


A large, 3D, white '5K' is the central focus. A hand, rendered in a light orange color, is shown holding a dark orange ribbon that loops around the '5'. The background is a gradient of orange and white, with a subtle flame-like effect behind the 'K'.

5K



The 5K Challenge: One Year Later (11 months)

October 18, 2022



Today's Presentation

- What is the 5K Challenge
- The 5K Challenge Set-up
- Goals and Assumptions
- The 5K Trading One Year Experience
- The Results To Date
- Lessons Learned
- Next Steps



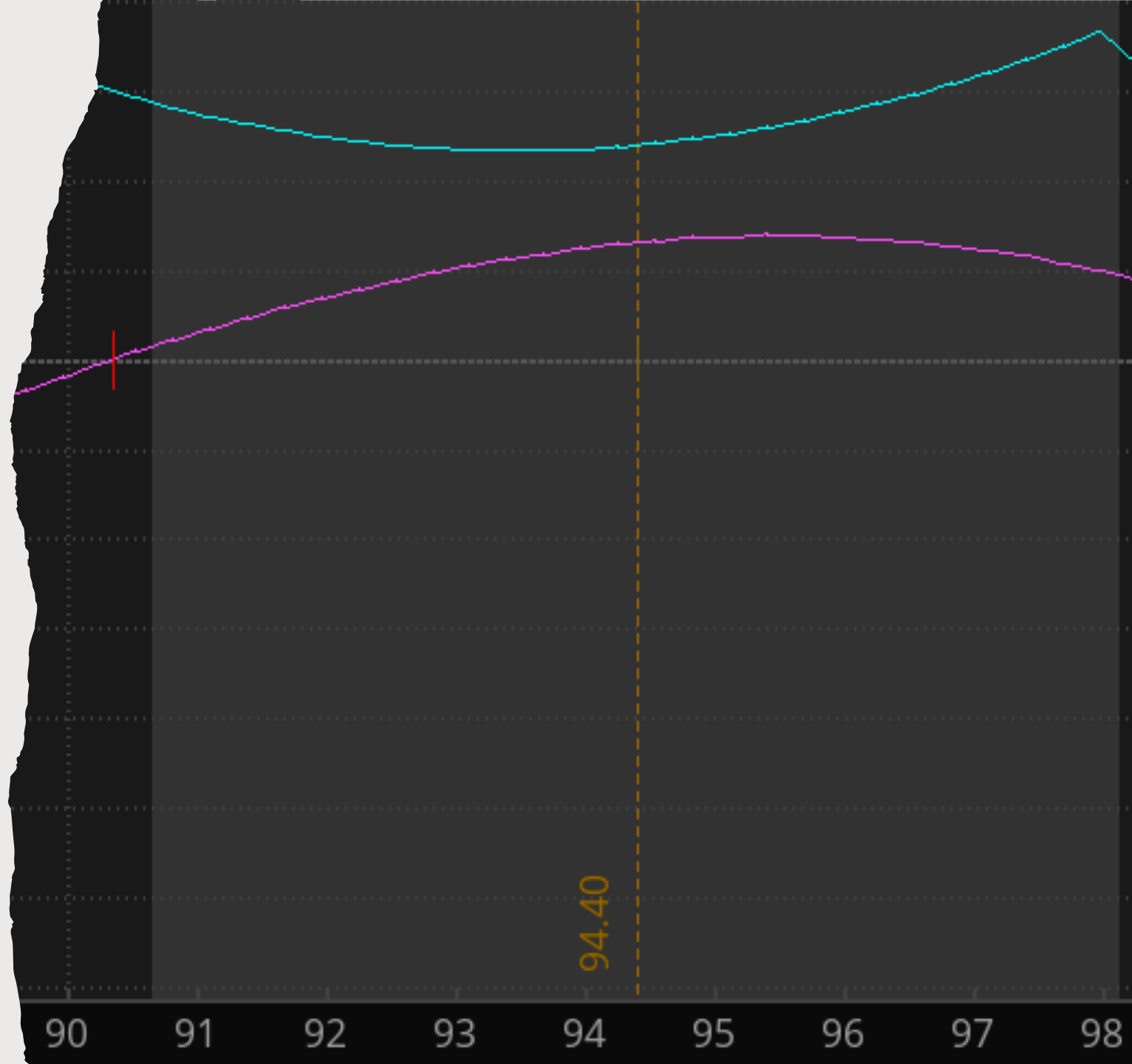
How Did the 5K Challenge Get Started?

- It all started because we've been using a unique application of a simple yet active options strategy to generate \$200 to \$300 per week using a small amount of capital...



