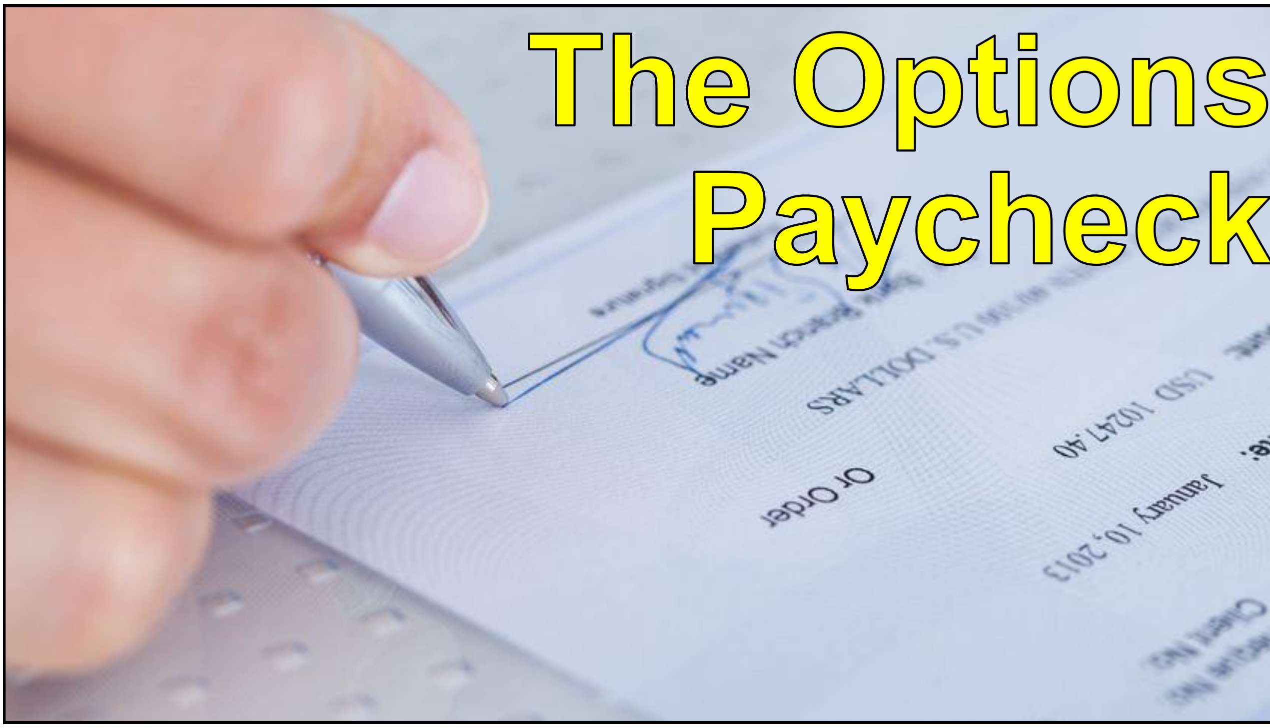

1

VectorVest®

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The VectorVest Program ("the System") which we promote is not intended to provide you with specific or personalized advice. In all circumstances where you are looking to apply the System to your own personal needs you should consider whether you should first seek advice from a suitably qualified investment professional.

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2

Bonus Module:

SPX Trading Plan

3

Some background…

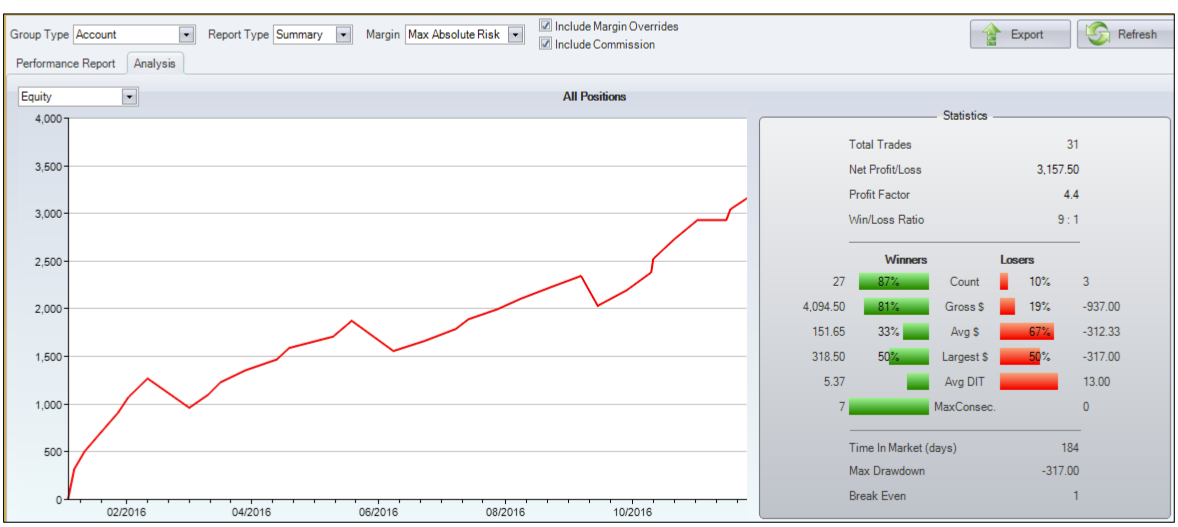
4

Why the SPX?

- Higher Credits
- Less analysis
- Broad Market Based
- Tax advantages
- High Liquidity

5

Backtesting Results



6

General Trade Rules

- Trades done on Monday
- DTE always to 25, (except holidays)
- Only 1 trade at a time

7

General Trade Rules

We place our trades on Monday mornings for this system.

However, placing them on any day during the week should have a limited, if any, change in overall profitability.

8

General Trade Rules

If you place the trade on another day, make sure the expiration is between 21 – 25 days.

9

What if?

No What if!

10

Step # 1

Check the DEW
On Monday

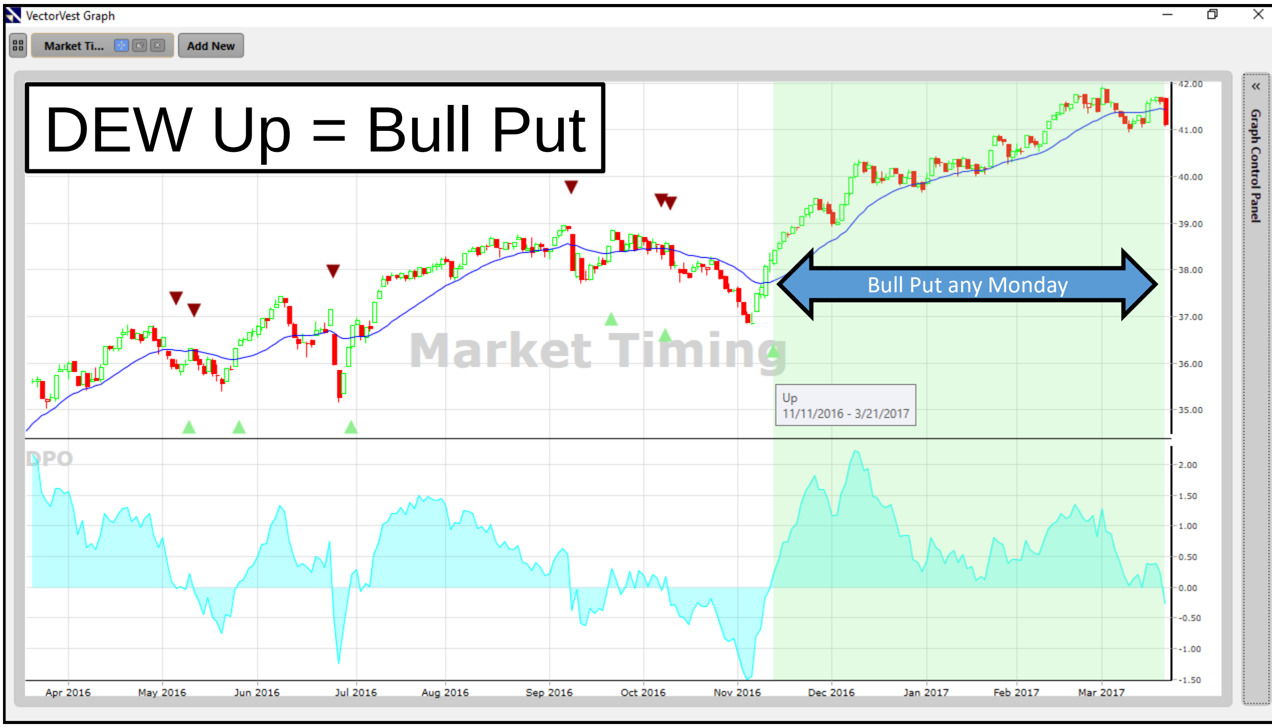
11

DEW Considerations

- DEW Up – Bull Put
- DEW Dn – Bear Call
- Trade can be placed any Monday
- No rule for higher highs
- No rule for afternoon trading like we have for stocks.

