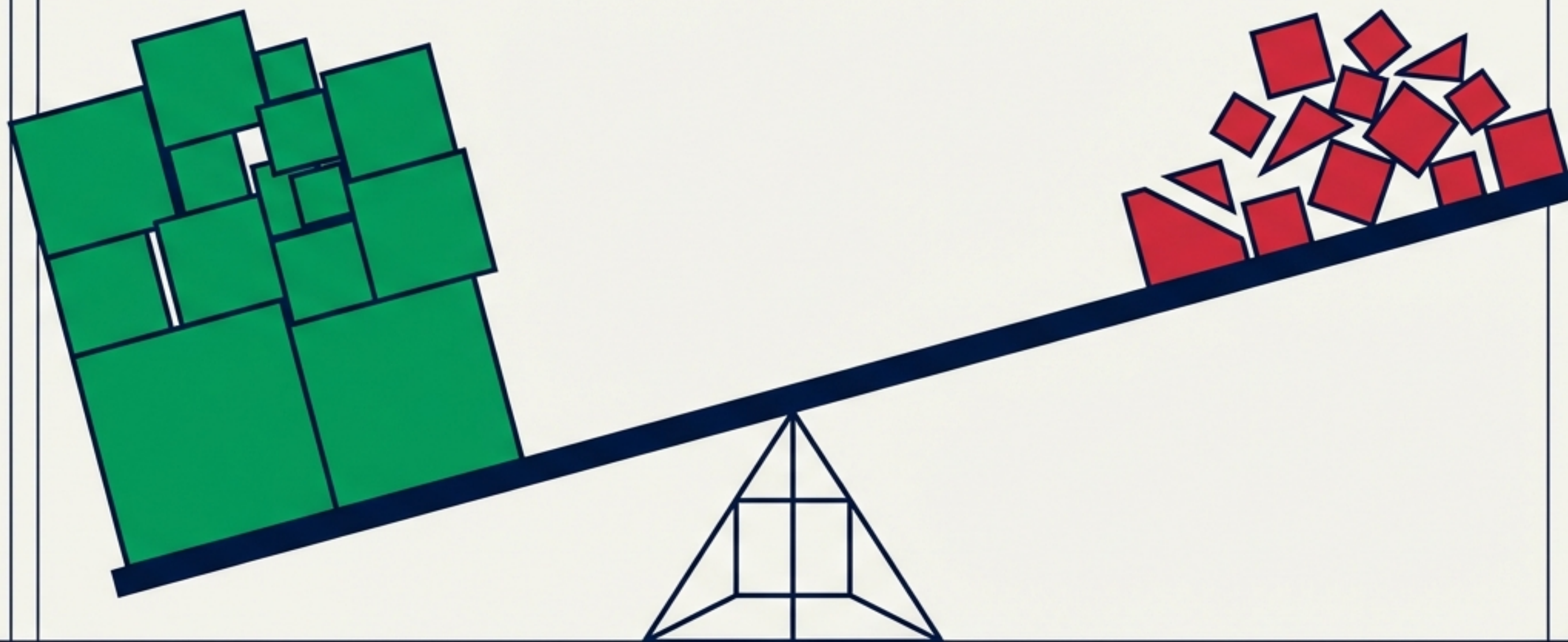


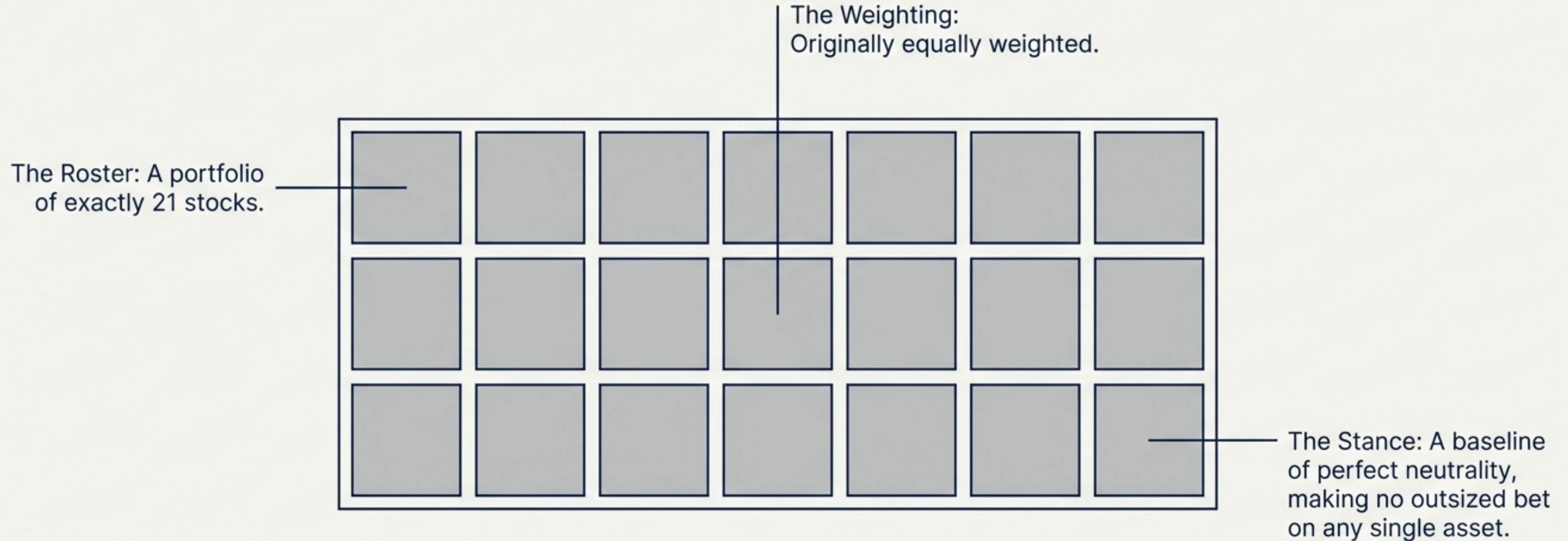
The Allocation Dilemma: What To Do With Additional Capital