“The Big Idea”

- “I would like to take this strategy and max it out to generate \$10K per week in cash income”
 - - Chris Davis



Chris Davis



- Active Trader
- Lives on the Eastern Shore of Maryland
- Healthcare Worker
- University of Virginia grad
- Trading options for 25 years
- Learned options trading strategies from a “Math Master” at UVA



Small Account Trader

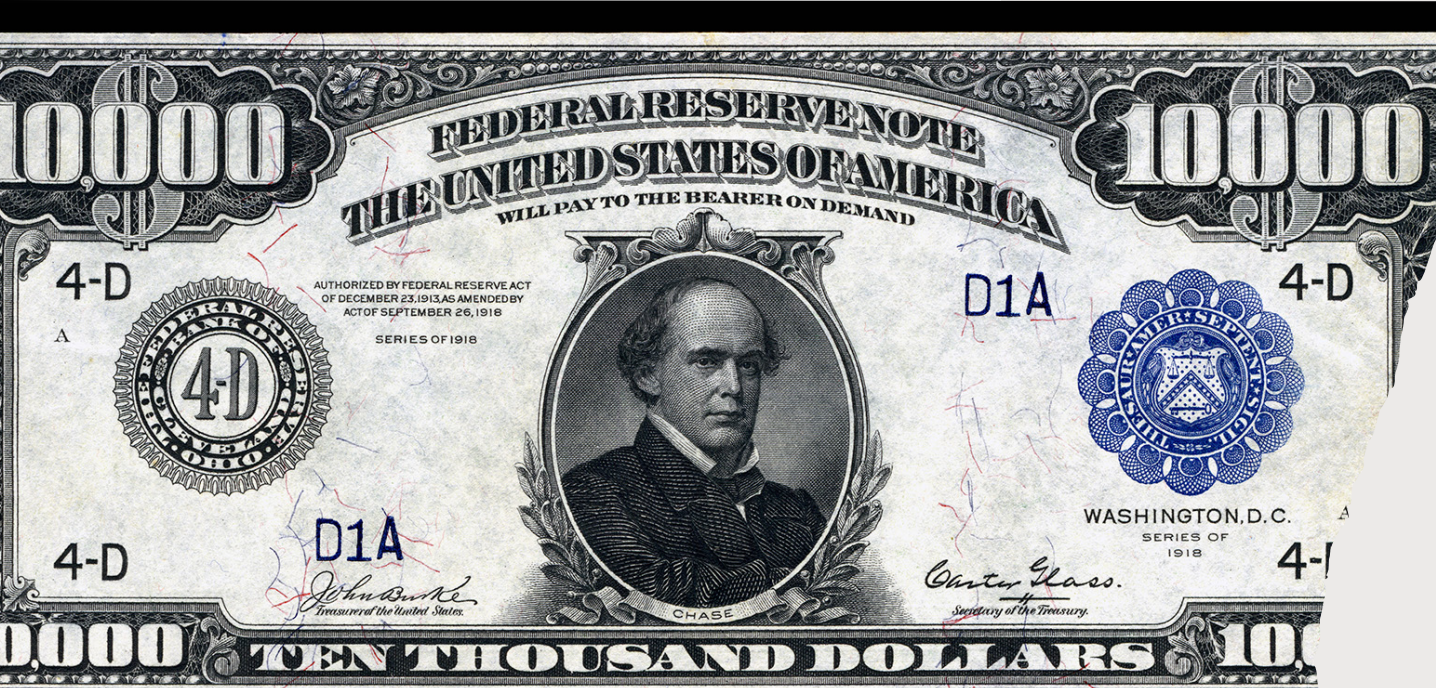
- Became a customer of Income Masters and Traders Reserve
- Out-performed our returns for a number of years
- Met with Chris and started testing his concepts
- Invited Chris to speak at our 2020 IBL in Boca Raton
- Together we began looking for ways to leverage capital selling options
- “Small Account Trader”



cash

Where Did the Idea Come From?

- In 2015 started using multiple tickers in my main trading account
- A strategy that managed both long and short positions
- Tested this strategy for several years to get it right
- “The Option Trade That Keeps On Giving”



“The Big Idea”

- Set aside a part of our portfolio to aggressively trade the 5K Challenge
- To “scale it up” to 10 to 20 contracts each with 5 to 10 tickers
- See if we could generate \$5,000 of income per week from those positions

Never Gave Up the Big Idea

- Shared the idea with John and Dave at Traders Reserve who put up the “Challenge” to see if we could to it
- Mostly based on the tactics we’ve been teaching and trading in *Small Account Trader*



The 5K Challenge

- Reduced the goal to \$5,000 a week to control risks and see if it was achievable with a separate \$100,000 account

「CHALLENGE
ACCEPTED」



The 5K Challenge

Goal

- Dedicate a “subset portfolio” of \$100,000 to an “Aggressive Trading Strategy”
- Generate \$5,000 per week of net income
- Manage active option selling strategies to achieve goal
- Control Risk
- Limit Drawdowns
- Rapid Compounding
- Trade 3 to 5 times per week



5K

Why Did We Believe We Could Achieve These Results?

- Results from the *Small Account Trader Workshop* and *Small Account Trader PRO* Service
- Real time trades made from live trading sessions
- Averages ... some weeks higher or lower
- A few of the underlying tickers that work for this approach

Ticker	Avg. Cash/Week (1) Contract	Avg. Cash/Week (5) Contracts
SPY	200.00	1000.00
QQQ	198.00	990.00
IWM	229.00	1,145.00
SMH	214.00	1070.00
XBI	113.00	565.00
		4,770.00

5K Challenge IBL Preview Session Last November

- November 15, 2022
 - Laid out the 5K Challenge
 - The Goals
 - The Basic Plan
 - Time frame
-
- IBL Attendees Wanted In!