That's why this is so simple!

12


VectorVest Graph
Market Ti...
Add New
DEW Up = Bull Put
Bull Put any Monday
Market Timing
Up
11/11/2016 - 3/21/2017
DPO
Graph Control Panel
Apr 2016
May 2016
Jun 2016
Jul 2016
Aug 2016
Sep 2016
Oct 2016
Nov 2016
Dec 2016
Jan 2017
Feb 2017
Mar 2017

13


VectorVest Graph
Market Ti...
Add New
DEW Dn = Bear Call
Down
10/11/2016 - 11/11/2016
DPO
Graph Control Panel
Apr 2016
May 2016
Jun 2016
Jul 2016
Aug 2016
Sep 2016
Oct 2016
Nov 2016
Dec 2016
Jan 2017
Feb 2017
Mar 2017

14

Step # 2

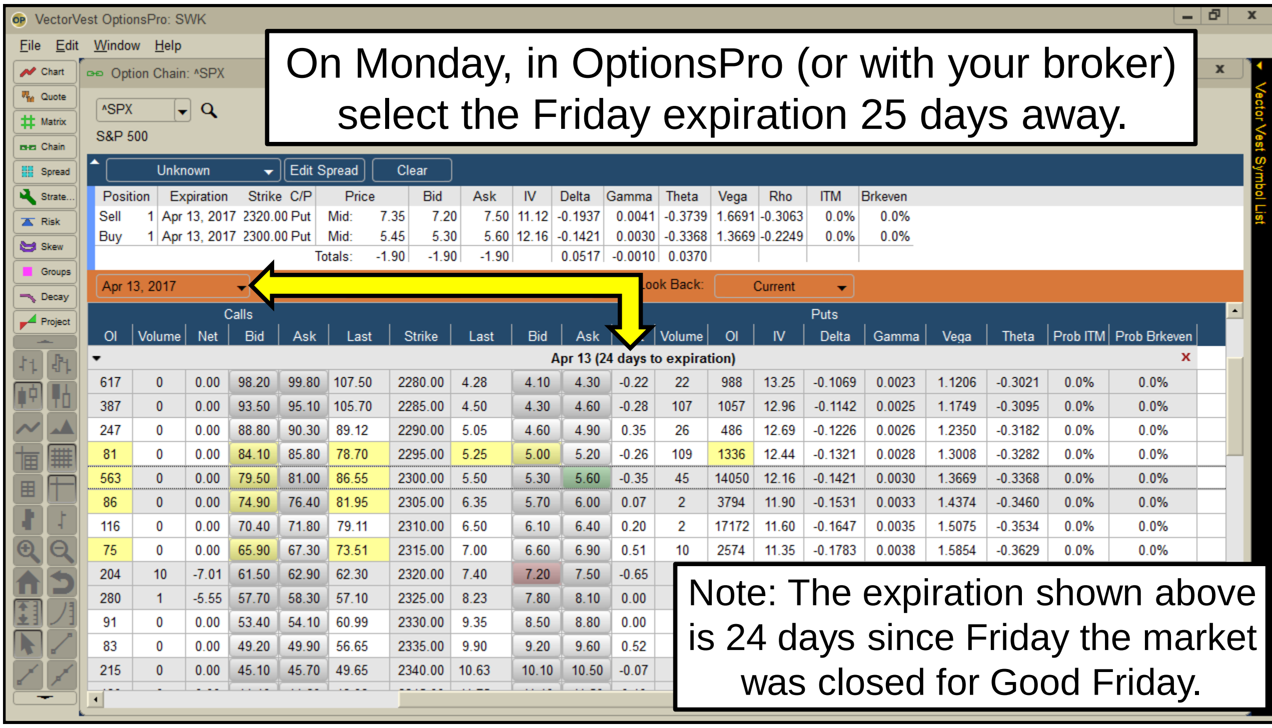
Select the Expiration

15

Expiration Considerations

- Choose the Friday expiration
- 25 Days to Expiration *(Monday Trade)

16



17

Step # 3

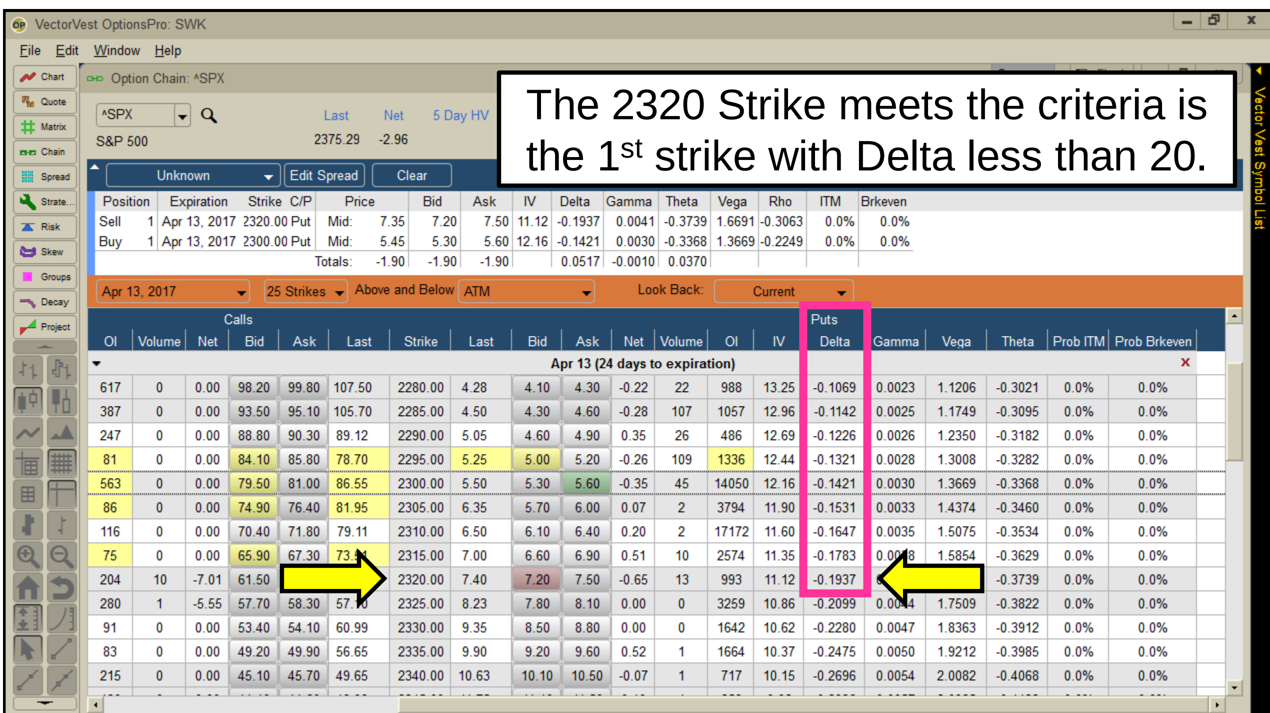
Select the Short Strike

18

Short Strike Considerations

- ➢Delta < 20 (-.20 for puts, .20 for calls)
  - ➢No exceptions
- ➢Choose 1st Strike < 20 Delta
  - ➢Tip: This helps you remember when you need to adjust the trade.

