



Volatility Trading Demystified for Retail Investors

And a brief introduction to
VIPER:
Volatility Investor Portfolio Enhancement for Retail



Post6 Strategies

www.post6strategies.com

INTRODUCTION

The VIX has become a fairly common term of late, making its way into the nomenclature of “sophisticated” retail investing. It’s also perhaps the most misunderstood and the products to trade it are the most misused in the retail space. Our goal for this book is to introduce the curious, mystified, uninitiated and/or previously “burned” retail investor to the concepts of volatility investing. If nothing else, the retail investor should be much more educated on the key concepts and the overall methodologies of how the products work. If you’ve ever thought of speculating on broader market volatility, this book is definitely for you. Finally, we introduce our strategy which we call VIPER for Volatility Investor Portfolio Enhancement for Retail. We are actively engaged in this successful strategy and we think it is particularly well suited for retail investors. It trades minimally, and attempts, through years of experience, to avoid dramatic missteps.

DIVE IN – MEET THE VIX

There are two distinct “camps” in the world of volatility trading, those who like to own it and those who like to sell it. The mechanics of doing this can be complex, and the concept can seem ephemeral. But suffice it to say that it can be, and is, traded as an asset class. This may not be obvious to the active retail investor, but it is a bona fide component of the marketplace for sophisticated and professional traders. But first things first, what *is* volatility trading?

The Chicago Board Options Exchange (CBOE) introduced the VIX index in 1993. Touted as the overall market “fear index” it is widely followed and cited these days. In very general terms that is a fine definition. However, in the complex world of financial engineering, there is definitely more to this index than meets the eye. The first step in this guide is to have a better understanding of the VIX. After all, everything covered after this is based on the VIX. Some more than others, as you will learn.

The points below describe the method used to produce a reading (number). It is recalculated on a fixed-time interval – i.e. every x seconds, throughout the trading day. Just like the DJIA, for example. We will refer to this reading throughout as the *VIX spot price*, or simply the VIX spot. The actual math is quite complex, but distills down to some interesting and logical principles:

- The VIX estimates expected volatility by averaging the weighted prices of SPX - S&P 500 Index listed options (call and put contracts), over a wide range of strike prices. These contracts are highly liquid.
- Realizing the high demand, liquidity and overall increasing popularity of listed options contracts, the options industry has introduced more expiration terms into the universe of listed options. Originally equity and index options contracts

were generally listed in a timeframe of months. In recent years, contracts have been introduced that introduce a weekly timeframe. The inclusion of SPX Weeklys allows the VIX Index to be calculated with S&P 500 Index option series that most precisely match the 30-day target timeframe for expected volatility that the VIX Index is intended to represent. Using SPX options with more than 23 days and less than 37 days to expiration ensures that the VIX Index will always reflect an interpolation of two points along the S&P 500 volatility term structure.¹

So there you have it. The VIX is striving to always reflect a *30day Implied Volatility of the S&P 500*. What better way to do that than by scrutinizing the highly liquid options markets that are a direct derivative of the S&P 500? We can't think of one.

THE MARKET CANNOT BE PREDICTED, BUT CAN THE VIX BE PREDICTED?

History has proven the VIX to be *mean reverting*. Here's the one chart to rule them all - VIX mean reversion.²