Why your next deposit is a hidden bet on the future

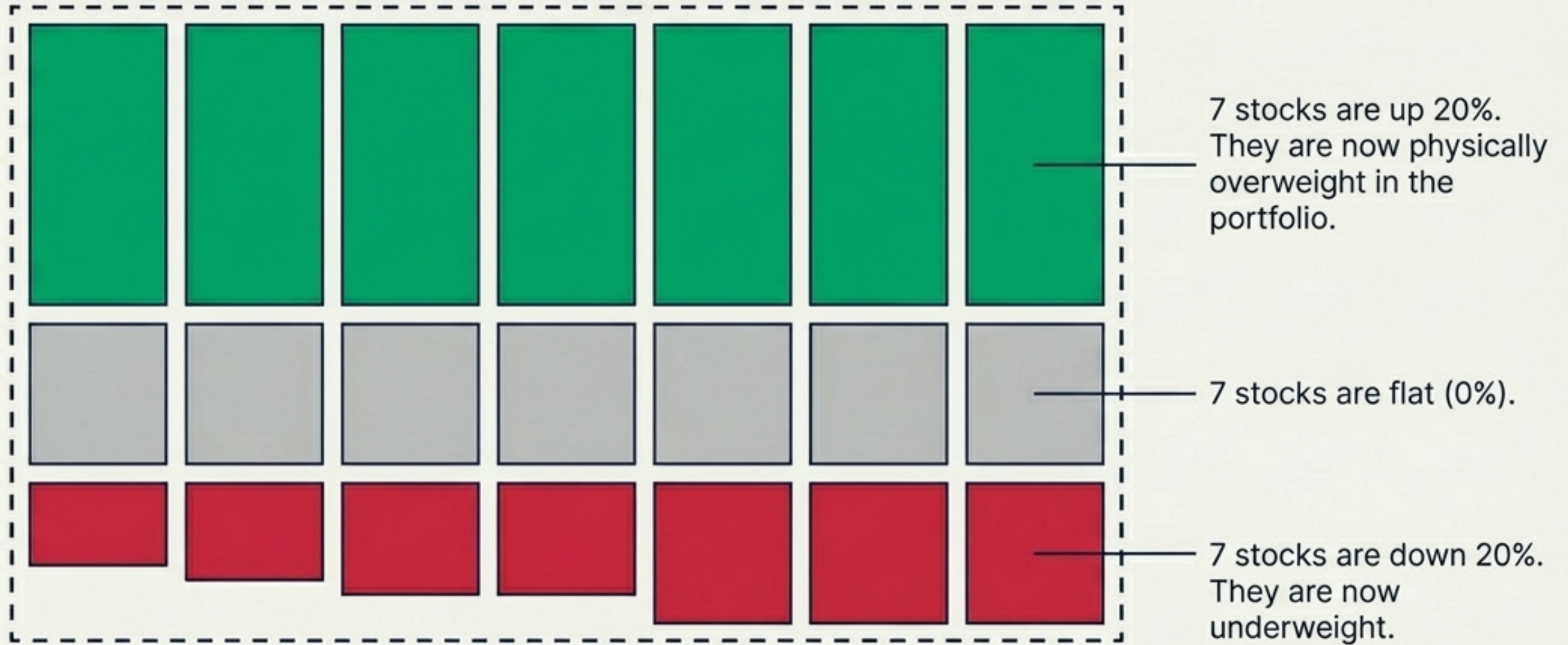


This note is for educational purposes only and does not constitute personal investment advice.
Past performance is not a guide to future returns.

