WARRIOR TRADING

ACTIVE INVESTOR TRADING COURSE

7 Chapters of Learning

House Keeping Items

Step 1. Watch EVERY Chapter of the Warrior Starter & Pro. They are the PREREQUISITES to this class.

Step 2. Login to the Day Trading Chat Room as often as possible to watch me trading.

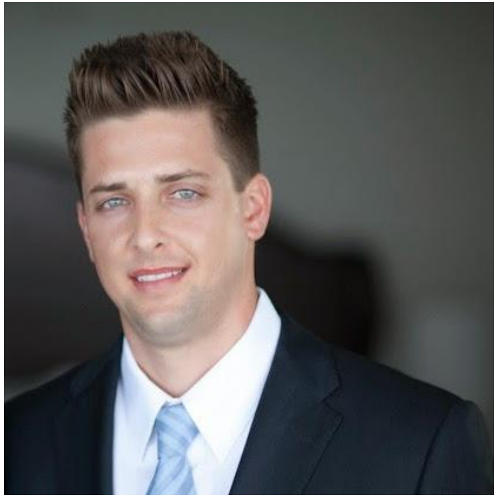
Step 3. Begin using a trading simulator as soon as you feel comfortable to start testing the waters.

Step 4.DO NOT TRADE WITH REAL MONEY until you've completed the Pre-Trading Checklist at the END of the Warrior Pro Course.

Step 5. Do NOT Mirror trade with real money (blindly following)

Students who skip classes, don't follow the rules of the strategy, trade the wrong stocks, and trade with real money before their ready are students likely to fail. Don't be like that!

Active Investor Trading Course



NYSE FUTURES Nasdaq FOREX

WARRIOR TRADING

CHAPTER 1: INTRODUCTION TO THE ACTIVE INVESTOR

Introduction To **Active Investor** Trading

Today You Will Learn

- An Introduction To Investing & Portfolio Approach
- An Overview of The Active Investor Approach
- Key Elements To The Active Investor Approach

Active & Passive Investing

- Active Investing: An investment approach with the goal of consistently outperforming the leading indices such as the SP500 or NASDAQ
  - Pros: Higher returns, ability to move in and out of markets quickly
  - Cons: Higher costs, lagging the benchmark indices, increased risk

Active & Passive Investing

- Passive Investing: An investment approach with the goal of matching, not beating the leading indices
  - Pros: Consistent returns, lower costs, generally less risk
  - Cons: Limited upside potential, exposed to market downside

Value & Growth Investing

- Value Investing: Value companies are those which trade at a relatively inexpensive and don't necessarily reflect their fundamental worth, think "diamond in the rough." Value stocks tend to slowly appreciate over time as the market properly recognizes their value. During this time period, and because of the limited upside potential, value companies will pay dividends thus making them generally lower risk, safer investments

Value & Growth Investing

- Growth Investing: Growth companies are those which are positioned to grow much faster and offer much more upside potential over a shorter time frame. Growth companies will typically reinvest earnings in themselves to further expand and help sustain the rapid rate of growth, thus you won't see growth companies paying dividends. Growth stocks tend to experience more magnitude in price swings which are better suited for the more risk tolerant investor

What Is Investing?

- A traditional investing approach involves the allocation of capital into asset classes such as real estate, businesses, or stocks with the goal of generating a positive return, or profit
- Active Portfolio Investing: An investing approach accompanied by an active trading mentality with a time frame that is very short term with the expectation of creating consistent cash flow on a weekly or even daily basis
- Short Term Investing: An investing approach with a time frame that is relatively short in length with a goal of expecting results anywhere from 3-12 months
- Long Term Investing: An investing approach that is generally the longest time frame, often taking into consideration retirement goals and employing a buy and hold mentality

Investing & Risk

- As with any investment, risk is always a top consideration and low risk will generally equate to low returns while increased risk will generally equate to higher returns
- Low Risk Investments: Certificates of Deposit, Bonds, Mutual Funds, & Fixed Income Instruments
- Moderate Risk Investments: Stocks & Equities
- High Risk Investments: Commodities & Derivatives

The Portfolio Approach

- A traditional Portfolio Approach to investing is one that is comprised of a collection of investments that may include, but not limited to, stocks, bonds, cash, physical gold and real estate with the "big picture" being the primary focus
- Diversification is an important factor as it will help smooth out the overall performance which is achieved by owning stocks and other investment vehicles with differing styles, such as value and growth or small and large cap, and or options

The Active Investor Approach

- The Active Investor Approach utilizes the Portfolio Approach theory with a short term, “Active” trading, and consistent cash flow objective
- Under the Active Portfolio Approach, a portfolio of stocks is assembled that are best positioned to move along with the direction of the market
- Think “Day Trade” mentality applied to a short term swing trade approach

Active Investor Approach: Key Elements

- Understanding and maintaining realistic **Objectives**
- Developing a set of parameters to establish **Risk Tolerance**
- Formulate a simple and efficient **Process**

Objectives

- The first step in formulating your approach is to determine what you are seeking from your investments and over what timeline
  - Are you looking for a steady stream of income in the form of dividends and capital appreciation is a bonus?
  - Are you looking for the maximum increase in stock value?