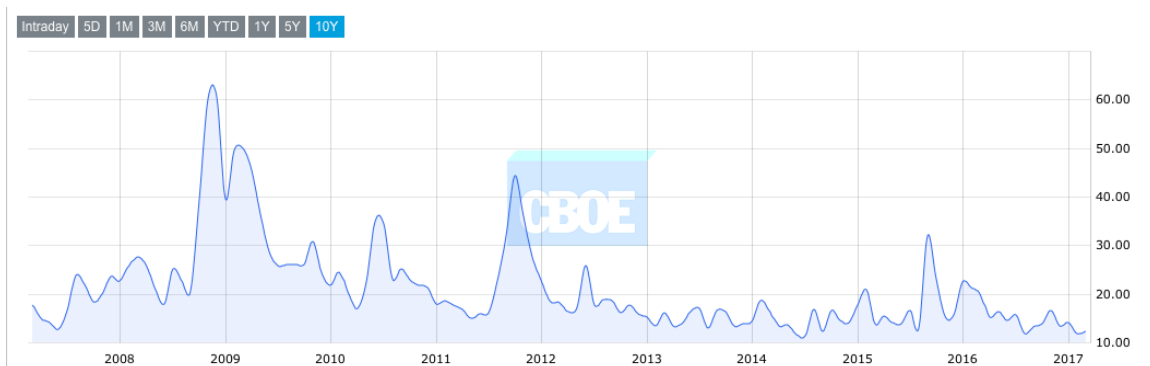


Figure 1 - VIX spot prices since inception

That's not to say that the levels can be predicted. But it does make a long term case that the VIX has a baseline. There are of course tumultuous times, but return to baseline it eventually will. Can we use this to our advantage? We think so. We also think the retail investor can learn a lot about enhancing their portfolio with volatility investing. But before that can be achieved, a solid understanding of the underlying mechanisms is imperative. The goal of this book is to accomplish that, and to offer an opportunity to see how we like to invest in volatility. So let's begin!

¹ <https://www.cboe.com/micro/vix/vixwwhite.pdf>

² <http://www.cboe.com/delayedquote/advanced-charts?ticker=VIX>

MEET THE VIX'S COUSIN, THE VIX FUTURES

There is no way to trade the VIX spot, but the marketplace offers a suitable facsimile in the form of a futures product. Unlike virtually every other futures contract in the marketplace (i.e. derivatives of a commodity, currency or equity), VIX futures have no cost-of-carry (interest and any dividends) component to describe their relative premium or discount to their “cousin”, the VIX spot price. The VIX futures fair value is calculated by pricing the forward 30-day variance which underlies the VIX futures settlement price. This concept is central to our volatility trading strategy, in that the investment vehicle we use tracks the VIX futures. The VIX futures contracts are traded robustly. They are “listed” on the CBOE Futures Exchange (CFE) with a full inventory of “expiration” dates. That is, like all exchange listed futures contracts, any given VIX futures contract one would consider trading has a finite lifespan. Anywhere from today to 150+ days from now.

In the simplest of strategies, a long position in a VIX futures contract would provide a level of volatility risk protection for an equity asset portfolio in that the contract rises in value in times of high volatility and inversely loses value in times of low volatility. Periods of high volatility are highly correlated with broader market downturns and falling equity prices.

Let's stop there and use a simple analogy to aid in understanding the utility of these contracts. It can be easily articulated: is anyone afraid of a stock market explosion to the upside?!? Of course not. Everyone is concerned about a stock market crash. Equity portfolios the world over are concerned about a stock market crash every trading day. Investing 101 (and life in general!) explains that the only way to earn a return on capital above the risk free rate is to incur risk in the process. We are stating the obvious here, but it bears repeating in that it sets the stage for some important concepts.

Risk is inherent in the equity marketplace. The VIX spot price reflects what the broader market is saying about that risk in an easy to digest continuously updating 30day outlook of that risk. The VIX futures exist to facilitate trading that 30day outlook of broad market risk.

Another very popular product is options (call and put contracts) on VIX futures. As of this writing there are 10 expiration classes of VIX options listed and traded. The options on futures are not employed in our strategy so they will not be discussed, but suffice it to say there is a wealth of information out there to embark in this direction if desired.

VIX FUTURES IN RISK MANAGEMENT

Ok, so we're starting to get further away from the actual reading that got this whole thing started, the VIX spot price: the “fear index,” the “worry indicator,” whatever your preferred nomenclature. However, we've also learned the VIX spot cannot be traded in any straightforward manner, therefore VIX futures can be employed.

Why are they a highly liquid product? Because effectively and efficiently managing volatility risk is at the core of equity portfolio management. This is probably stating the obvious but in the long run it separates the winners from the losers.

MEET ONE OF THE VIX'S SECOND COUSINS, THE VXX ETN

VXX (iPath S&P 500 VIX ST Futures ETN) is designed to be a constant 30 day reading of the VIX futures. Huh? That's right. So if the VIX spot is the 30day implied volatility of the marketplace, and the VIX futures are tracking that, then does that mean VXX is effectively trying to look 60 days ahead? No. Remember that the VIX futures *expire*. This expiration phenomenon forces the contract to converge with the spot price as it approaches expiration. Otherwise, an *arbitrage* exists. Market participation constantly corrects this. Therefore, while the "front" (nearest to expiration) contract is on its journey to convergence with the VIX spot, the further out contracts are still actively engaged in the task of guessing future volatility. And the further out into the future, the more this task becomes speculative in nature. So the VXX offers a "level" approach by reflecting a constant 30day outlook. How does it do it? By being simultaneously long two futures contracts in a mathematical amalgam of time to expiration and position size that is best left to the pros. They do the hard work; all the marketplace has to do is trade it.