The Neutral Baseline



The Illusion of Stability



At this point, the overall portfolio value is roughly unchanged. However, the internal composition has violently shifted.

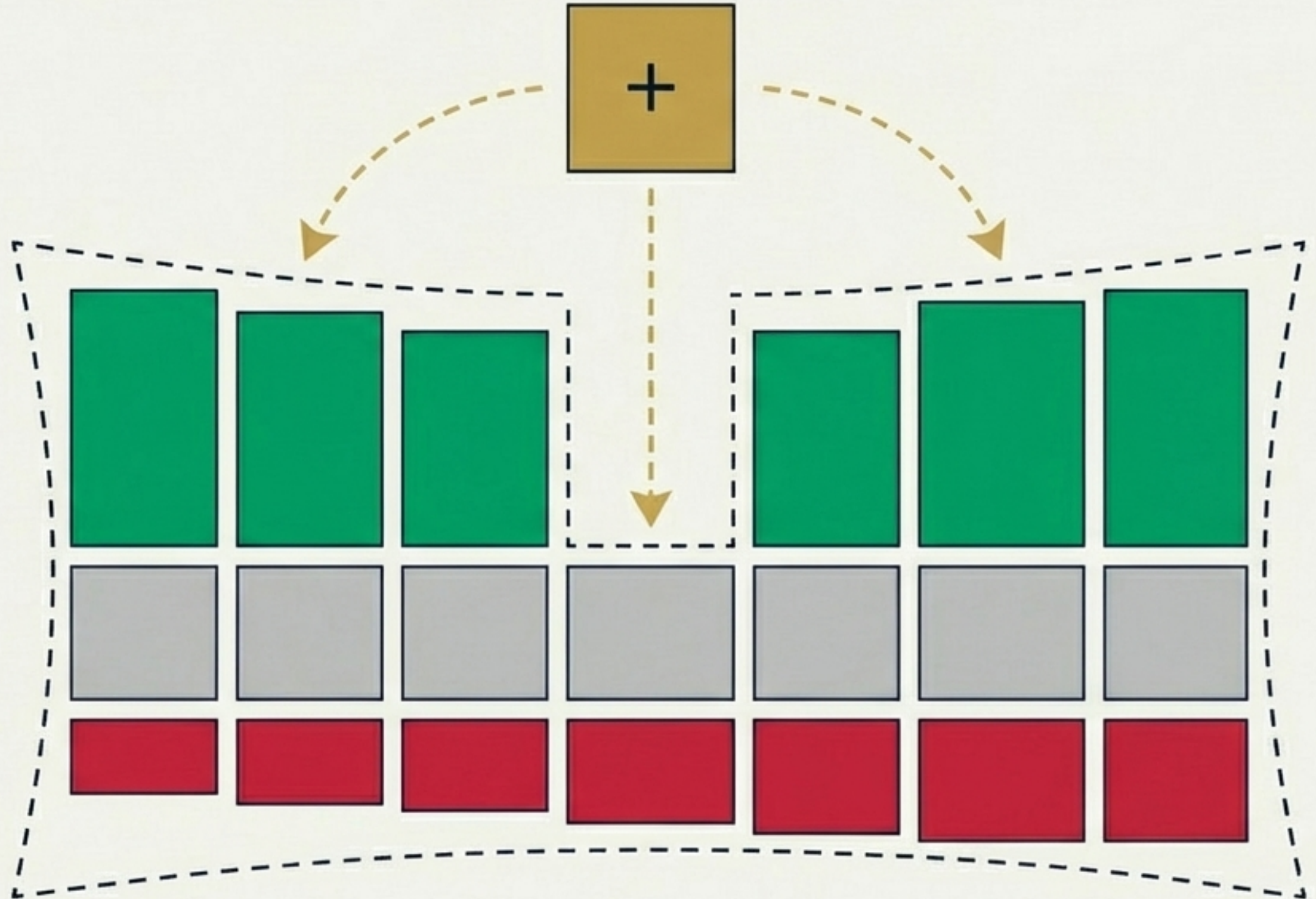
The Catalyst: New Capital Forces a Decision.