19



Position		Expiration	Strike	C/P	Price		Bid	Ask	IV	Delta	Gamma	Theta	Vega	Rho	ITM	Brkeven
Sell	1	Apr 13, 2017	2320.00	Put	Mid:	7.35	7.20	7.50	11.12	-0.1937	0.0041	-0.3739	1.6691	-0.3063	0.0%	0.0%
Buy	1	Apr 13, 2017	2300.00	Put	Mid:	5.45	5.30	5.60	12.16	-0.1421	0.0030	-0.3368	1.3669	-0.2249	0.0%	0.0%
					Totals:	-1.90	-1.90	-1.90		0.0517	-0.0010	0.0370				

Calls							Puts												
OI	Volume	Net	Bid	Ask	Last	Strike	Last	Bid	Ask	Net	Volume	OI	IV	Delta	Gamma	Vega	Theta	Prob ITM	Prob Brkeven
Apr 13 (24 days to expiration)																			
617	0	0.00	98.20	99.80	107.50	2280.00	4.28	4.10	4.30	-0.22	22	988	13.25	-0.1069	0.0023	1.1206	-0.3021	0.0%	0.0%
387	0	0.00	93.50	95.10	105.70	2285.00	4.50	4.30	4.60	-0.28	107	1057	12.96	-0.1142	0.0025	1.1749	-0.3095	0.0%	0.0%
247	0	0.00	88.80	90.30	89.12	2290.00	5.05	4.60	4.90	0.35	26	486	12.69	-0.1226	0.0026	1.2350	-0.3182	0.0%	0.0%
81	0	0.00	84.10	85.80	78.70	2295.00	5.25	5.00	5.20	-0.26	109	1336	12.44	-0.1321	0.0028	1.3008	-0.3282	0.0%	0.0%
563	0	0.00	79.50	81.00	86.55	2300.00	5.50	5.30	5.60	-0.35	45	14050	12.16	-0.1421	0.0030	1.3669	-0.3368	0.0%	0.0%
86	0	0.00	74.90	76.40	81.95	2305.00	6.35	5.70	6.00	0.07	2	3794	11.90	-0.1531	0.0033	1.4374	-0.3460	0.0%	0.0%
116	0	0.00	70.40	71.80	79.11	2310.00	6.50	6.10	6.40	0.20	2	17172	11.60	-0.1647	0.0035	1.5075	-0.3534	0.0%	0.0%
75	0	0.00	65.90	67.30	[illegible]	2315.00	7.00	6.60	6.90	0.51	10	2574	11.35	-0.1783	[illegible]	1.5854	-0.3629	0.0%	0.0%
204	10	-7.01	61.50	[illegible]	[illegible]	2320.00	7.40	7.20	7.50	-0.65	13	993	11.12	-0.1937	[illegible]	[illegible]	-0.3739	0.0%	0.0%
280	1	-5.55	57.70	58.30	[illegible]	2325.00	8.23	7.80	8.10	0.00	0	3259	10.86	-0.2099	[illegible]	1.7509	-0.3822	0.0%	0.0%
91	0	0.00	53.40	54.10	60.99	2330.00	9.35	8.50	8.80	0.00	0	1642	10.62	-0.2280	0.0047	1.8363	-0.3912	0.0%	0.0%
83	0	0.00	49.20	49.90	56.65	2335.00	9.90	9.20	9.60	0.52	1	1664	10.37	-0.2475	0.0050	1.9212	-0.3985	0.0%	0.0%
215	0	0.00	45.10	45.70	49.65	2340.00	10.63	10.10	10.50	-0.07	1	717	10.15	-0.2696	0.0054	2.0082	-0.4068	0.0%	0.0%

20

Step # 4

Select the "Insurance" Strike

21

"Insurance" Strike Considerations

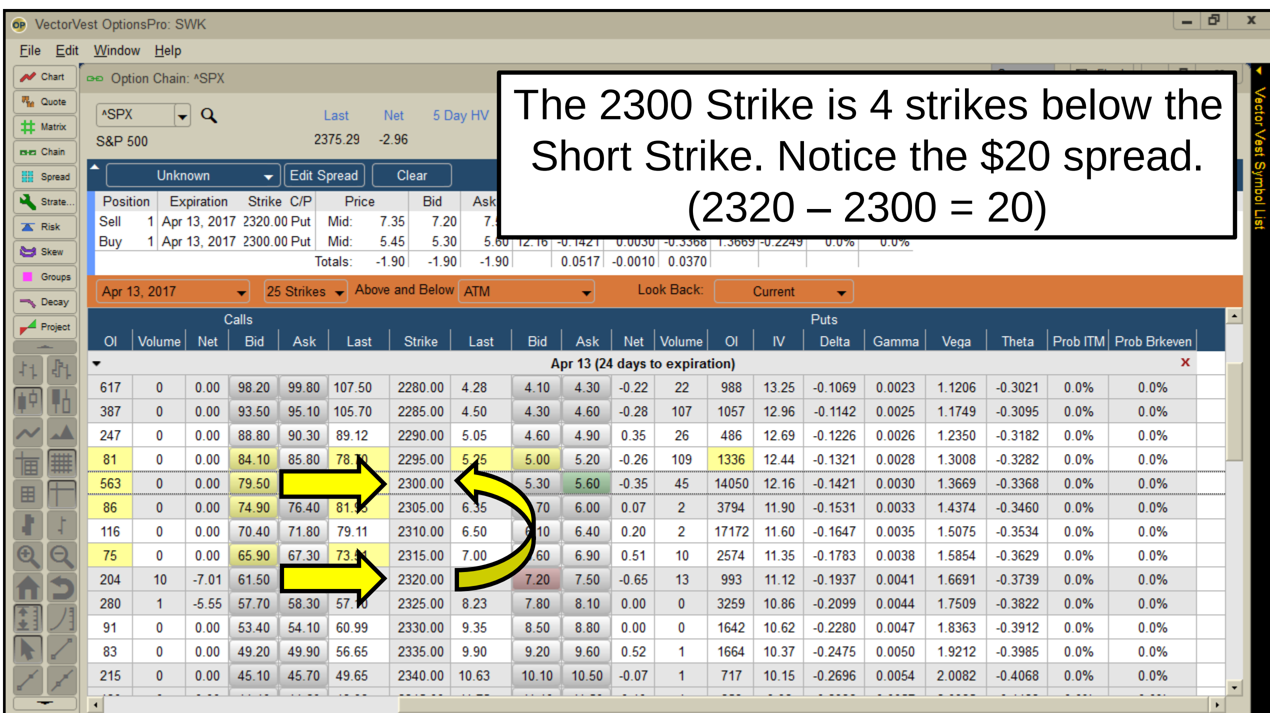
- Choose insurance leg 4 strikes away
- $20 spread between strikes
- Example: 2320 and 2300

22

“Insurance” Strike Considerations

Why 20 points?
Because it works.

23



Position		Expiration	Strike	C/P	Price		Bid	Ask
Sell	1	Apr 13, 2017	2320.00	Put	Mid:	7.35	7.20	[illegible]
Buy	1	Apr 13, 2017	2300.00	Put	Mid:	5.45	5.30	5.60
					Totals:	-1.90	-1.90	-1.90

Apr 13 (24 days to expiration)

Calls OI	Calls Volume	Calls Net	Calls Bid	Calls Ask	Calls Last	Strike	Puts Last	Puts Bid	Puts Ask	Puts Net	Puts Volume	Puts OI	IV	Delta	Gamma	Vega	Theta	Prob ITM	Prob Brkeven
617	0	0.00	98.20	99.80	107.50	2280.00	4.28	4.10	4.30	-0.22	22	988	13.25	-0.1069	0.0023	1.1206	-0.3021	0.0%	0.0%
387	0	0.00	93.50	95.10	105.70	2285.00	4.50	4.30	4.60	-0.28	107	1057	12.96	-0.1142	0.0025	1.1749	-0.3095	0.0%	0.0%
247	0	0.00	88.80	90.30	89.12	2290.00	5.05	4.60	4.90	0.35	26	486	12.69	-0.1226	0.0026	1.2350	-0.3182	0.0%	0.0%
81	0	0.00	84.10	85.80	[illegible]	2295.00	[illegible]	5.00	5.20	-0.26	109	1336	12.44	-0.1321	0.0028	1.3008	-0.3282	0.0%	0.0%
563	0	0.00	79.50	[illegible]	[illegible]	2300.00	[illegible]	5.30	5.60	-0.35	45	14050	12.16	-0.1421	0.0030	1.3669	-0.3368	0.0%	0.0%
86	0	0.00	74.90	76.40	[illegible]	2305.00	6.35	[illegible]	6.00	0.07	2	3794	11.90	-0.1531	0.0033	1.4374	-0.3460	0.0%	0.0%
116	0	0.00	70.40	71.80	79.11	2310.00	6.50	[illegible]	6.40	0.20	2	17172	11.60	-0.1647	0.0035	1.5075	-0.3534	0.0%	0.0%
75	0	0.00	65.90	67.30	[illegible]	2315.00	7.00	[illegible]	6.90	0.51	10	2574	11.35	-0.1783	0.0038	1.5854	-0.3629	0.0%	0.0%
204	10	-7.01	61.50	[illegible]	[illegible]	2320.00	[illegible]	7.20	7.50	-0.65	13	993	11.12	-0.1937	0.0041	1.6691	-0.3739	0.0%	0.0%
280	1	-5.55	57.70	58.30	[illegible]	2325.00	8.23	7.80	8.10	0.00	0	3259	10.86	-0.2099	0.0044	1.7509	-0.3822	0.0%	0.0%
91	0	0.00	53.40	54.10	60.99	2330.00	9.35	8.50	8.80	0.00	0	1642	10.62	-0.2280	0.0047	1.8363	-0.3912	0.0%	0.0%
83	0	0.00	49.20	49.90	56.65	2335.00	9.90	9.20	9.60	0.52	1	1664	10.37	-0.2475	0.0050	1.9212	-0.3985	0.0%	0.0%
215	0	0.00	45.10	45.70	49.65	2340.00	10.63	10.10	10.50	-0.07	1	717	10.15	-0.2696	0.0054	2.0082	-0.4068	0.0%	0.0%