An insurance analogy is good for describing what we would call a *prescribed* usage of the VXX. Put into terms of equity portfolio risk management, a layer of insurance is required. Popularly known as a hedge (usage here is synonymous with *hedging one's bets*). The amount, amplitude etc. of coverage is generally governed by risk tolerance ratios such as Sharpe. Also, the appetite for risk in the pursuit of higher returns factors into formulating how much insurance coverage to hold. Can purchasing this insurance be considered a component of overhead of managing an equity portfolio with a modicum of exposure to the broader market (S+P 500)? Yes. Even if it is priced, at least *theoretically* at any point in time too high? Yes. This analogy suits to describe the marketplace behavior of the VIX futures much of the time. Also, a more complex aspect of the pricing behavior of the VIX futures lies in the behavior they exhibit as the nearest termed contract approaches its expiration date and it converges with the VIX spot. This is explained by its *term structure*, which will be explained later.

The moral of this story is the VXX is *intrinsically* a losing proposition in times of normal market behavior and operation. By that we are referring to the mean reversion behavior of the VIX spot and what that says about the broader market in general.

To explain, let's recap: remember the insurance analogy. Does the broader market *generally* price a premium into insurance (hedging)? Yes. Is the broader market willing to pay this insurance premium? Yes. So, in generalized terms, is short term market volatility insurance overpriced? Yes. Ok, the answer is yes to all of the above and VXX is constantly long two of these contracts to reflect the constant 30day maturity. To achieve this

constant maturity, it is selling the front future and buying the further out. Effectively locking in a *bad* trade continuously. The action of liquidating the front position and establishing (or adding to) the further out long position is called *rolling*. It is precisely why many a retail investor is confounded by the divergence and lack of correlation between VXX and VIX, and why, as a speculative strategy it is often a losing proposition.

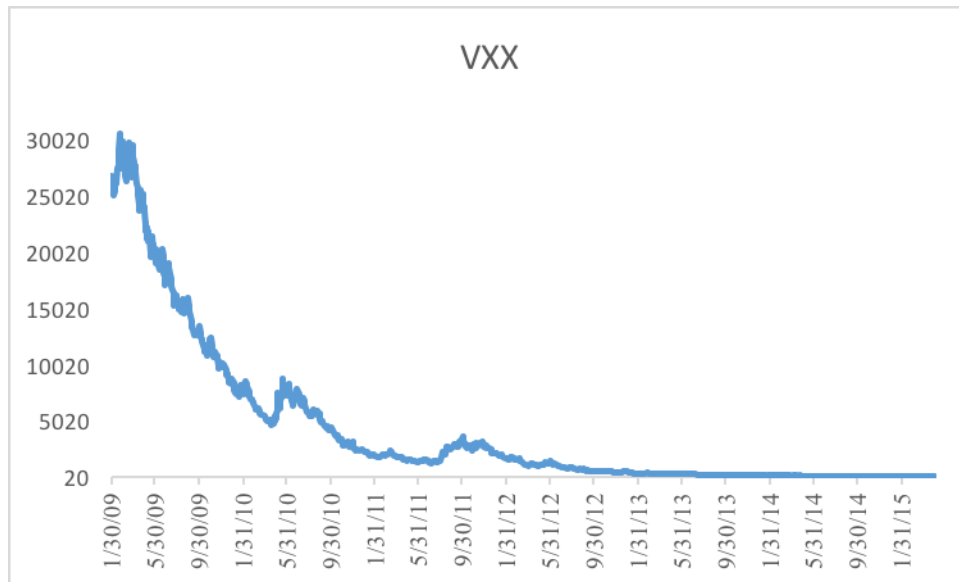


Figure 2 - VXX unadjusted closing levels since inception.

THERE'S AN EXTENDED FAMILY OF VIX ETNS

It is far beyond the purpose of this book to attempt to identify and explain every VIX related ETN out there. For one thing, they are in a constant state of R+D. One ancillary benefit of this book will be that you will be able to understand (and thusly, *avoid* for the most part!) the majority of them. Of them all, we like two. But we only like one of them most of the time. More on that when we describe our strategy.