- **The Dilemma**

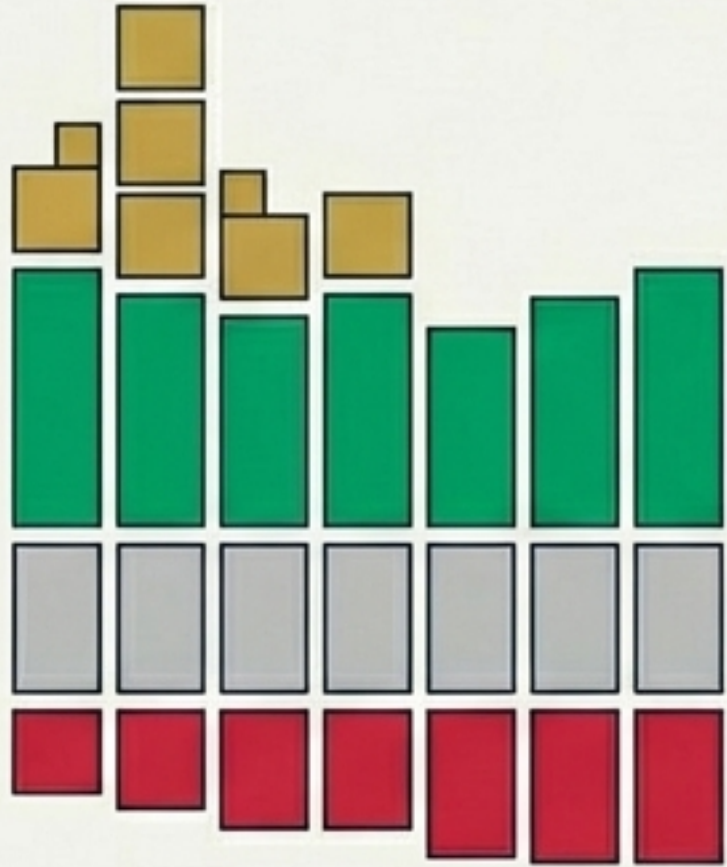
Any new capital allocation decision injected into this shifted structure will dramatically alter future outcomes.