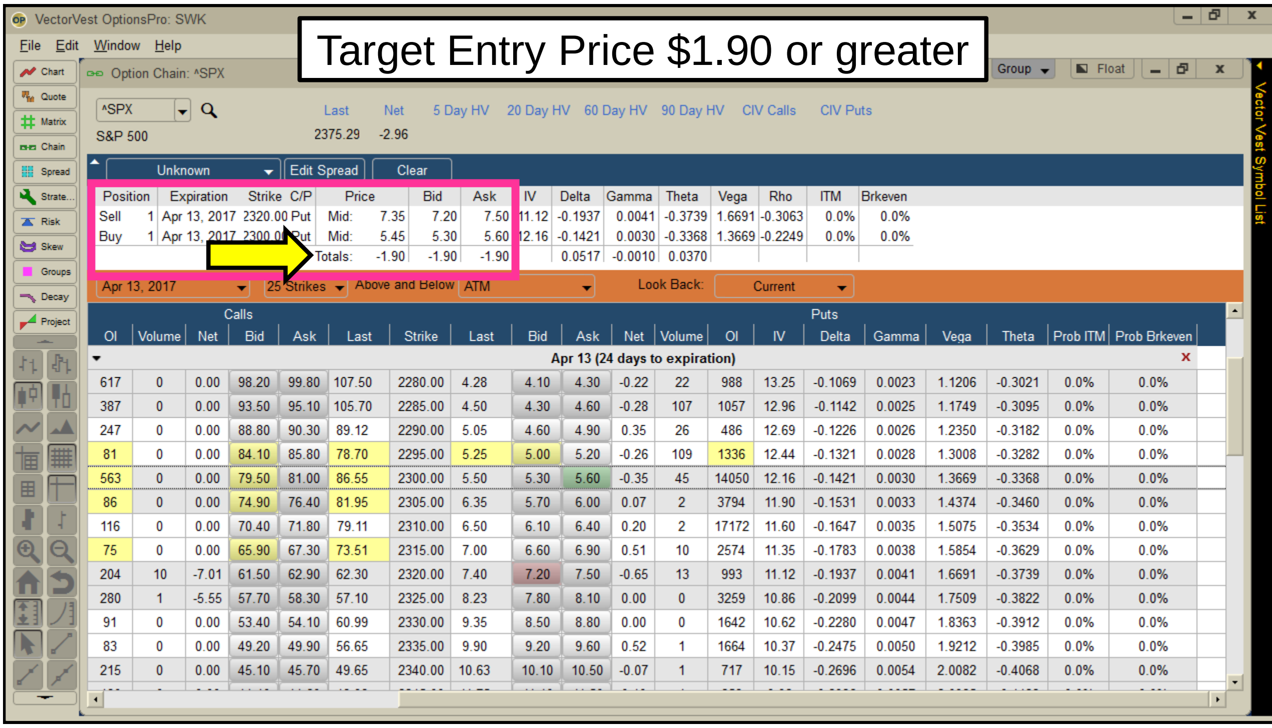
24

Step # 5

Target Your Entry Price

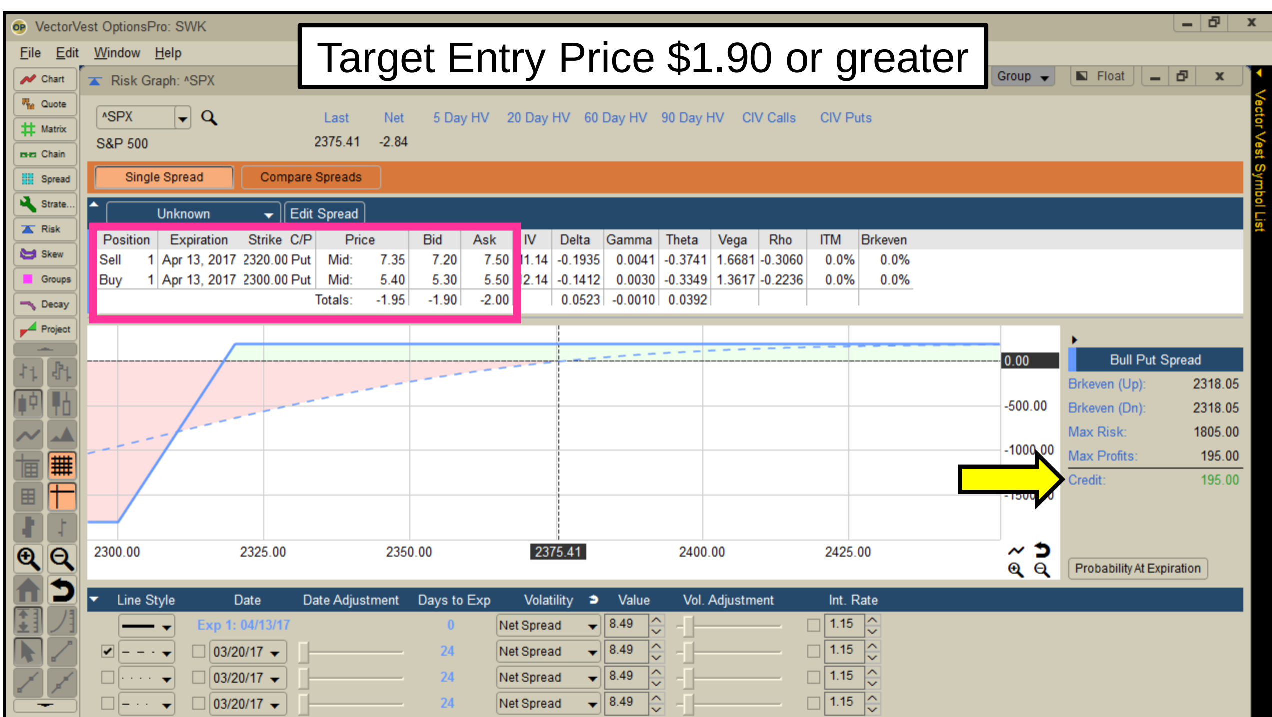
Entry Price Considerations

- Entry Price $1.90 or greater
- If the price is below this, skip the trade.



VectorVest OptionsPro: SWK
Target Entry Price $1.90 or greater
Option Chain: ^SPX
S&P 500
Last 2375.29
Net -2.96
Position | Expiration | Strike | C/P | Price | Bid | Ask
Sell 1 Apr 13, 2017 2320.00 Put Mid: 7.35 7.20 7.50
Buy 1 Apr 13, 2017 2300.00 Put Mid: 5.45 5.30 5.60
Totals: -1.90 -1.90 -1.90
Apr 13 (24 days to expiration)

27



VectorVest OptionsPro: SWK
Target Entry Price $1.90 or greater
Risk Graph: ^SPX
S&P 500
Last 2375.41
Net -2.84
Single Spread
Compare Spreads
Position | Expiration | Strike | C/P | Price | Bid | Ask
Sell 1 Apr 13, 2017 2320.00 Put Mid: 7.35 7.20 7.50
Buy 1 Apr 13, 2017 2300.00 Put Mid: 5.40 5.30 5.50
Totals: -1.95 -1.90 -2.00
Bull Put Spread
Brkeven (Up): 2318.05
Brkeven (Dn): 2318.05
Max Risk: 1805.00
Max Profits: 195.00
Credit: 195.00
Probability At Expiration