5K Challenge started as a “Beta Test” ...

- We knew there could be wide swings week-to-week
- Putting \$60,000 to \$80,000 of capital at risk each week
- Quick action for trade adjustments (little time for email alerts)
- Work out the bugs and kinks and firm up the rules



Setting Up the Test

- Opened a Dedicated Trading Account
- TD Ameritrade (ThinkorSwim)
- \$100,000 of cash
- Tax Deferred IRA

My Account: Positions



Combined accounts				tr5kplan	+ Link/Add Acct
tr5kplan value	Total cash	Avail for withdrawal	Total positions val	Avail funds for trading	Nonmarginable funds
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00		\$0.00		

Asset type [All positions](#)

\$100,000.00

[Balances](#) [Order status](#) [Transaction history](#)

Total Cash			
Description	Mkt value*	Day gain (\$)*	Accrued interest (\$)¹
Cash	0.00	0.00	--
*Most data is streaming, but values marked with * update every 5 minutes. 5:09:07 pm ET 11/14/21 Update now Current value: \$0.00 \$0.00 (0.00%)			

5K Challenge C...														
Symbol	Description		Quote Trend				Last	Net Ch...	Yield	Volume	IV_Perce...	HV_Perce...	ImpVol...	
TLT	24	ISHARES TRUST 20 YR TR BD ETF					146.01	-1.32	1.55%	2,433,195	55.99	69.0	0.19	
XLY		SELECT SECTOR SPDR TRUST SBI ...					203.35	-.44	0.54%	1,852,113	45.76	48.0	0.23	
GLD	24	SPDR GOLD TRUST GOLD SHS ETF					173.9401	-.5099	N/A	1,836,993	36.22	19.0	0.17	
EEM		ISHARES TRUST MSCI EMG MKT E...					51.92	-.08	0.93%	3,775,138	33.37	15.0	0.23	
SMH		VANECK ETF TRUST SEMICONDU...					300.634	-.466	0.50%	1,023,757	30.42	21.0	0.29	
BRK/B		BERKSHIRE HATHAWAY INC COM...					285.615	-.375	N/A	658,652	24.65	6.0	0.2	
XBI		SPDR SERIES TRUST S&P BIOTEC...					124.42	-2.12	0.13%	1,472,227	24.33	23.0	0.3	
IBB		ISHARES TRUST ISHARES BIOTEC...					153.52	-.48	0.32%	286,261	22.69	35.0	0.24	
XLV		SELECT SECTOR SPDR TRUST SBI ...					133.77	-.04	1.40%	2,096,048	19.41	16.0	0.16	
DIA	24	SPDR DOW JONES IND UT SER 1 ...					362.38	+1.10	0.39%	819,048	18.52	2.0	0.16	
XOP		SPDR S&P OILGAS EXP ETF					106.36	-1.06	1.30%	1,514,000	15.24	17.0	0.46	
QQQ	24	INVESTCO QQQ TRUST UNIT SER 1...					394.08	-.62	0.42%	11,598,931	12.0	9.0	0.17	
SPY	24	SPDR S&P500 ETF TRUST TR UNI...					467.72	+.45	1.22%	9,622,974	8.89	0.0	0.17	
OIH		VANECK ETF TRUST VANECK OIL ...					203.72	-2.66	0.93%	177,461	6.92	9.0	0.42	
IWM		ISHARES TRUST MSCI RUS MKT E...					124.42	-2.12	0.13%	1,472,227	24.33	23.0	0.3	

5K Challenge

Assumptions:

\$100k Account

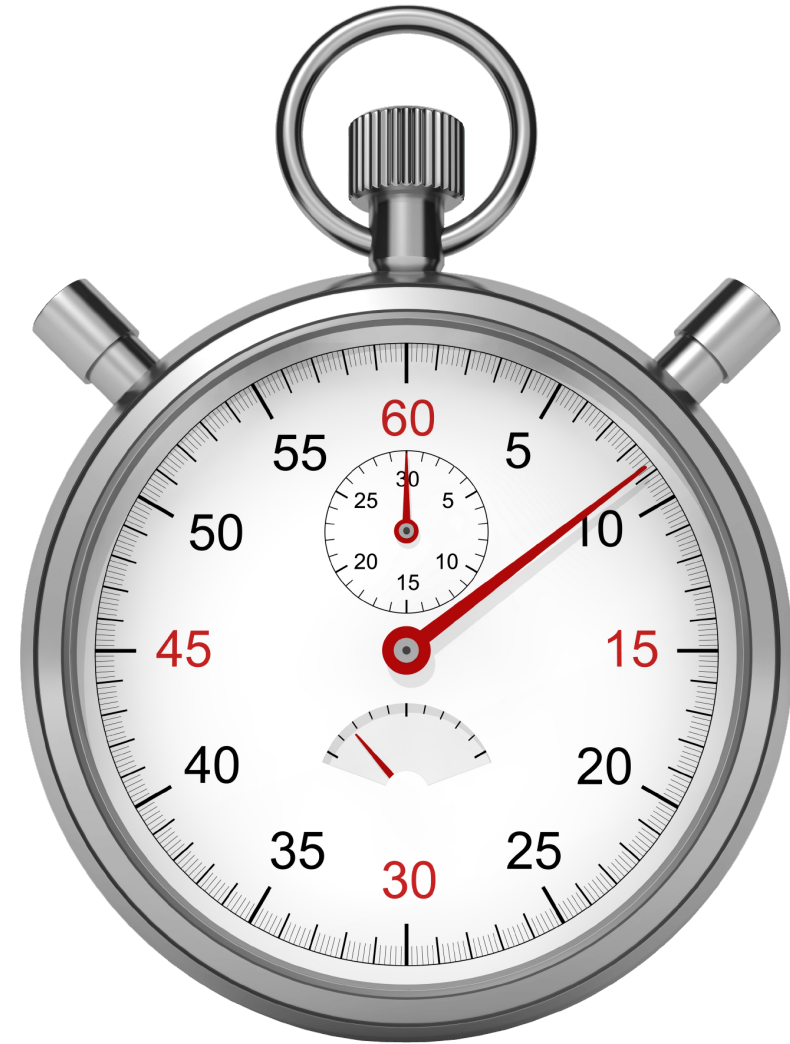
- Active Capital of \$80,000
- Number of positions: 5 to 7
- Capital per position: \$8,000 to \$20,000
- Average capital per 1 contract per position: \$3,000
- Contracts per position: 2 to 20
- Include Trading Fees in the results

“5K / Week” Basics

- Liquid Tickers: **SPY, QQQ, DIA, IWM, SMH, XBI, XOP, etc.**
- Directional bias: Neutral, bullish or bearish
- Calls or Puts or a combination of Calls or Puts
- Spread trades with long option 30 to 120 days out and short option 5 to 10 days out
- Enter calendar/diagonal trades as a net debit and exit with a credit
- Close and open trades as needed
- Manage the short position week-to-week

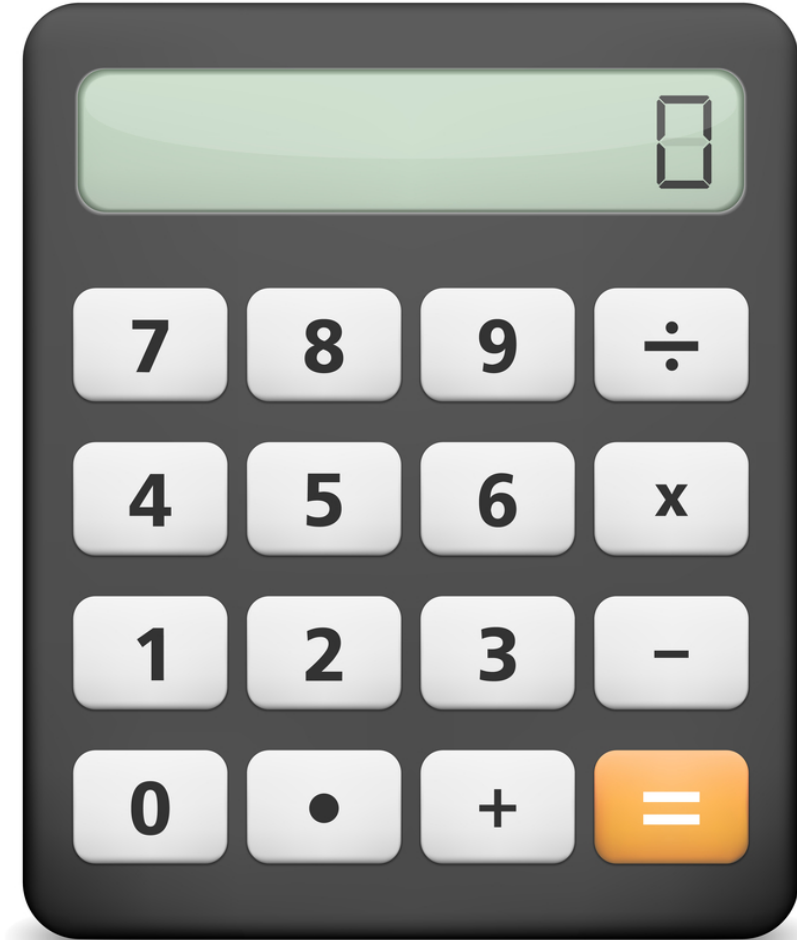
Beta Test Time Frame

- Trading Strategy Started Today (11/18/21)
- Trade Set-ups, Trades and filled-out first 5 positions by (11/28)
- 14 weeks of trading
- Update results at the **Investor's Blueprint Live** Training and Trading Event