- If you are an Active Investor you are taking a more aggressive approach and are in search of stocks that will return the maximum possible increase in value in the shortest time frame. These are the stocks you will want to focus on for the Active Investor Approach

Risk Tolerance

- As with any investment approach, Risk management is the cornerstone to success
  Understand what type of risk you are comfortable with and work within those parameters
- Stocks can fluctuate wildly from day to day, and even minute to minute. If you can’t tolerate this type of volatility in your portfolio, you may need to adjust or tone down the risk
- All stocks are always susceptible to broader market swings, but a portfolio approach of several larger, more established stocks will typically be less volatile than having smaller, or lesser known stocks. Diversify!
- Factor in your ability to handle different magnitudes of price fluctuation when selecting individual stocks and ultimately your entire portfolio

Process

- Establish a specific process that is simple, effective, and easily adjusted to current market conditions
- A critical element to consistent success is simplicity. There are many moving parts to swing trading largely in part to managing several positions at once which is then magnified during the most active parts of the day, such as the open and close of the market
- Know your setup, your time frame, your entry and exit rules, and most importantly your position sizing approach to align with your risk profile

The Active Investor Approach Explained

- Whom does this approach best suit?
- How is it different than a traditional “swing trading” approach?
- Is this approach difficult if coming from day trading? Swing trading?
- Why should you consider an Active Investor approach?
- Which approach should you attempt first? Day trading or an Active Investor approach?

Whom Does This Approach Best Suit?

- The Active Investor approach will both appeal to and best suit any investor and or trader seeking to broaden their understanding of the markets while learning how to more efficiently deploy capital for consistent returns

- The Active Investor approach can also help in the following ways
  - Generate more cash flow
  - Lower risk alternative to day trading for building an account
  - Turnover of capital

How Does It Differ From Traditional Swing Trading?

- The Active Investor approach is a very actively managed portfolio of stocks on a daily basis while a traditional swing trading approach generally involves fewer positions and longer hold times
- The Active Investor approach is a hybrid of momentum day trading and traditional swing trading in that you are actively managing multiple positions often longer than 1 or 2 days of hold time

What Is The Difficulty Level?

- Each and every trading strategy has its own unique learning curve in addition to the one constant across all strategies, emotional control, which is especially important when managing a portfolio of several stocks
- The Active Investor approach requires an elevated sense of awareness and focus due to the amount of data one must process in the moment relative to day trading a single stock
- The actual difficulty level is no more or less than that of day trading as they require the same basic skill sets, however, a shorter learning curve can generally be expected relative to day trading

Why Should You Consider An Active Approach?

- The top reason to consider an Active Approach is capital turnover
- Capital Turnover is simply the use of working capital to produce revenues. So, the more efficient use of capital, the more profits generated
    - For example, if you day trade the opening drive momentum for the first 1-2 hours and are normally finished, your capital then sits idle where it could otherwise be used to deploy back out into the market to utilize overnight and ultimately generate more profits
- Other notable reasons include small account building, retirement(IRA) account building, and creating alternative strategies for when the market dynamic shifts

Which Approach Should You Attempt First?

- There is no one strategy that is easier than another and some may find they are better suited to a certain approach. Thus, you will need to spend time evaluating in real time to experience the process of each and then only you can determine which is best for you

- The Active Investor appeals to many because it is slower paced than day trading, generally comes with less risk, can start with any amount in a trading account, and is largely scaleable