- **The Reality**

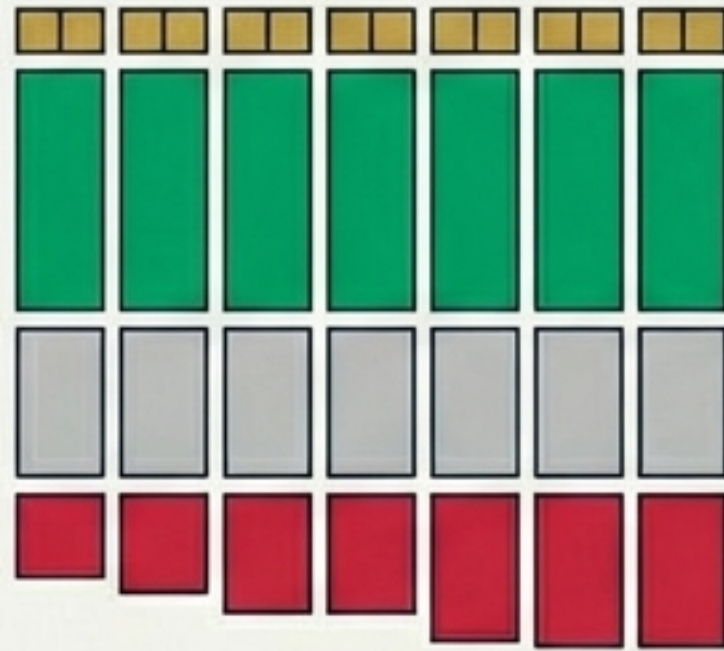
You cannot remain entirely neutral. Where you place the next block fundamentally changes the architectural integrity of the portfolio.



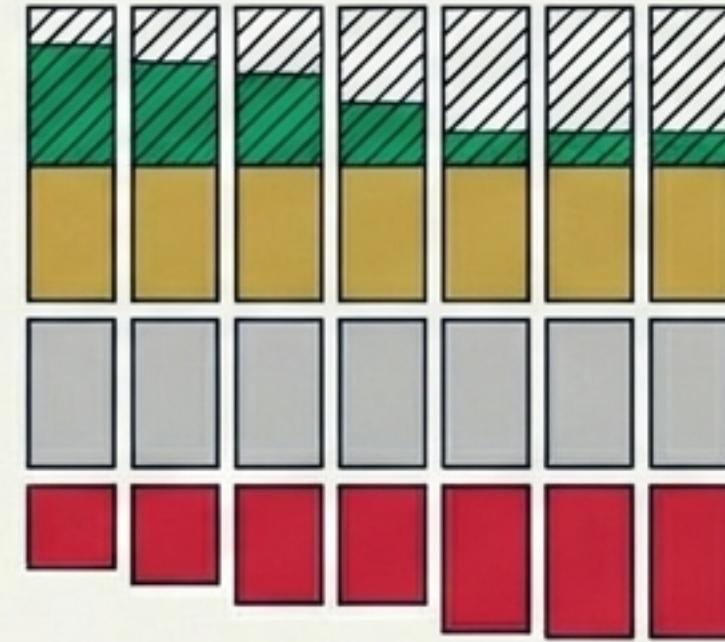
The Four Realistic Approaches.



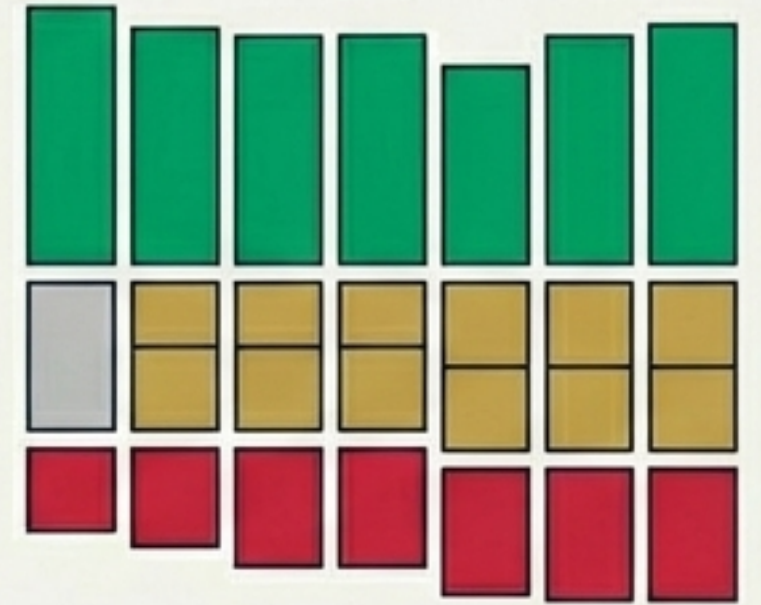
1. Add only to winners.