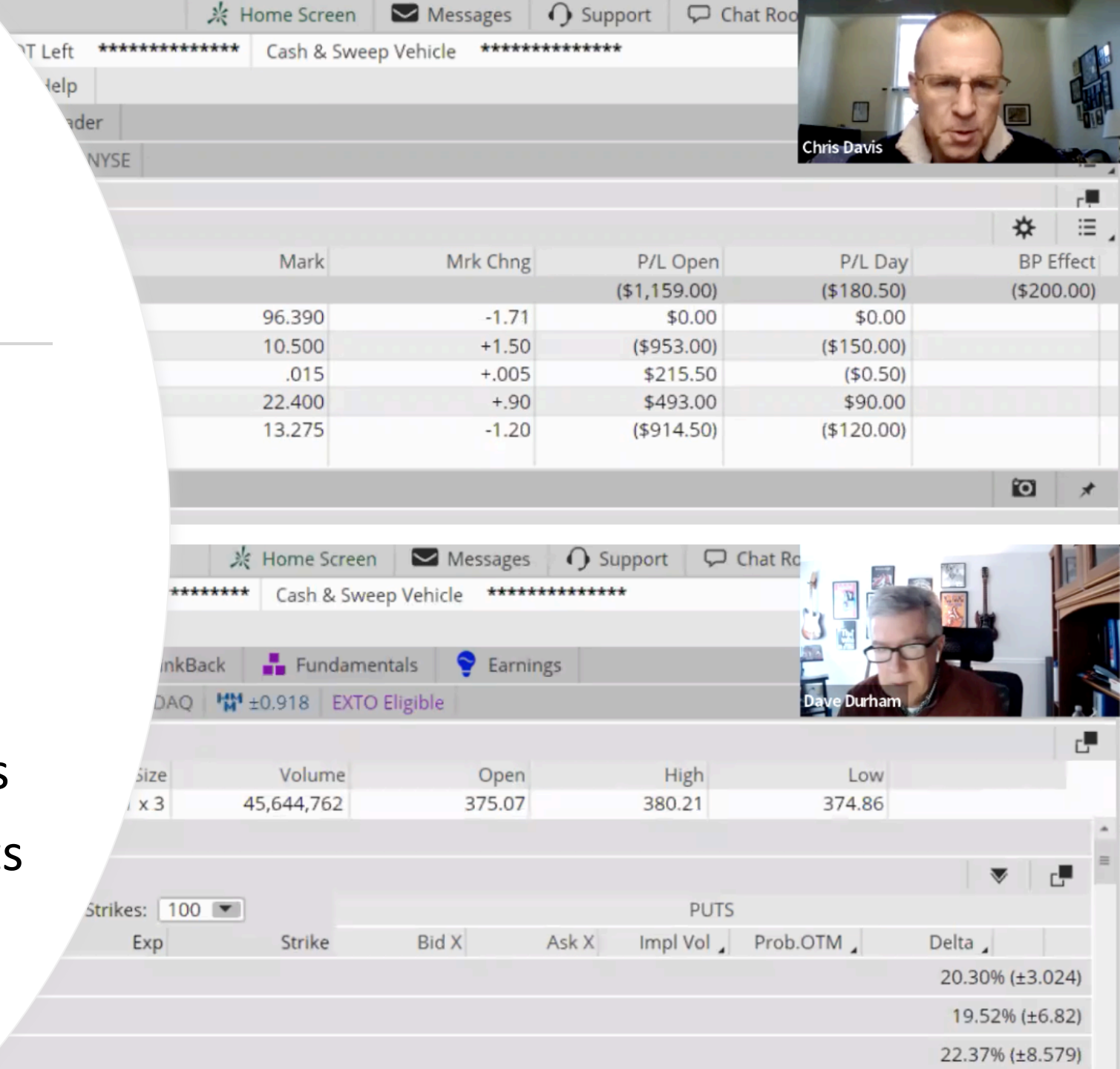


Key Numbers

- Ticker prices ranged from \$90 to \$4,500
- Contracts from 2 to 20
- Maximum capital invested at anyone time: \$93,230 (3 days)
- Average capital invested during the entire time: \$78,768



- Chris and Dave getting together virtually to trade 2X to 6X per week
- Neutral to bullish/bearish assumptions
- Reviewing “risk profile” charts
- Analyzing entry and exit points



Trade Management

This was NOT a “static” option strategy



```
graph TD; A[This was NOT a “static” option strategy] --> B[Managed trade positions several times a week]; B --> C[Trades were managed more actively to achieve returns]; C --> D[Trade positions were defended with advanced options trading strategies to reach our goal]; D --> E[Stretched to exceed goal each week to protect against market moves against our positions];
```

Managed trade positions several times a week

Trades were managed more actively to achieve returns

Trade positions were defended with advanced options trading strategies to reach our goal

Stretched to exceed goal each week to protect against market moves against our positions

Our Trade Adjustments

- Typically, we bought another calendar or diagonal at a different strike price
- Forced at several times to close one side at a loss
- If we had early profits ... we took them
- Most trades were started on Thursday and Friday and reset every Thursday or Friday
- Adjustments and rolls were on Tuesday or Wednesday



