Mid-Competition Update

Investment Challenge with Generative AI

Period: October 24 - November 4, 2025

1. Performance Review

Overall Performance (11 Trading Days):
Starting Capital: €1,000.00
Current Value: €1,026.66
Absolute Return: €+26.66
Percentage Return: +2.67%

Current Holdings:

Stock	Investment	Shares	Price (04.11)	Worth (04.11)	P&L %
Tesla	€200.00	200.0000	€395.13	€211.68	+5.84%
NVIDIA	€200.00	200.0000	€175.57	€220.66	+10.33%
AMD	€100.00	100.0000	€222.58	€103.03	+3.03%
TENCENT	€150.00	150.0000	€69190.00	€148.00	-1.33%
ALIBABA	€150.00	150.0000	€17490.00	€141.71	-5.53%
SOFTBANK	€100.00	100.0000	€143.41	€107.24	+7.24%
KEYENCE	€100.00	100.0000	€322.16	€94.33	-5.67%
TOTAL	**€1000.00**	**-**	**-**	**€1026.66**	**+2.67%**

Performance Analysis:

Winners (4 positions):
• NVIDIA: +10.33% (€+20.66) - Strongest performer, AI hardware leader
• SoftBank: +7.24% (€+7.24) - Japanese tech conglomerate
• Tesla: +5.84% (€+11.68) - EV and autonomous driving leader
• AMD: +3.03% (€+3.03) - CPU/GPU manufacturer

Losers (3 positions):
• Keyence: -5.67% (€-5.67) - Industrial automation sensitivity
• Alibaba: -5.53% (€-8.29) - China e-commerce headwinds
• Tencent: -1.33% (€-2.00) - Gaming sector pressure

Regional Allocation:

- USA: €535.37 (52.1%) - Target: 50%
- Hong Kong: €289.71 (28.2%) - Target: 30%
- Japan: €201.57 (19.6%) - Target: 20%

Note: Current allocation close to targets, demonstrating disciplined regional diversification.

2. AI System Learnings & Evolution

2.1 Strategy Execution

Buy & Hold Approach: No transactions executed during the 11-day period (Oct 24 - Nov 4). This disciplined approach allowed us to observe market dynamics and validate our initial stock selection without incurring transaction costs or premature position exits.

2.2 Key Insights from Market Observation

1. AI Hardware Leadership:
NVIDIA's +10.33% performance validates our thesis on AI infrastructure growth. The company continues to dominate GPU markets for AI training and inference.

2. Regional Performance Divergence:
US positions (+6.4% avg) significantly outperformed Hong Kong positions (-3.4% avg). This reflects stronger US tech sector momentum versus Chinese regulatory headwinds.

3. Sector Concentration Risk:
Both Hong Kong positions (Tencent, Alibaba) declined, indicating sector-specific challenges beyond company-specific factors. Diversification within regions remains critical.

4. Industrial Cyclicals Sensitivity:
Keyence's -5.67% decline highlights vulnerability of industrial automation to economic uncertainty.

2.3 AI System Framework (Tier 2: Coordinated Agents)

Our multi-agent AI system architecture:

Agent 1: Market Research Agent (Gemini Advanced)
• Scans market opportunities across US, Hong Kong, Japan
• Analyzes technical indicators, news sentiment, sector trends
• Generates watchlist with conviction scores

Agent 2: Fact Validation Agent (ChatGPT-4)
• Validates Agent 1's research claims
• Cross-references financial data, earnings reports
• Flags contradictions or unsubstantiated claims

Agent 3: Portfolio Decision Maker (Claude 3.5)
• Receives validated research from Agents 1 & 2
• Applies competition rules (1 trade/day, 3-day hold, position limits)
• Executes final buy/sell decisions with documented reasoning

2.4 Challenges & Adaptations

Challenge 1: Market Timing
Asian markets close 15 hours before European trading, creating data lag issues. Solution: Implemented fallback to daily closing prices.

Challenge 2: Position Sizing

Initial cash calculations didn't account for portfolio growth. Solution: Position sizing now based on total portfolio value, not just cash.

Challenge 3: Regional Allocation Drift

Lower absolute prices in HK (€4-18 vs US €200+) caused allocation imbalances. Solution: Share-based allocation tracking instead of trade count.

3. Revised Strategy for Second Half

3.1 Strategic Adjustments

Maintain Winners, Evaluate Losers:
• <u>NVIDIA</u>: Hold and potentially increase allocation - clear AI infrastructure winner
• <u>Tesla</u>: Hold - EV/autonomous driving long-term thesis intact
• <u>SoftBank</u>: Hold - diversified tech portfolio provides JP exposure
• <u>AMD</u>: Hold - CPU/GPU growth story continues

Monitor for Stop-Loss Triggers:
• <u>Alibaba</u> (-5.53%): Near our -8% stop-loss threshold. Monitor Chinese regulatory environment.
• <u>Keyence</u> (-5.67%): Industrial automation cyclical risk. Consider replacement with broader Japan exposure.
• <u>Tencent</u> (-1.33%): Gaming sector under pressure but still within acceptable range.

3.2 New Trading Rules Implementation

Starting November 5, we will activate our AI trading system:

Daily Workflow:
1. Morning: Execute `price_getter` to fetch latest prices
2. AI Analysis: Run 3-agent workflow for trade recommendations
3. Decision: Execute maximum 1 trade per day (competition rule)
4. Documentation: Generate trade PDF with Yahoo Finance screenshot links

Risk Management:
• -8% stop-loss trigger (hard rule)
• Maximum 25% position size per stock
• 3-day minimum hold period before selling
• 5-15 total positions maintained
• -10% portfolio drawdown triggers defensive positioning

3.3 Target Positions for Second Half

Potential Additions (subject to AI analysis):

<u>USA (strengthen to 50% target):</u>
• Microsoft: Cloud/AI integration leader
• Meta: AI-driven advertising, metaverse positioning
• Alphabet: Search + AI synergies

<u>Hong Kong (reduce from 30% to target):</u>
• Xiaomi: Lower price point, IoT ecosystem growth
• Possible reduction in Alibaba if weakness continues

<u>Japan (increase to 20% target):</u>
• Toyota: Hydrogen/hybrid technology leader
• Sony: Gaming, entertainment, semiconductor exposure
• Maintain or increase SoftBank (current winner)

3.4 Expected Outcomes

Performance Targets:
• Absolute Return: 8-15% by competition end (December 2025)
• Risk-Adjusted: Sharpe Ratio > 1.0
• Drawdown: Maximum -10% from peak

AI System Success Metrics:
• Trade accuracy: >60% profitable positions
• Average holding period: 5-7 days (beyond minimum 3)
• Regional allocation: Within ±5% of targets
• Rules compliance: 100% (no violations)

Competitive Positioning:
• Current: +2.67% (11 days) = 0.24% daily average
• Target: +10-12% total = maintaining 0.20-0.25% daily
• Tier 2 AI Bonus: +10 points for multi-agent coordination

Next Update: Final Competition Report (December 2025)