

# My Investment Clubs - Trading Strategy

Our long-term goal is a balanced portfolio of stocks across different sectors, industries, and sub-industries.

Initially, we will build towards a portfolio of five stocks in different sectors with a holding of approximately \$5,000 in each one. We do not anticipate holding more than 20 stocks irrespective of the value of the trading account.

## Asset Allocation

Our objective is to have a portfolio based on:

33% of the account value being in stocks that we expect to hold on a long-term basis but will be prepared to sell puts to enter and, occasionally, sell covered calls on the we do not expect to have called. These stocks should be 4 x 4's or be close to being so.

33% of our account value will be held with a view to selling covered calls. We will be prepared to sell naked puts to enter these stocks. We will aim to enter them at support and will sell covered calls at resistance. We will be prepared to "miss" extreme lows and highs when trading.

33% of our account value will be held for the specific purpose of selling naked options once the account has a value above \$25k and the permission of brokers to undertake such trades.

## Buy and Hold Stocks

The buy and hold portfolio will be targeted at the stocks which we see as having the highest potential for growth. We will be prepared to sell any stock, at a profit, to allow us to buy another that has a higher growth potential.

We will be prepared to sell covered calls at strong levels of resistance if we believe that the price will fall allowing us to retain, re-purchase the stock or buy back the options at a favourable price. This will particularly be the case during the first and second cycles of three cycle runs and for stocks that have a strong character of trading sideways between very strong support and resistance.

We will be prepared to sell in the money covered calls at resistance with the possibility of buying back the option at support.

When our shares have at least doubled in price, we will consider buying LEAP puts as a way of insurance.

## Covered Call options

We will buy stock for the purpose of selling covered call stocks at support and sell the covered calls at resistance. When the profit on a position gets to around 80%, we will consider closing it. Our aim is to take income every month.

Until our account reaches a value of \$25k and we get permission to sell puts, we will aim to have 66% of our portfolio value in stocks bought for the purpose of collecting covered call premiums. That is, we will use the 33% intended for naked option selling, for covered calls until we are able to undertake naked trades.

### **Naked Put options**

Once we reach 25k account value, we will sell puts on the stocks we want to be assigned to us instead of buying shares directly, since through the put selling, we can acquire them at a discount.

We will also be prepared to sell naked puts to gain the option premium rather than as a way of entering a position on stocks.

### **Review**

This is a standard trading strategy that individual clubs may decide to vary depending on their objectives.