the young generation.

Young minds, take note—play the markets bold,
For safety's too slow when you're chasing gold.
Stack equities high, let growth set the pace,
Diversify? Sure—but focus wins the race.

Leverage whispers, "Risk, but reap!"
The timid may slumber, but you won't sleep.
Outrun the bonds, outshine the old—
The future's for those whose strategies hold.