

Money Management & Capital Preservation

Manual of Capital Management & Risk Control

Mathematical Position Sizing, Drawdown Containment & Capital Preservation Rules

Nivel / Level	Páginas / Pages	Autor / Author	Editorial
Level: All Levels (Essential)	148 páginas	ManualesdeBolsa.com Risk Committee	ManualesdeBolsa

Executive Summary & Learning Objectives

Risk management is the mathematical discipline that separates ruined traders from investors who build enduring generational wealth. This manual provides clear quantitative rules to permanently eliminate the risk of ruin, calculate exact position sizes based on market volatility, and preserve emotional discipline through predetermined loss limits.

Core Handbook Takeaway:

"You cannot control what the market will do tomorrow; you can only control the maximum dollar capital you permit yourself to risk on any given trade. Long-term capital survival is the non-negotiable prerequisite for compounding."

Complete Handbook Curriculum

1. The Cardinal Rule: Capital Preservation as the Investor's Supreme and Absolute Priority
2. The Drawdown Asymmetry: Why a 50% Drawdown Requires a 100% Gain Just to Break Even
3. Scientific Position Sizing: The 1% to 2% Portfolio Risk Rule Per Opportunity
4. Risk/Reward Ratio (R:R) & Mathematical Expectancy: Profiting with a 40% Win Rate
5. Genuine vs. False Diversification: Sector Correlations, Beta & Geographic Exposure
6. Black Swan Contingency Protocols: Thesis Invalidation Criteria and Non-Negotiable Hard Stops

Disciplined Investor Checklist

- ✓ Cap the maximum dollar loss on any single trading position to no more than 1% to 1.5% of total portfolio value.
- ✓ Calculate share volume mathematically by dividing your dollar risk by the distance to your technical stop-loss.
- ✓ Strictly forbid averaging down on losing speculative positions or when the initial investment thesis is broken.
- ✓ Establish a monthly account drawdown circuit breaker (e.g. 5%); halt operations immediately if triggered.
- ✓ Audit correlation across all portfolio holdings to avoid unintentionally concentrating risk into a single market factor.

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