CHAPTER 1
PART II
A BROADER PERSPECTIVE

A Broader Perspective

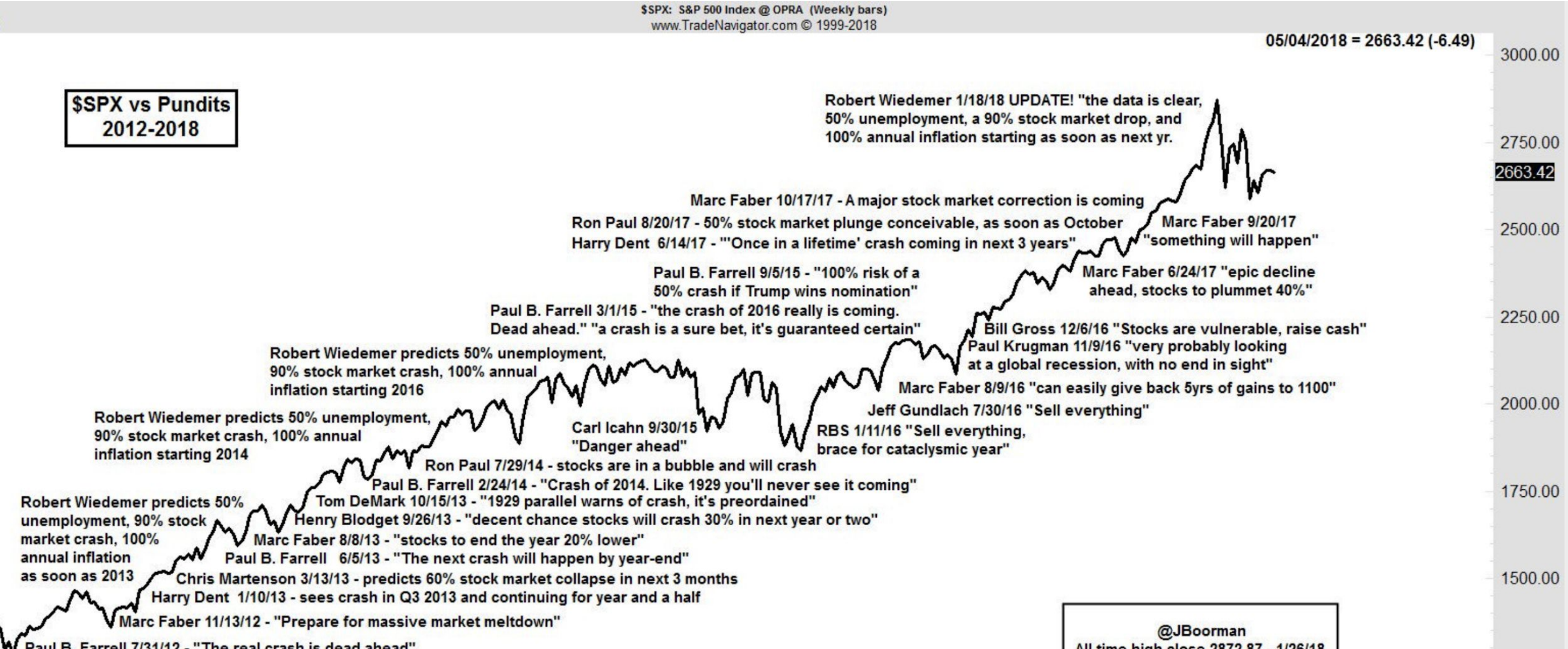
- An active portfolio approach requires a broader perspective of markets and personal trading habits in order to consistently navigate all market conditions

ALWAYS Maintain A Broader Perspective!

A Broader Perspective

- Trends and Patterns Repeat Themselves
- A Proper Mindset With An Understanding of the Broader Perspective
- Always Maintain Focus and Practice Patience
- Consistently Manage and Mitigate Losses

Big Market Calls **DON'T** Make Money



Trends & Patterns **DO** Make Money

Mindset Matters

- Focus on netting money each day
    - Have a plan for taking advantage of the current trend, in either direction
- Your system should tell you when the trend is changing, thus adjusting your approach
    - Take advantage while the market is trending

Stay Focused & Practice Patience

- The vast majority of traders who end up failing have two things in common:
    - A lack of emotional control
    - No defined strategy/rule set

- When these factors come together you will normally see big drawdowns which hurts the psyche and ultimately the results are catastrophic

Losses Start Small, Keep Them That Way

Let's imagine for a moment you are experiencing a difficult month and are in the red $3K

- If you are feeling you have to make that money back today, you often will become reckless and trade sub par setups, have too much size, and try to swing for the fence which almost never ends well and in the event that it does, it creates negative reinforcement which is an even worse outcome
- Don't let yourself be backed into a corner by having too large of a loss
- A general rule of thumb is to keep your losses to a point at which you could comfortably recoup with one or two good trades

The Solution

- Get green!
  - The most important part of coming out of a tough trading day, week, or month is to just get green. Regardless of the amount, whether it be $100 a day or $1000 a day, start chipping away with your established low risk approach

- Focus on booking profits each day to continue building your account and you will be best positioned to survive the short term disturbances