Trading Checklist

BUY AND ~~**HOLD**~~
HEDGE

1. Review global or sector bias
   - ✓ You'll probably have a general bias about which direction the broader asset classes and indexes are going go to.
   - ✓ Remember that and trade with the direction.
   - ✓ Trading against your general bias can be like swimming upstream.

2. Choose the Investment (stock, index, ETF's, bond, etc.)
   - ✓ Exercise your investing guru and pick your investment.
   - ✓ Review time horizon. Know how long you intend to hold the investment

3. Review diversification exposure
   - ✓ Are you increasing or decreasing your diversification with this trade?
   - ✓ Are you already exposed to this idea with another investment?
   - ✓ What percentage of your portfolio you want this investment to represent

4. Choose trade and hedging tactic
   - ✓ Decide what tactic you will use: Collar, Married Put, Spread, ITM Call, etc.
   - ✓ Construct the hedge by deciding your lower and upper strikes
   - ✓ If adding a single stock or portfolio hedge, decide the amount you want it to protect and how you want to do it.

5. Calculate your Capital at Risk tolerance
   - ✓ Define how much capital you are willing to put at risk.
   - ✓ DO NOT GO TO STEP 6 WITHOUT KNOWING THIS EVERYTIME YOU INVEST

6. Set Investment Size
   - ✓ Now that you know your CaR and your hedge strikes, use this to determine the size of the trade
   - ✓ For Example: If your CaR is $1,000 and your lower strike is 5 points away from the current market, then you know this represents 200 shares.

7. Check remaining risk
   - ✓ Ensure the impact of this investment keeps Implied Leverage of your portfolio around 1.0
   - ✓ Understand the volatility of the underlying and ensure it will keep the overall portfolio within your tolerance.

8. Harvest as necessary – Ongoing management
   - ✓ Review the investment from time to time for possible action.
   - ✓ The position may have appreciated to gain most of the gains so consider resetting your hedge to lock in profits
   - ✓ You may want to take action for tax purposes.
   - ✓ The position may be performing poorly and you may want to review your hypothesis