MEET OUR FAVORITE OF THE VIX'S SECOND COUSINS, THE XIV ETN

Keep the insurance analogy and the explanation of VXX in mind as we introduce XIV VelocityShares Daily Inverse VIX ST ETN. It is, by definition, the *inverse* of VXX. And just like the array of misconceptions and misinformation out there surrounding VXX, there are misconceptions for XIV. In its most simple speculative definition it is a broader market short volatility play. And in the strict definition of inverse, if VXX is generally a losing proposition, then should XIV be the opposite: generally a winning proposition? Yes. It

reflects a constant 30day maturity of the direct inverse of VXX. How does it do it? By being simultaneously short two futures contracts in a mathematical amalgam of time to expiration and position size that is again, best left to the pros. Just like its cousin's behavior, it is buying the front future and selling the further out. Effectively locking in a *good* trade continuously. The action of liquidating the front position and establishing (or adding to) the further out short position is also called *rolling*. Here's a chart of the entire price history of XIV since its inception.

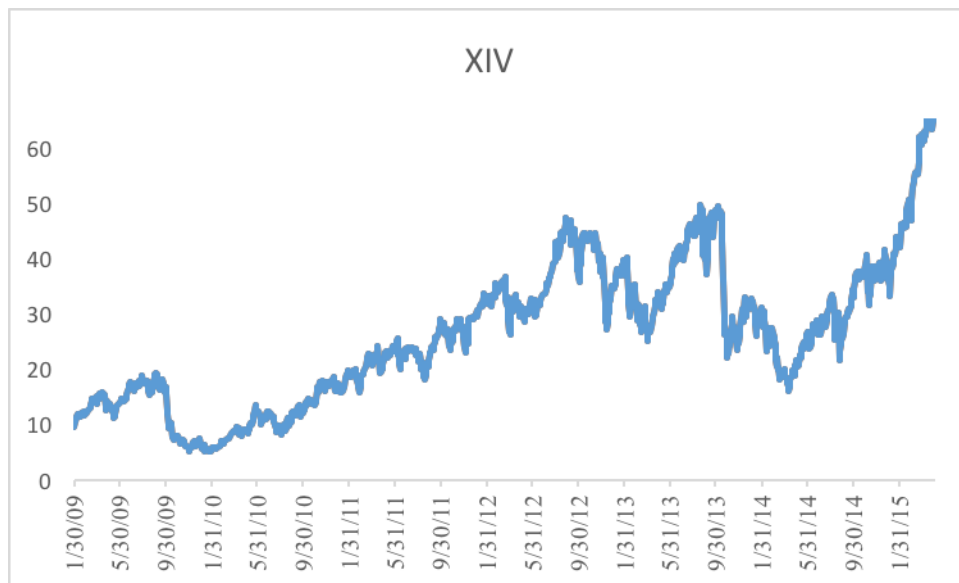


Figure 3 - XIV closing levels since inception.

SO THE VIX ETNS ARE ALL RELATIVES, SO WHAT?

We call the ETNs all related in that they correlate in some way to the VIX futures current term structure.

What's the term structure? We're glad you asked, it's at the core of understanding these products.

We mentioned normal market behavior and operations earlier. But how are we defining normal? We define normal with a funny word: *contango*. It is defined as when the futures price is above the expected future spot price and implies an upward sloping term structure. That's the majority of what we are concerned with, but we flesh out that definition with a look at the VIX futures *term structure*. We use the term structure to gauge the relative amount of contango. Better presented with a graphic – *figure 4*.

The opposite of this is referred to as *backwardation*. Expect this behavior during and after a significant broader market selloff. The duration of this condition is variable and attempts to predict it are tough. It is begging for curve fitting, which won't work either. What we can tell you about backwardation is the VIX futures are backwardated < 20% of the time since VXX inception in November 2010. But when it makes an appearance, it likes to do so in grand fashion! Commonly referred to on "the street" as a steamroller. If a strategy is not tuned in, aware and extremely cautious of the steamroller, it will prevail. Long periods of gains can be erased with a run of the steamroller. Again, this occurs in a broad market abrupt and sometimes violent selloff.