28

Step # 6

Trade Management Preparation

29

3 Techniques

to

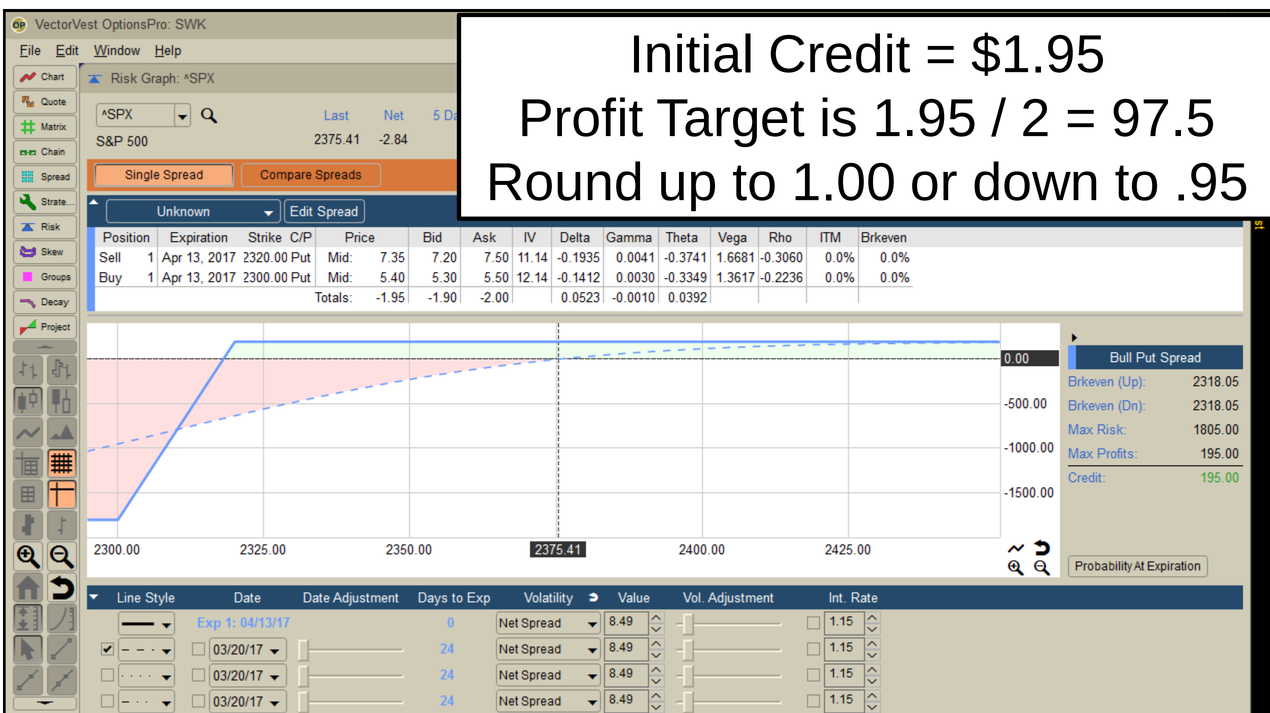
Manage Your Credit Spreads

30

Technique #1

Take Profits At 50%
of Credit Received

31



32

When a credit spread goes against you…

33

Use Delta to guide you!

Once the trade is on, you manage by Delta. No reason to ever go back to the graphs.

34

Technique #2

Add the other side if the Delta changes by 20.

35

Technique #2 (cont)

✓ Use the same Exp Date
✓ Select the 1st Delta < 20
✓ *Use $20 spread*

36

Technique #3

When the short strike is hit, always exit that side of the trade.

37

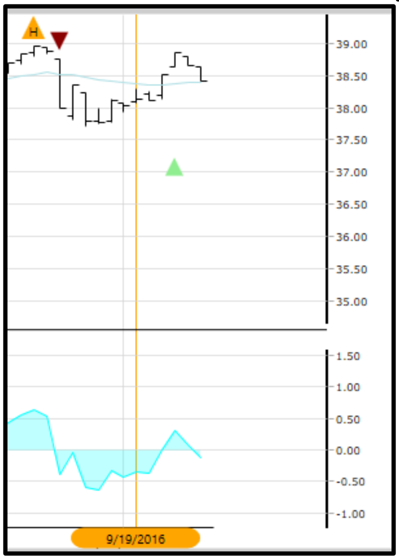
Case Study of Trade Hitting Profit Targets

Monday Sept 19, 2016
SPX Bear Call

History has shown 87% of trades will hit the profit target.

38

DEW Down on Monday, Sept 19, 2016
Sold 2200 / 2220 Bear Call for 3.65
Profits on Sept 26 even though the DEW Changed



Side	Qty	Expiration	Strike	Type	Price
Sell	1	14 Oct 16	2200	Call	5.55
Buy	1	14 Oct 16	2220	Call	1.925

Mkt 3.40 Mid 3.625 3.85

Price 3.625 Credit

2220	1.925	8.76	8.58		+1
2215	2.55	8.93	10.68		
2210	3.40	9.18	13.23		
2205	4.35	9.37	15.88		
2200	5.55	9.63	18.87		-1

Side	Qty	Expiration	Strike	Type	Price
Buy	1	14 Oct 16	2200	Call	2.425
Sell	1	14 Oct 16	2220	Call	0.675

Mkt -1.90 Mid -1.75 -1.60

Price -1.75 Debit

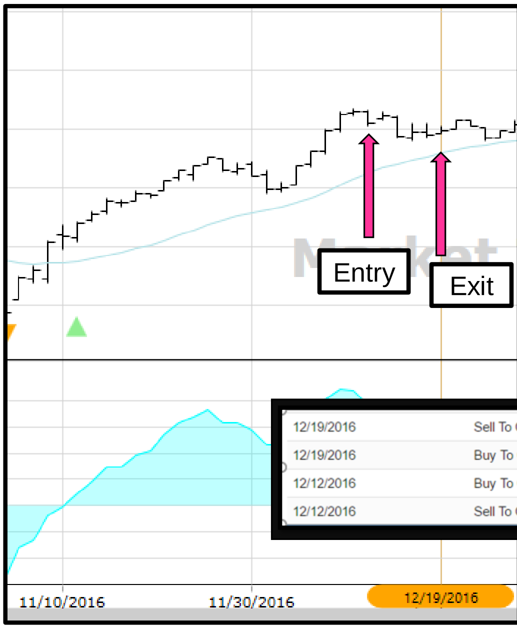
Analysis	MaxMargin	Cost	Curr Cost	Com	Profit/Loss	PnL%
Position	1,639.50	360.50	-175.00	2.00	185.50	11.31%

39

Case Study of Trade Hitting Profit Targets

Monday Dec 12, 2016
SPX Bull Put

40



DEW Up on Monday Dec 12, 2016

Enter the 2195 / 2175 Bull Put for 2.20
Profits on 12/19 at 1.10

Total Profit on 15 Contracts:
$1650 (not including commission and fees)

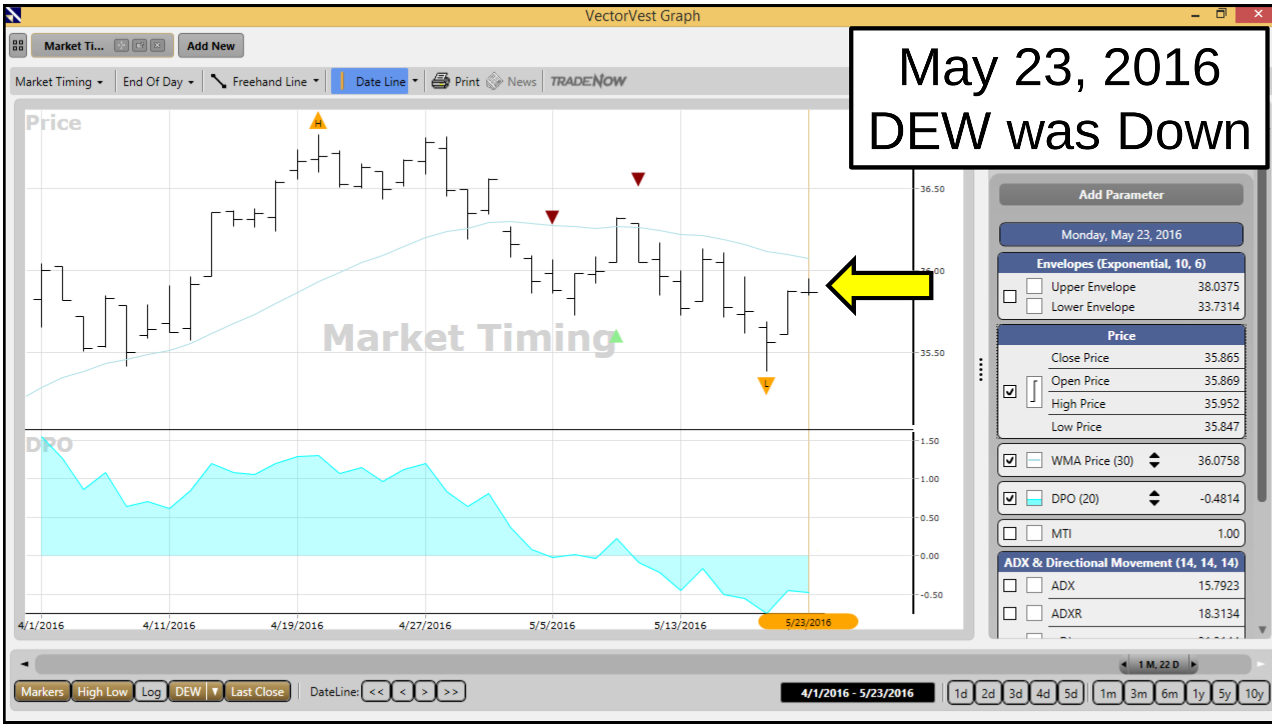
12/19/2016	Sell To Close	15	SPX JanWk1 2175 Put	$2.30
12/19/2016	Buy To Close	15	SPX JanWk1 2195 Put	$3.40
12/12/2016	Buy To Open	15	SPX JanWk1 2175 Put	$6.60
12/12/2016	Sell To Open	15	SPX JanWk1 2195 Put	$8.80