Stock Market Trading Environment During Beta Test



Beta Test Closed Trade Profit Results

- **Weekly Profit Avg: \$4,495.00**
- Primarily calendar/diagonal spread trades
- Forced to open/close trades (Re-Set) almost weekly
- Had to drop QQQ as tech stocks sold-off in January 2022

Ticker	Profit / Loss	
SPY	29,089.00	
SPX	10,554.00	
DIA	9,981.00	
XOP	7,670.00	
SMH	3,226.00	
XBI	2,887.00	
IWM	641.00	
RUT	-1,754.00	
QQQ	-3,422.00	
	64,385.00	



5K Challenge Test Launch: Alpha Group

Started with the same \$100K in our Test Account

Balances >

Account value

\$100,000.00 ↓ **\$47,603.30 (32.25%)**

+ Add funds

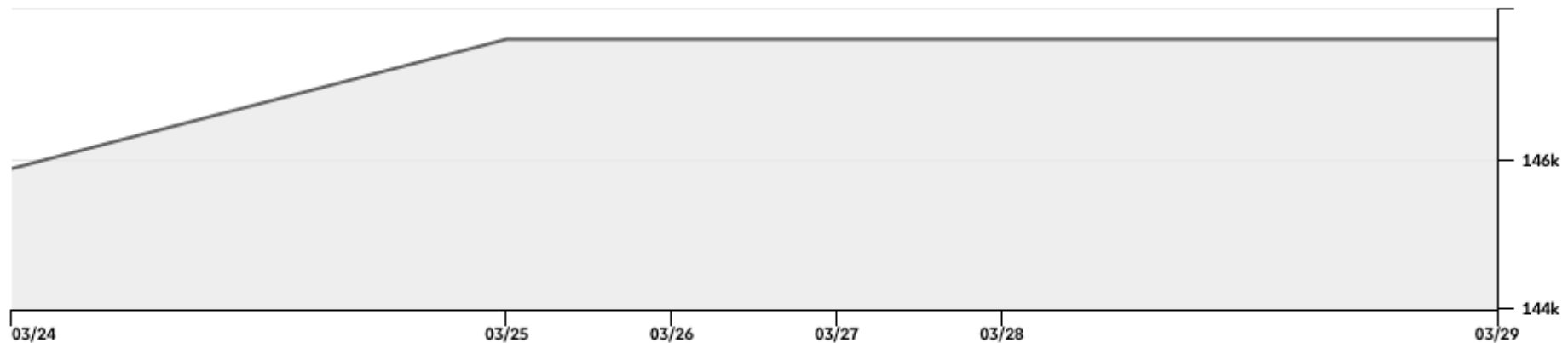
Account: TR5KPlan # -----5340 [Show](#) ⚙️

☐ Positions cards

☑ Balance history

[Export history](#)

[1wk](#) [1mo](#) [3mo](#) [6mo](#) [YTD](#) [1yr](#) [Since 11/15/2021](#) [3/29/2022 to 3/29/2022](#)



● Account value

9:54 5G

<< back

Alert: Close XBI Trade

Ticker: XBI

Entry Date: 09/15/22 2:05 PM

Underlying: SPDR S&P Biotech ETF

Position: Close Double Calendar Spread

Approximate Net Credit to Close Trade: \$16,750

Qty	Expiry	Strike	Type	Price
-25	21 Oct(22)	84	Call	3.40
+25	16 Sep(22)	84	Call	

Qty	Expiry	Strike	Type	Price	D
-25	21 Oct(22)	89	Call	3.30	C
+25	16 Sep(22)	89	Call		

Launched Alpha Test April 2022

- **Accepted 25** members to measure and control liquidity issues (Alpha Group)
- Re-Set 5K Challenge Portfolio to \$100,000 of capital
- (Master Portfolio account – IRA)
- Trade alerts sent only via dedicated 5K Challenge App (no email)
- Live Review Sessions

Stock Market During Alpha Roll-Out

- Down Trending Market
- Continued sell-off in tech and internet stocks
- Volatile market
- “Sell the News”
- Extreme down-draft days
- Panic selling Jun 9 – 17



Ticker	Profit/Loss	
XBI	15,565.78	
SMH	11,336.75	
SPY	2,426.05	
DIA	208.03	
IWM	-332.10	
QQQ	-1,253.69	
SPX	-2,295.87	
XLK	-2,743.27	
RUT	-5,037.32	
XOP	-7,392.05	
OIH	-18,482.05	
Totals	-7,999.74	

2nd Qtr. (2022) Closed Trade Results (Alpha)

- Up **43%** through first 8 weeks
- **\$5,430** per week average of cash profits thru 5 weeks
- Trading slowed in early June
- Intra-day market reversals hit positions in mid-June
- Trade Re-sets were not enough
- 2 weeks (6/18 and 6/25) took big losses in 2 energy positions

New Charlie Group Members (July 2022)



Accepted Another 21 New Members July 2022

- Accepting “experience” option spread traders
- Manage and measure trading volume impact
- Continue refining and improving tactics
- Trading in a difficult market environment
- Labeled them the “**CHARLIE**” Group