2. Add equally to all positions.

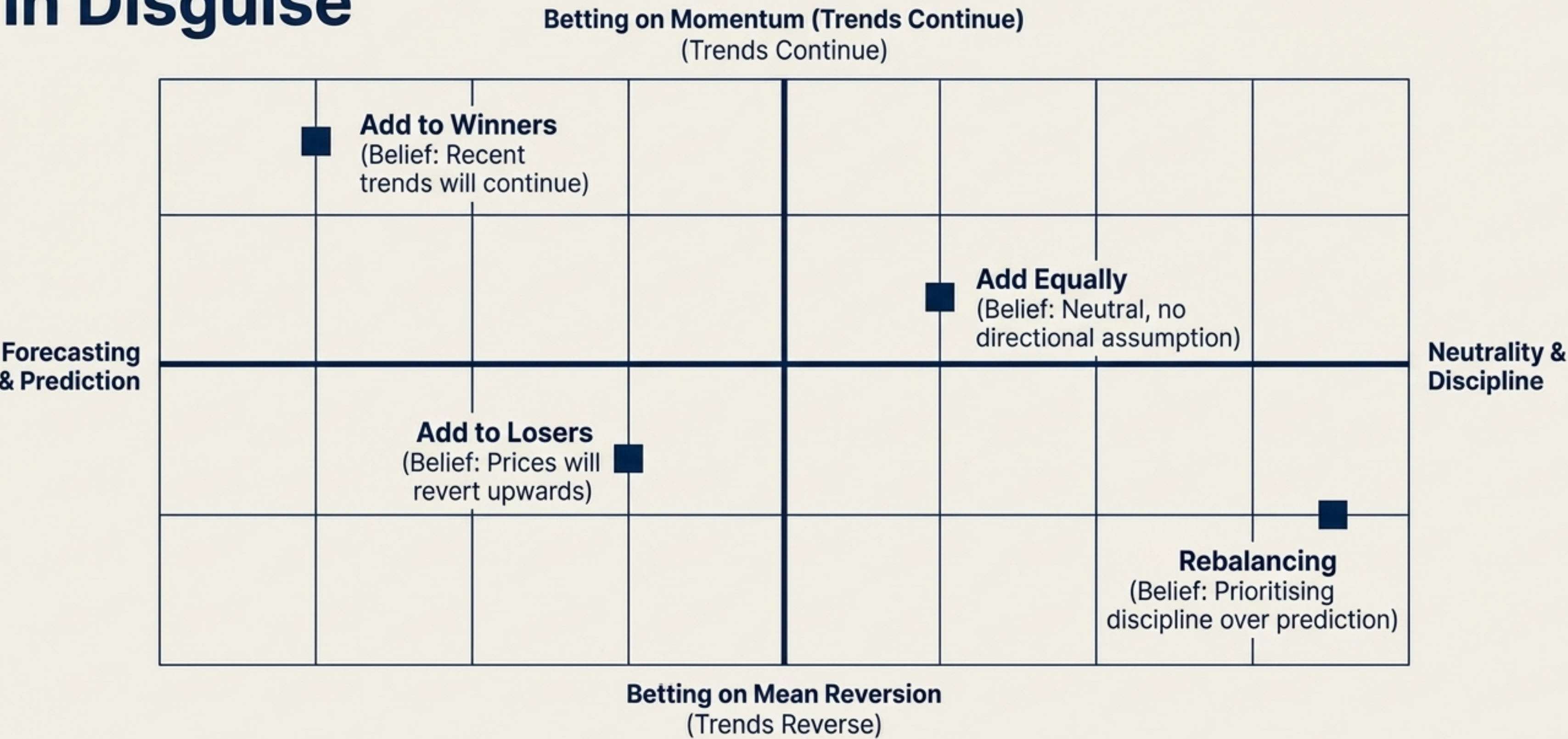


3. Rebalance back to equal weighting.

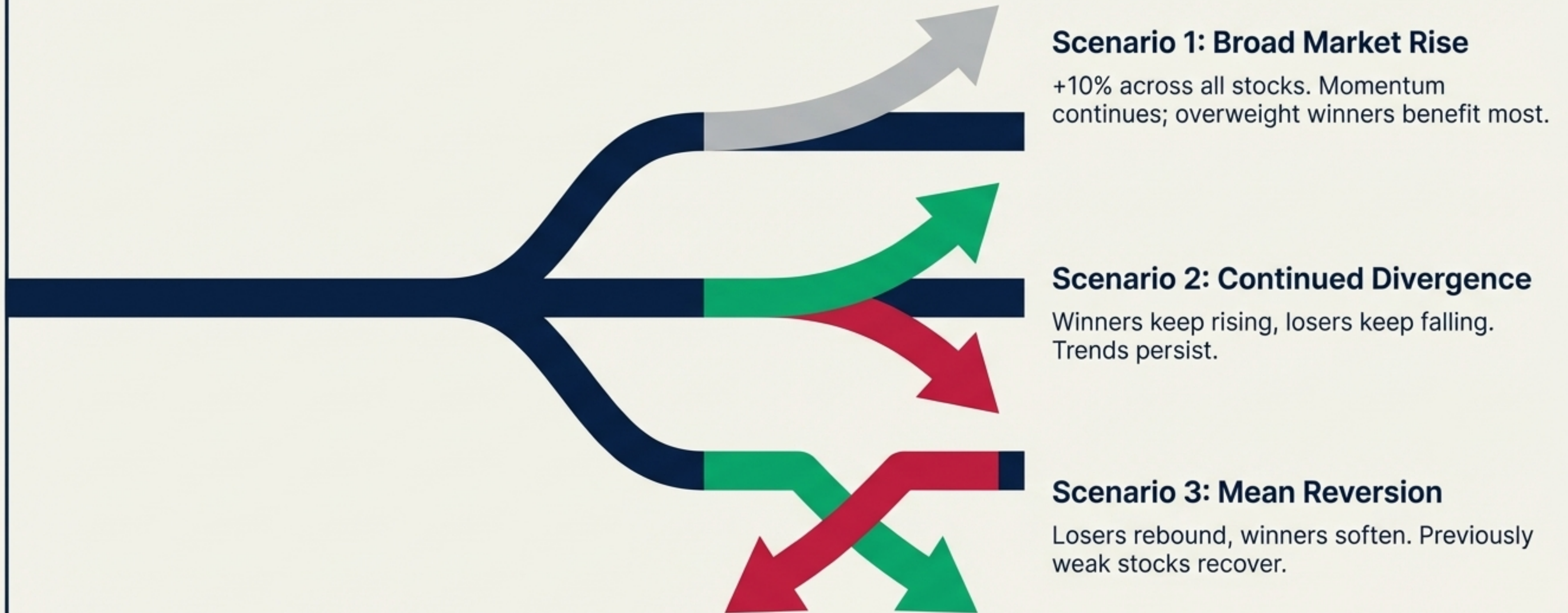


4. Add only to losers.

Every Allocation is a Psychological Bet in Disguise



The Stress Test: Three Distinct Market Futures



Mapping the Outcomes.

	Broad Market Rise	Continued Divergence	Mean Reversion
Add to Winners	Performs Best (Momentum continues)	Performs Best (Concentration pays off)	Performs Worst (Previous trends break)
Add Equally	Moderate Performance	Moderate Performance	Neutral
Rebalance	Moderate Performance	Underperforms Slightly (Trimmed winners too early)	Performs Strongly (Captures rebound)
Add to Losers	Performs Worst	Performs Worst	Performs Best (If rebound is real)