41

Case Study of Trade Going Against You

May 23, 2016
SPX Bear Call

42



43

The Trade…

Mon 23 May 2016 10:00

CALL	Mid	IV	Delta	Model	Pos
	17 Jun 16 (25)				13.00%
2130	1.625	9.41	7.28		
2125	2.075	9.49	8.89		+1
2120	2.675	9.63	10.85		
2115	3.40	9.77	13.06		
2110	4.30	9.95	15.57		
2105	5.35	10.13	18.28		-1

Analysis	MaxMargin	Cost	Curr Cost	Com	Profit/Loss
Position		325.50	-327.50	2.00	-2.00

- ✓ 2105 is 1st strike with delta < 20.
- ✓ 2125 is $20 above the short call.
- ✓ Credit is $3.25 which is well above the $1.90 minimum.
- ✓ 25 days 'til expiration

44

Management

Entry Price: 3.25 Credit

Profit: 1.65 Debit

Add the other side (Put) if the Short Delta increases to 38

(Delta started at 18)

45

46

Management

Wed 25 May 2016 09:50 Exp

CALL	Mid	IV	Delta	Model	Pos
	17 Jun 16 (23)				10.73%
2130	4.55	8.53	18.74		
2125	5.75	8.67	22.21		+1
2120	7.25	8.87	26.06		
2115	9.00	9.09	30.08		
2110	10.90	9.27	34.10		
2105	13.05		38.18		-1

At 9:50AM, May 25 the Delta of Short Strike has increased by 20

47

Management

Position	1,674.50	325.50	-730.00	2.00	-404.50	-24.16%

The Trade is down 24% or $404.

We need to hedge.

48

Add the Other Side

PUT	Mid	IV	Delta	Model	Pos
2035	9.15	13.79	-21.77		
2030	8.35	13.98	-20.05		
2025	7.65	14.20	-18.50		-1
2020	7.10	14.49	-17.16		
2015	6.50	14.69	-15.82		
2010	5.95	14.90	-14.57		
2005	5.45	15.11	-13.42		+1

Side	Qty	Expiration	Strike	Type	Price
Buy	1	17 Jun 16	2005	Put	5.45
Sell	1	17 Jun 16	2025	Put	7.65

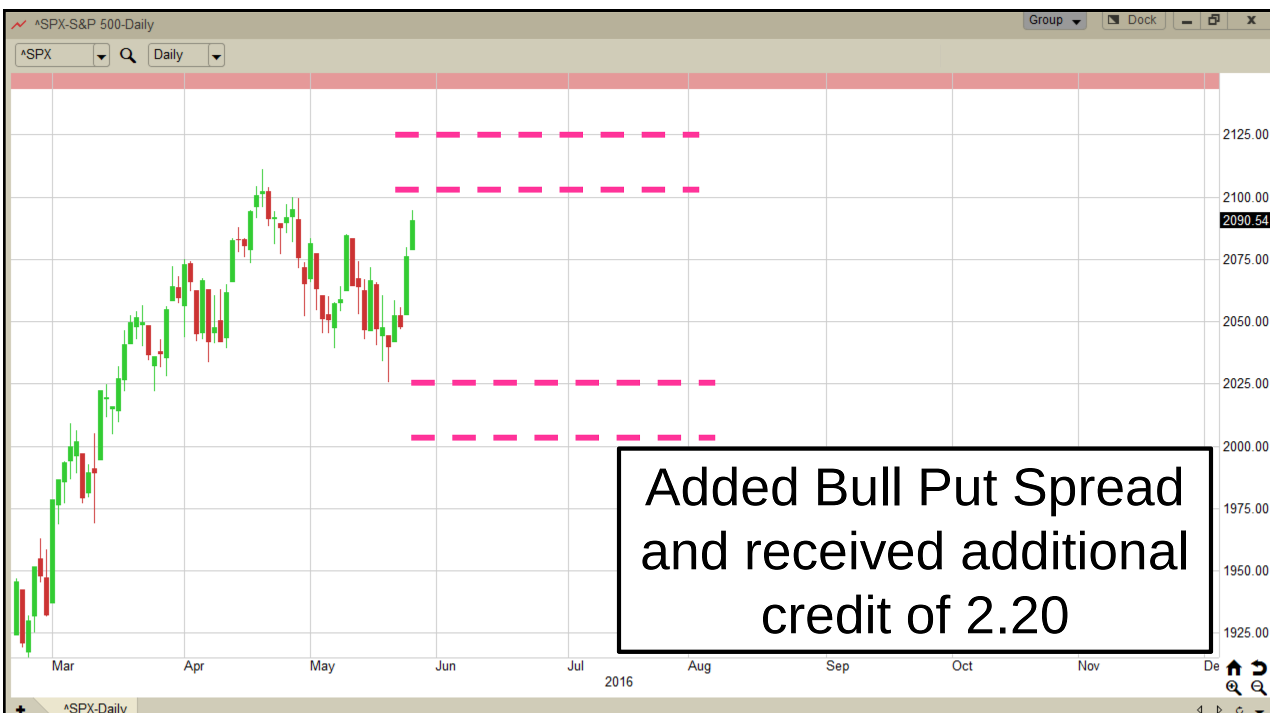
Mkt 1.60 Mid 2.20 2.80

Price 2.20 Credit

Sell the 2005 / 2025 Bull Put for 2.20

Same Expiration

49



50

Management

The trade is now an Iron Condor and can be managed using the 25% target from the Iron Condor Profit Taking Rules.

51

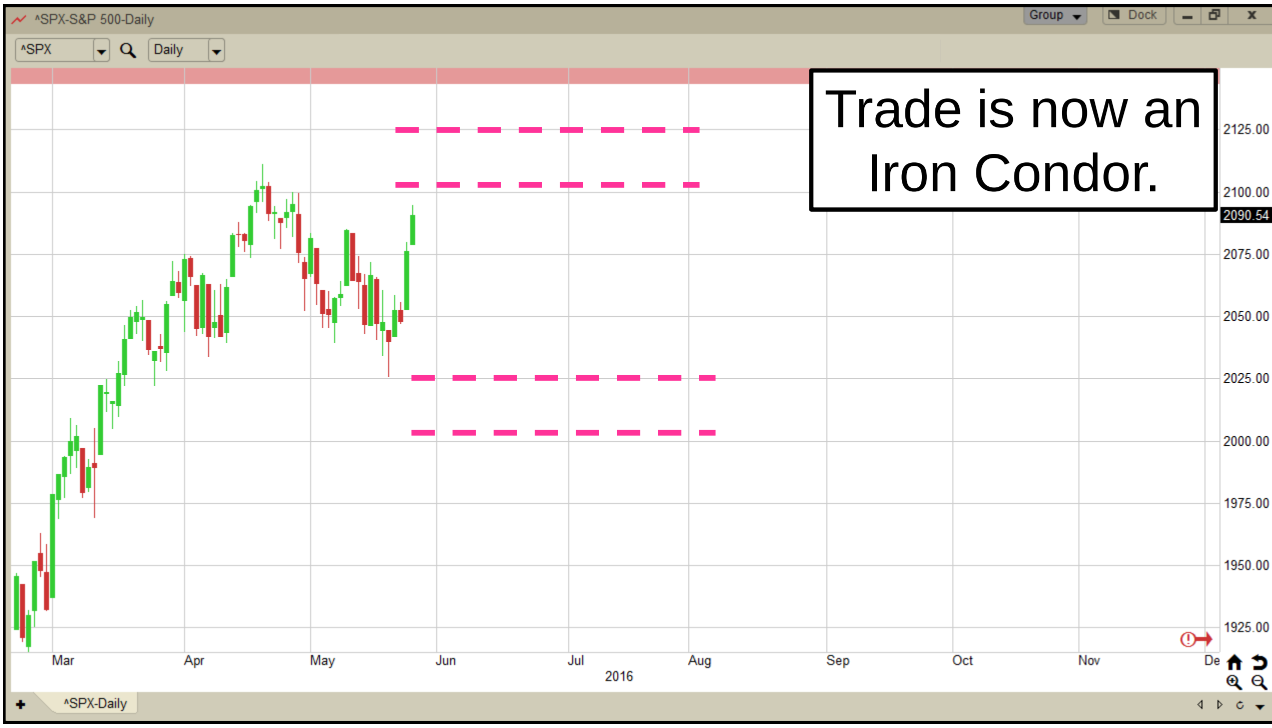
Management

Analysis	MaxMargin	Cost	Curr Cost	Com	Profit/Loss	PnL%
Position	1,674.50	543.50	-950.00	4.00	-406.50	-24.28%

We have a combined credit of 5.45.