Last 3 Months of Trading



- Bear Market Rally
- Followed by extreme selling
- Continued news driven price action
- Change in tactics to meet market conditions

3rd Qtr. 2022 Closed Trade Results (Charlie)

Ticker	P/L	
XBI	5,818.96	
SPY	2,765.89	
SPX	1,486.00	
XOP	965.22	
OIH	498.47	
CVX	247.66	
XLK	59.07	
RUT	-5.80	
QQQ	-1,633.19	
XRT	-3,213.40	
TQQQ	-3,292.37	
SMH	-10,185.41	
Totals	-6,488.90	

- Struggled to match 5K Challenge goals with “whipsaw” market
- Began to change trading tactics to meet bearish market conditions
- Shift to smaller wins and profits
- Directional bias and shorter DTE’s
- Testing new underlying tickers for inclusion

Market During the 5K Challenge Year



Change in Trading Environment in the Last Year

- Technical trading to news driven trading
- 11 years of cheap money ...
- Many stocks overvalued
- Traditional Trading #s out of “Wack”: VIX, Treasury Yields,
- Stocks down, bonds down



Our Key Goals for Managing 5K: The Greeks

Maximum Weekly **Theta** Decay
... \$1,500 to \$4,000 per day

Delta neutral to slightly biased
if we have a bias

Gamma usually negative

Vega positive

A
Alpha
(Al-fah)

B
Beta
(Bay-tah)

Γ
Gamma
(Gam-ah)

Δ
Delta
(Del-tah)

E
Epsilon
(Ep-si-lon)

Z
Zeta
(Zay-tah)

H
Eta
(Ay-tah)

Θ
Theta
(Thay-tah)

I
Iota
(Eye-o-tah)

K
Kappa
(Cap-ah)

Λ
Lambda
(Lamb-da)

M
Mu
(Mew)

N
Nu
(New)

Ξ
Xi
(Zeye)

O
Omicron
(Om-i-cron)

Π
Pi
(Pie)

P
Rho
(Row)

Σ
Sigma
(Sig-mah)

T
Tau
(Taw)

Υ
Upsilon
(Oop-si-lon)

Φ
Phi
(Fie or Fee)

X
Chi
(Keye)

Ψ
Psi
(Sigh)

Ω
Omega
(O-may-gah)

Challenges to Managing Theta Decay ("The Option Crush")

Beta Test and Alpha ... would carry
\$2,000 to \$4,000 theta decay into
Thursday/Friday

Boosted profits waiting those extra
days

Changed in June as intra-week
reversals hit hard

- **S&P 500 Performance this year by day of the week:**
- Monday -8.77%
- Tuesday -3.81%
- Wednesday +8.00%
- Thursday -10.26%
- Friday -9.46%

5K Challenge Factors During the First Year

Positives:

- Traded out of tech sell-off in 1st Qtr.
- Rapid Trade Re-Sets on Calendars/Diagonals generated outsized profits
- Benefited from rising energy prices
- Neutral bias generally paid off
- Large cap strength

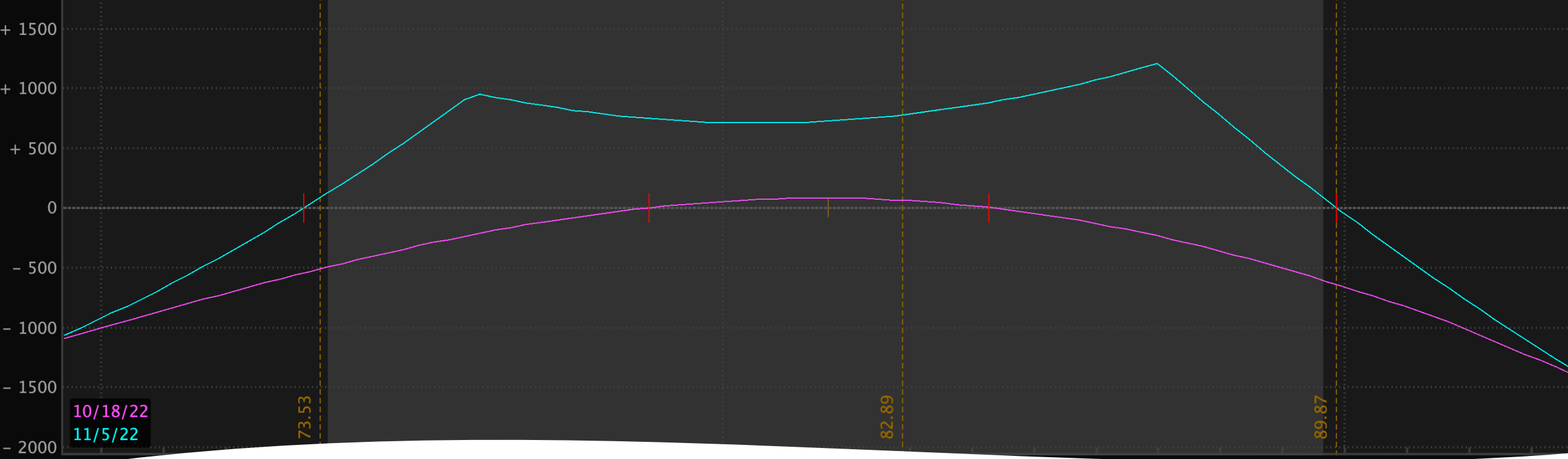
Challenges:

- News driven market price action (whipsaw trading)
- Intra-day price reversals
- Harder to rely on predictable indicators
- Whipsaws in the market direction day-to-day
- Support and resistance levels violated

Last 3 Weeks of 5K Challenge Trading

- Producing more consistent profits
- Taking profits earlier
- Smaller wins
- Avoiding managing or closing trades on Friday's
- Broken wing butterflies and semi-directional tactics

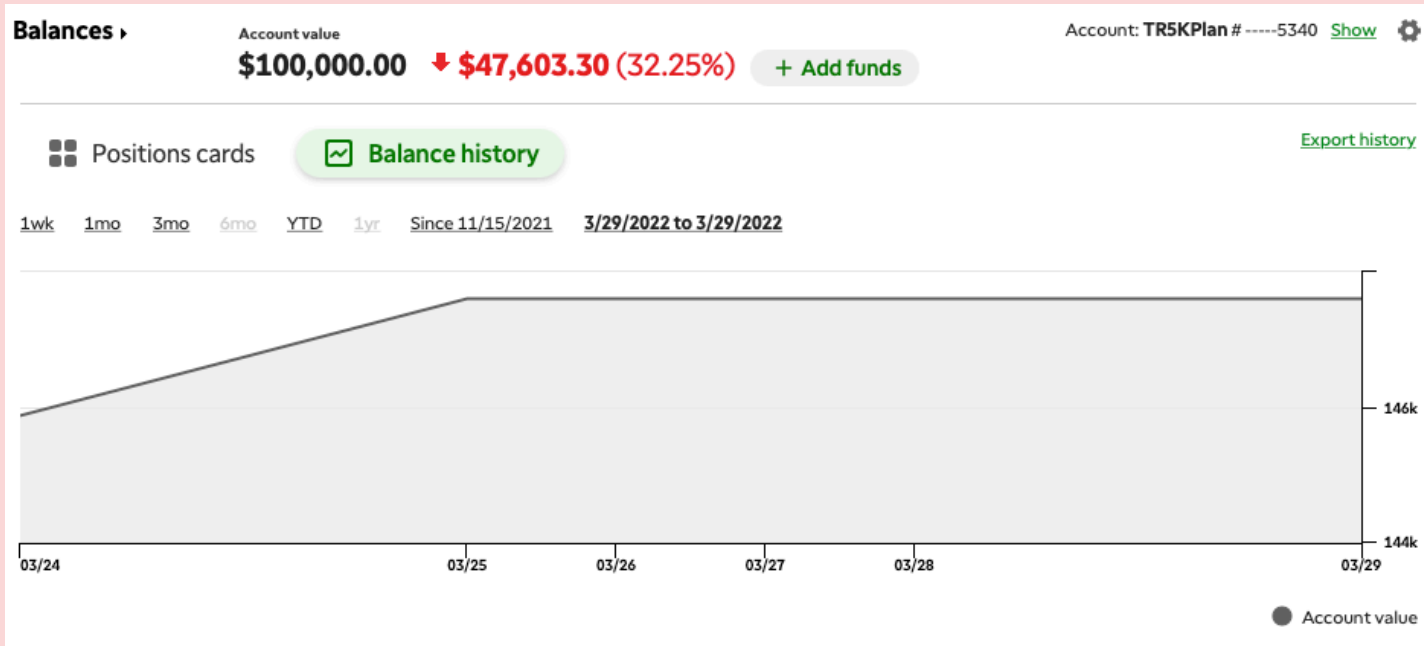




5K Challenge Program Today

- Expanding tactics besides core (calendar/diagonal trades)
- Short duration BWBs
- And longer duration trades to get wider
- Semi-directional bias
- Wild swings as sell points
- Live Testing a tactic that can handle swings in volatility
- Targeting 5% to 10% per week

5K Challenge Master Portfolio Results



- First 11 Months:
- Master Portfolio Gains in 10 months: \$10,341.20
- Master Portfolio Gains in 2022: \$3,740.63

5K Challenge Trading

- On a \$100,000 account, keep 20k in cash for adjustments
- Low commissions, there is a lot of trading involved and commissions are a factor
- SPX and RUT are higher risk, closer watching, tighter adjustments but lower commissions
- Need level 4-6 options trading permission (spreads, margin, indexes, cash secured put selling, ratios)
- Can be done in an IRA if the account is approved for that level of trading



125,058	154,568	95,054	124,500
125,487	56,845	97,511	125,000
124,000	110,000	99,011	154,000
105,450	150,000	99,216	95,000
86,502	35,000	101,090	154,200
	83,000	101,684	110,000
	45,000	101,962	89,000
		102,747	50,000
			68,000
			123,000

5K Challenge: Next Steps

Open 5K Challenge
Program to a
limited number of
new members in
November 2022

