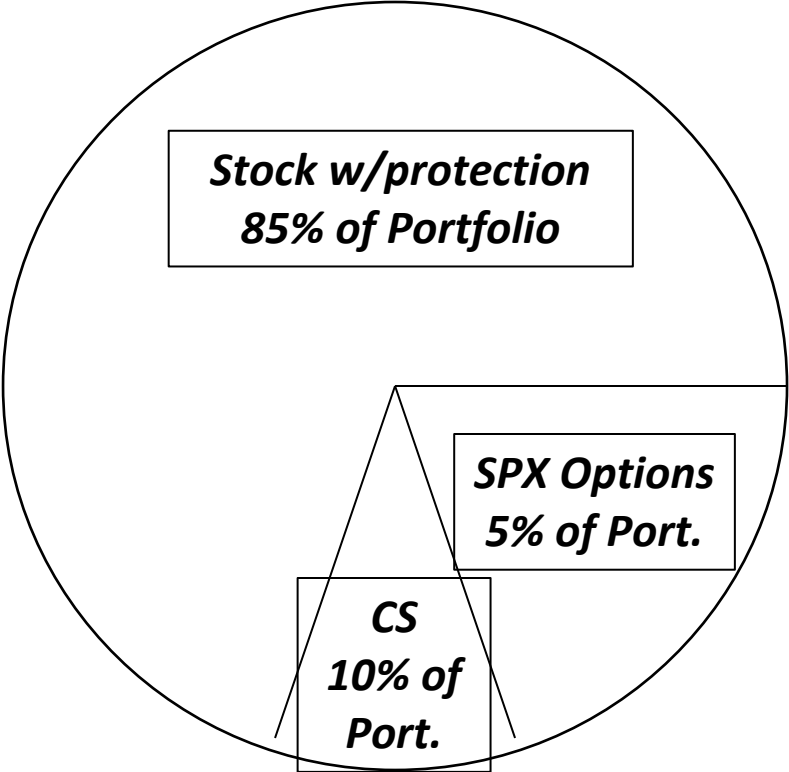




QUICK LESSONS

Portfolio Allocation



Based on \$300,000 Portfolio

Stocks w/protection: \$255K

SPX Options: \$15K

CS Options: \$30K

Trade
Size

Credit Spreads – (2-3 Trades at any time)
\$1,000 margin (10 contracts)

SPX - \$500 margin (5 contracts)



Realistic Expectations – Credit Spreads

Trading Account Size: \$30,000

Trade Size: \$10,000

Executed trades per year: 27

Expected Returns per Trade:

$[(\text{Profitable percent times reward}) - (\text{Losing percent times risk})] \text{ times trade size}$

Expected Returns per Trade

$[(.74 * .105) - (.26 * .065)] * \$10,000$

\$600

Expected Returns per Year

$\$600 * 27 = \mathbf{\$16,200 \rightarrow 54\% \text{ Return}}$

Realistic Expectations - Weekly Options

Based on 2018 Results

Trading Account Size: \$15,000

Margin: \$2,500 (5 contracts)

Avg. Loss: \$600 – 4% of portfolio

Executed trades per year: 30

Expected Returns per Trade:

$[(\text{Profitable percent times reward}) - (\text{Losing percent times risk})] \text{ times trade size}$

Expected Returns per Trade

$[(.76 * \$0.75) - (.24 * \$1.20)] * \$2,500$

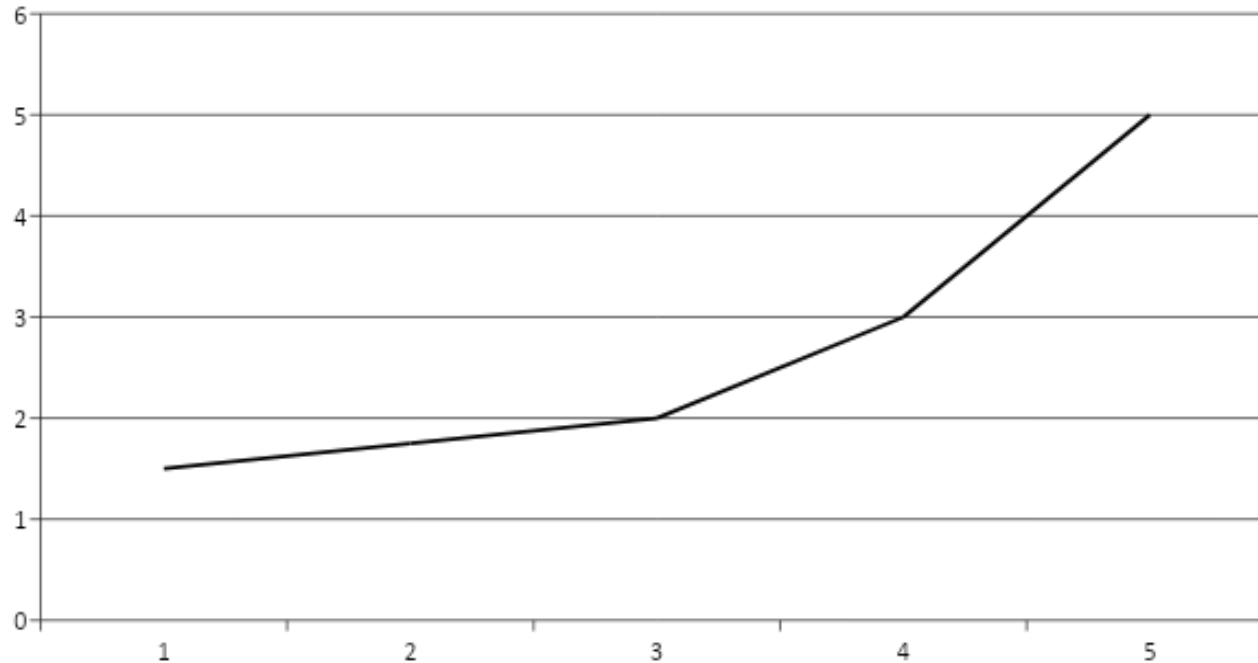
\$720

Expected Returns per Year

$\$720 * 30 = \mathbf{\$21,600} \rightarrow \mathbf{144\% \text{ Return}}$

Learning Curve

(Aggressive)



Starting Point

April 2019

\$15,000 portfolio

Goal : \$1,500 per month

Ending Point

April 2024

\$50,000 portfolio

Goal : \$5,000 per month