Our New Profit Target is: 4.05
25%

52



53

Management

Be sure to cancel the original profit target order and enter a new one for the Iron Condor.

54

Management

If a short side is hit,
exit that side only.

Treat the other side as a
Directional Credit Spread.

55

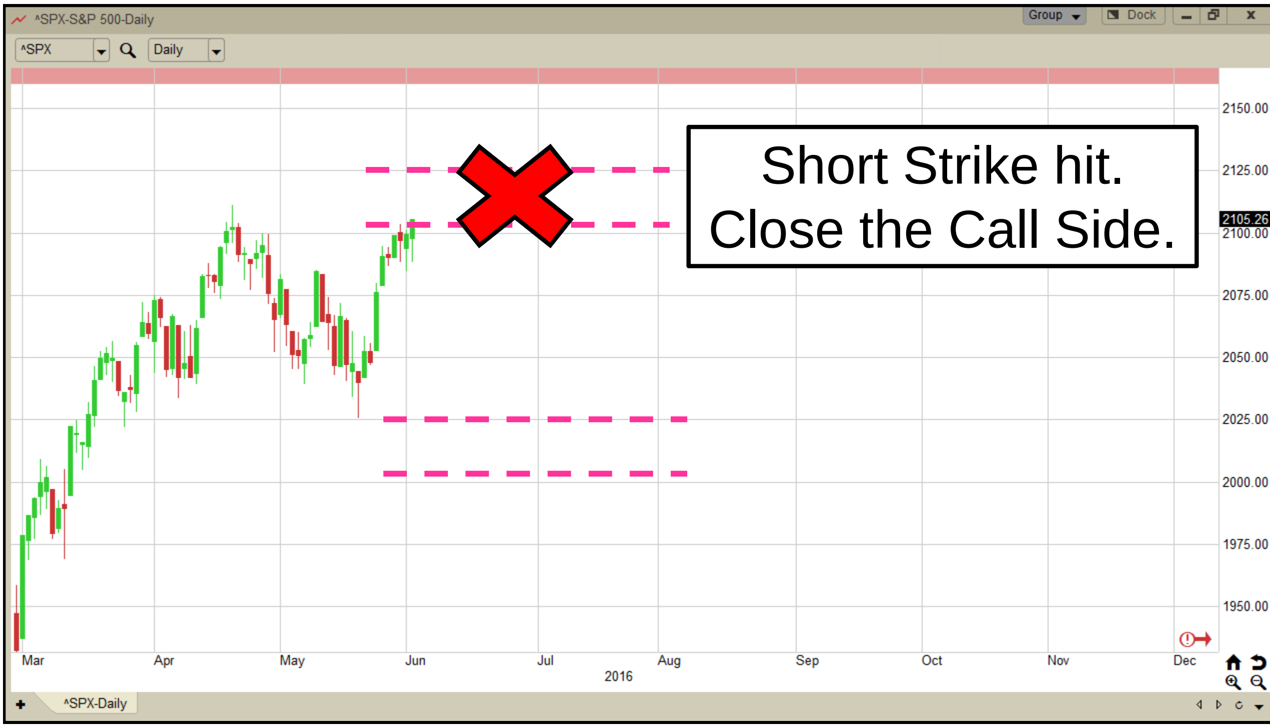
Management

Thu 02 Jun 2016 15:55 Exp

2125	7.05	8.76	30.01		+1
2120	9.10	9.05	35.27		
2115	11.40	9.32	40.46		
2110	13.80	9.50	45.47		
2105	16.50	9.70	50.39		-1

On June 2 at 3:55 the
Short Strike was hit.

56



57

Management

Analysis	MaxMargin	Cost	Curr Cost	Com	Profit/Loss	PnL%
Position	1,674.50	543.50	-1,035.00	4.00	-491.50	-29.35%

The Trade is down 29%

Side	Qty	Expiration	Strike	Type	Price
Buy	1	17 Jun 16	2105	Call	16.5
Sell	1	17 Jun 16	2125	Call	7.05

Mkt -10.60 Mid -9.45 -8.30

Price -9.45 Debit

Exit the Call side of the trade for 9.45

58

Management

We sold the Calls for 3.25 and buy them back for 9.45

Net Loss is 6.20 or $620 on the Call Side

59

Management

Side	Qty	Expiration	Strike	Type	Price
Buy	1	17 Jun 16	2005	Put	5.45
Sell	1	17 Jun 16	2025	Put	7.65

Mkt 1.60 Mid 2.20 2.80

Price 2.20 Credit

When we added the other side we sold the Puts for 2.20

Side	Qty	Expiration	Strike	Type	Price
Sell	1	17 Jun 16	2005	Put	1.75
Buy	1	17 Jun 16	2025	Put	2.65

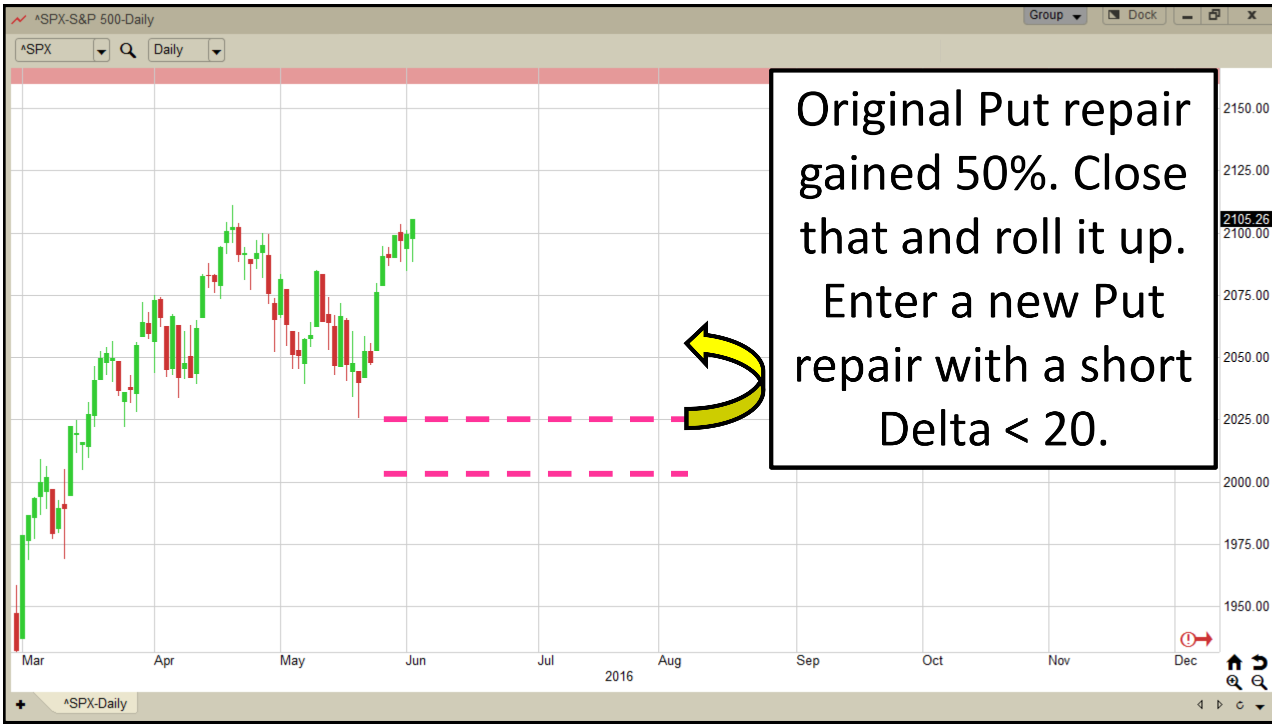
Mkt -1.55 Mid -0.90 -0.25

Price -0.90 Debit

They are now worth .90, our profit target on that side is 1.10

You can now roll the puts

60



61

Management

Remember, all you'd have left is the Bull Put. If you're 50% profitable you can roll them up as long as you have **more than 7 days to expiration.**

Never add time!