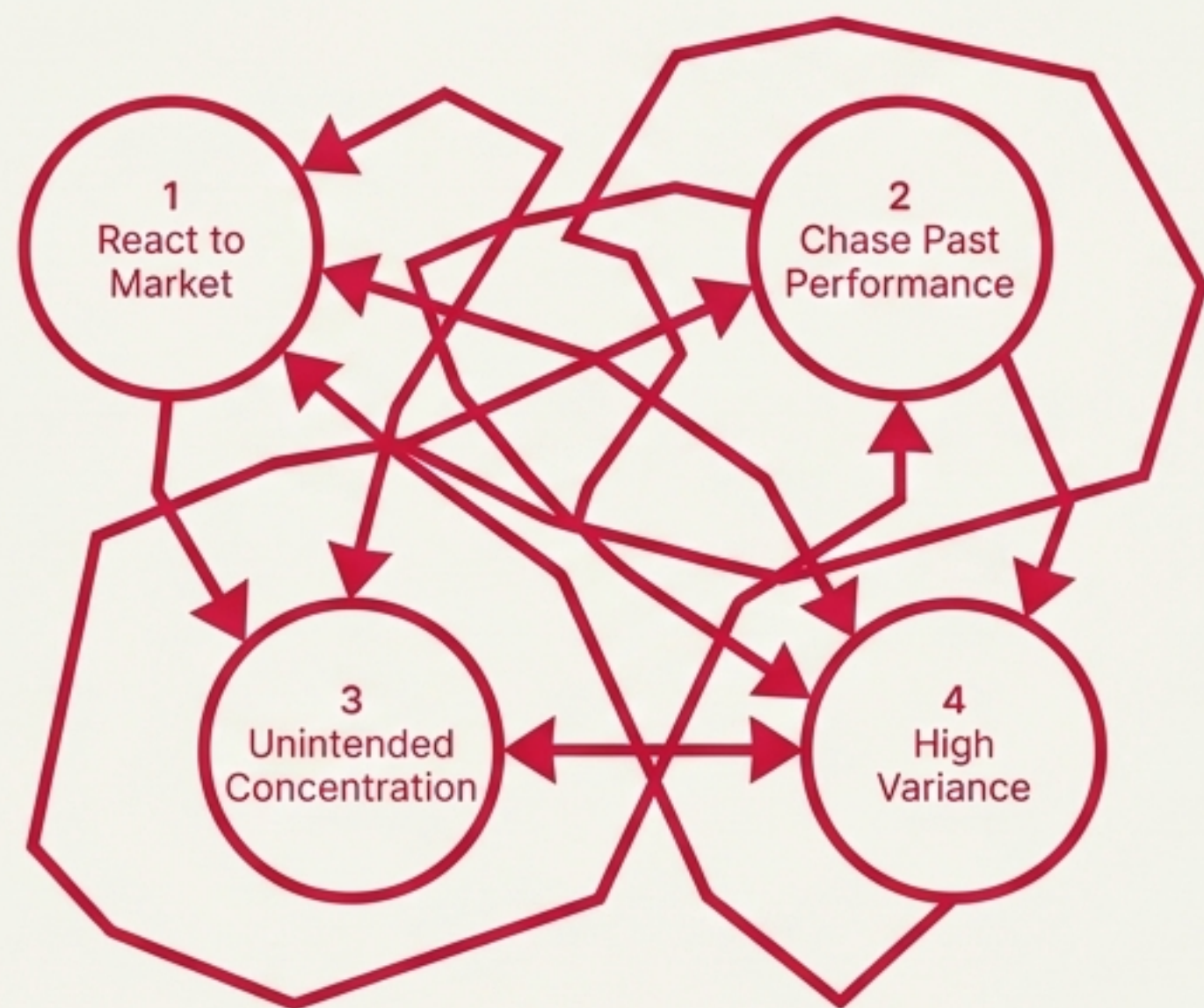
There is no universally correct choice.

Each decision fundamentally reflects a belief about what markets will do next—continue trending, reverse direction, or move unpredictably.

The Challenge: Investors are often unknowingly making these bets based on recent emotional experience rather than objective evidence.

Emotional Reaction vs. Structured Process

The Emotional Trap



The Structured Process



A disciplined process will outperform emotional decision-making more often than not—particularly over multi-year horizons.

The Discipline Advantage



Rebalancing stands apart because it does not rely on forecasting. It is not the most exciting approach, but it is mechanically the most robust over time.

The Practical Takeaway



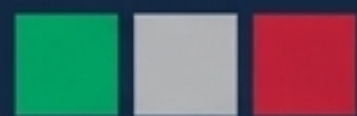
**If you add only
to winners...**

you are betting
the past continues.



**If you add only
to losers...**

you are betting
the past reverses.



**If you
Rebalance...**

you remove the need
to be right about future.

Discipline Over Prediction

“Investment success rarely comes from making bold predictions.
It comes from applying consistent rules in an uncertain world.”