62

Rolling the Trade

Select a new <20 Delta Spread with the same expiration as the original trade.

Reminder… Never add time. The trade was done with the June 17 expiration. Use the same expiration.

63

Rolling the Trade

2060	6.00	12.70	-19.69		-1
2055	5.35	12.97	-17.69		
2050	4.75	13.23	-15.84		
2045	4.20	13.46	-14.15		
2040	3.75	13.73	-12.70		+1

The new < 20 Delta Put Spread 2060 / 2040

Side	Qty	Expiration	Strike	Type	Price
Buy	1	17 Jun 16	2040	Put	3.75
Sell	1	17 Jun 16	2060	Put	6

Mkt 1.40 Mid 2.25 3.10

Price 2.25 Credit

We get 2.25 in new Credit. Profit Target is 1.10

64

65

Management

Exit the Roll at 50%

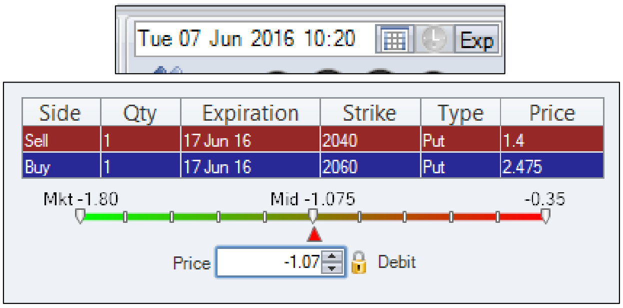
If short Delta goes to 39

add the other side and you're back to an Iron Condor

This is very infrequent…

66

Management



On June 7 the profit target of 1.10 was hit.

We added another $115 to offset the loss on the calls.

67

68

Management

To keep it simple, in the back testing I did 1 Roll.

After that, it's time to do a new trade with 25 DTE.

69

Management

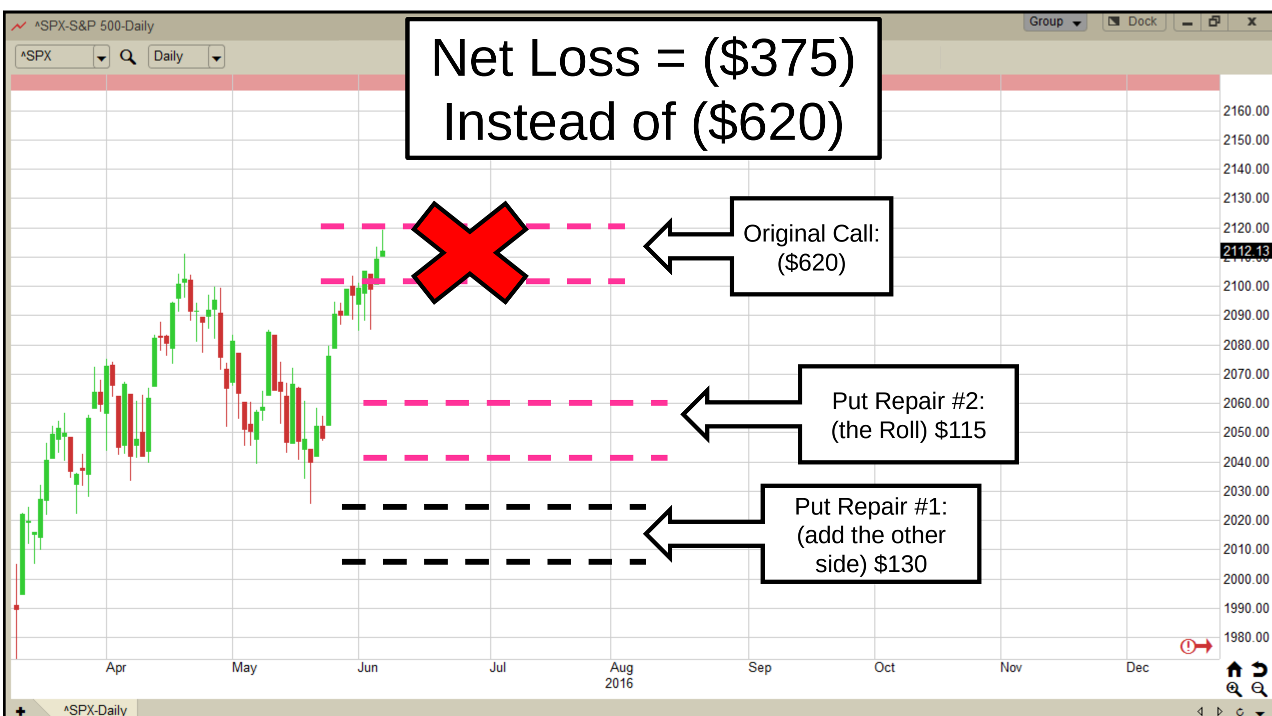
This means the trade started as a Bear Call. We then added a Put Spread, and rolled the Put Spread once.

70

Breakdown…

Original Call Trade	: ($620)
Adding the other side	: $130
The Roll	: $115
Total Loss:	($375)

71



72

Management

The goal is to manage risk and mitigate loss.

We did so. If left alone the original trade would have lost $620.

Adding the other side and rolling reduced it to $375.

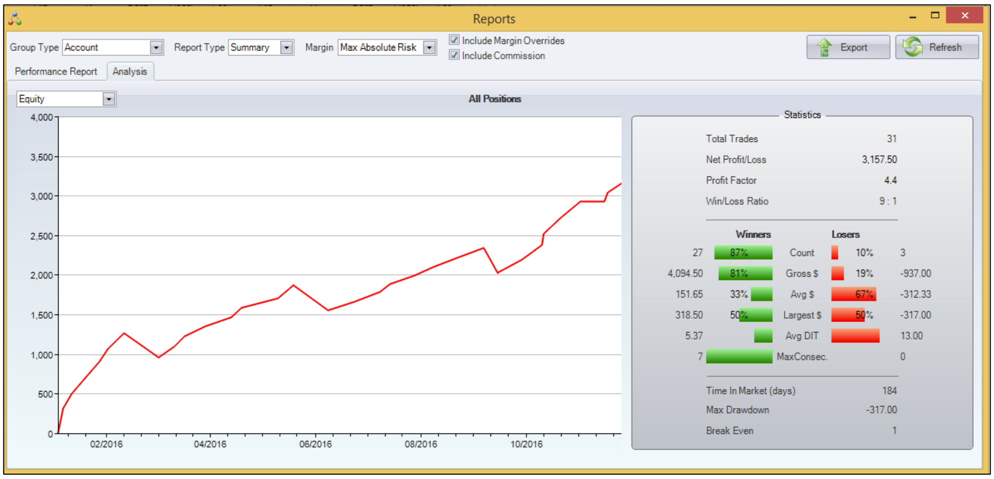
73

What if?

No What if!

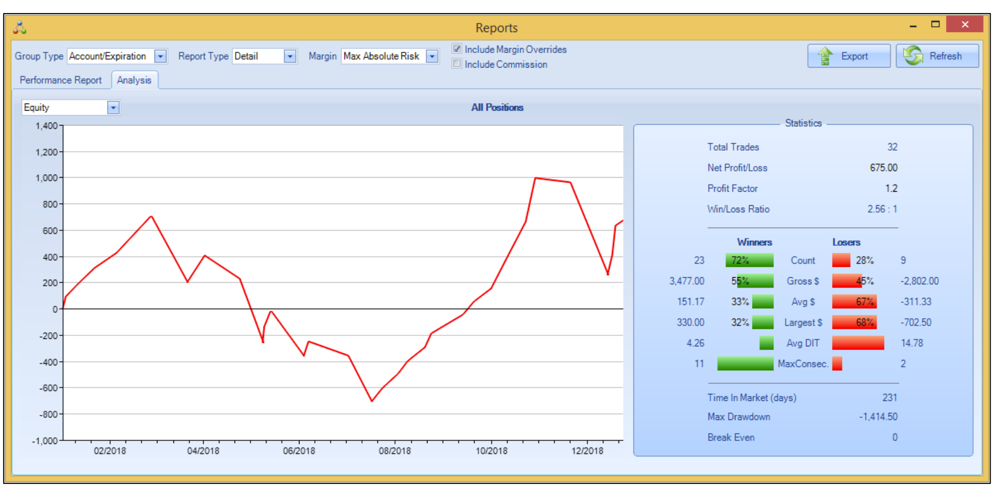
74

Further Backtesting



75

Further Backtesting



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