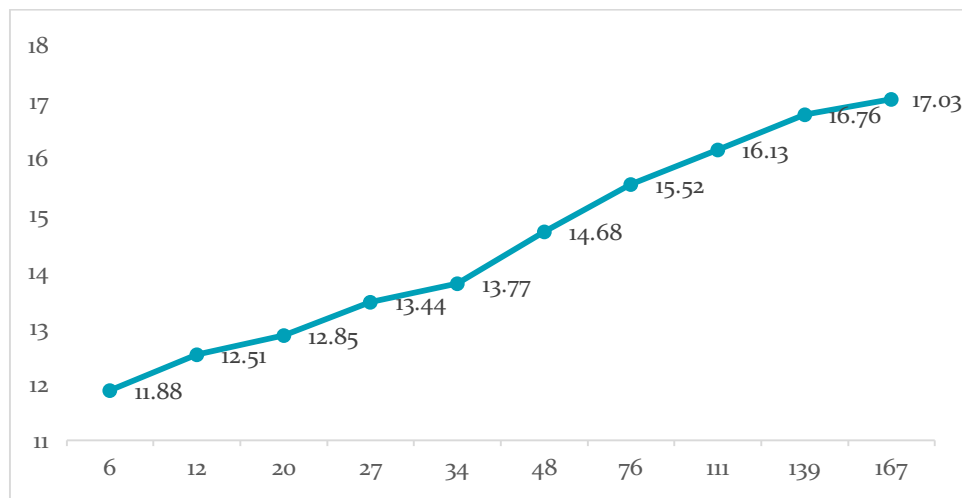


Figure 4 - "VIX futures term during normal market behavior and operations" – a contango curve.

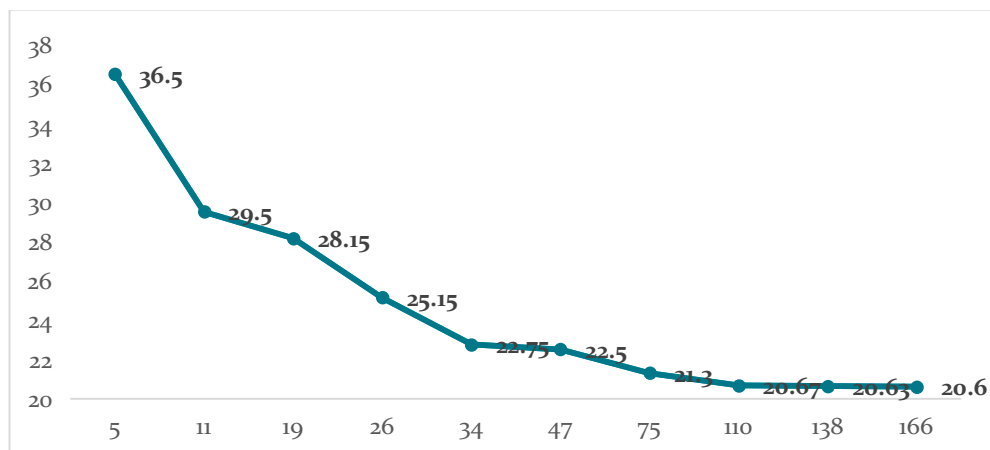


Figure 5 - "VIX futures term structure following a sizeable market selloff. Definitely NOT normal market behavior and operations" – an extremely backwardated curve.

DANGEROUS MISCONCEPTIONS OF VOLATILITY ETNS

An easy misconception of the volatility ETNs is their "price" or "level" at any point in time. Because it's not a price. It's also not a level. It's *nothing*. It's easy for a budding retail investor to look at VXX in periods of low volatility and long term contango term structure and think that VXX "looks cheap", because the "price" is low. The "price" is low because VXX has been making a losing trade every day. Long periods of this erode the value, and it's not uncommon for these products to conduct a split or a reverse split, whichever serves to "reset" the "price" of that particular product.

In many cases, the "price" is an aggregated amalgam of the steepness of the term structure and roll yield over time. IT HAS NOTHING TO DO WITH THE VIX SPOT. Please read the prospectus of any product and be sure to understand how the product conducts pricing. Looking at their split history tells the story.

VXX completed a 4:1 reverse stock split on 8/9/2016, for the exact reasons we have explained. In times of "normal market operations" and generally contango term structure, VXX is on a collision course with zero! The *doubly leveraged* UVXY, ProShares Ultra VIX Short-Term Futures, has had to this seven times! This is supremely illustrated with a price chart of adjusted closing prices of UVXY :

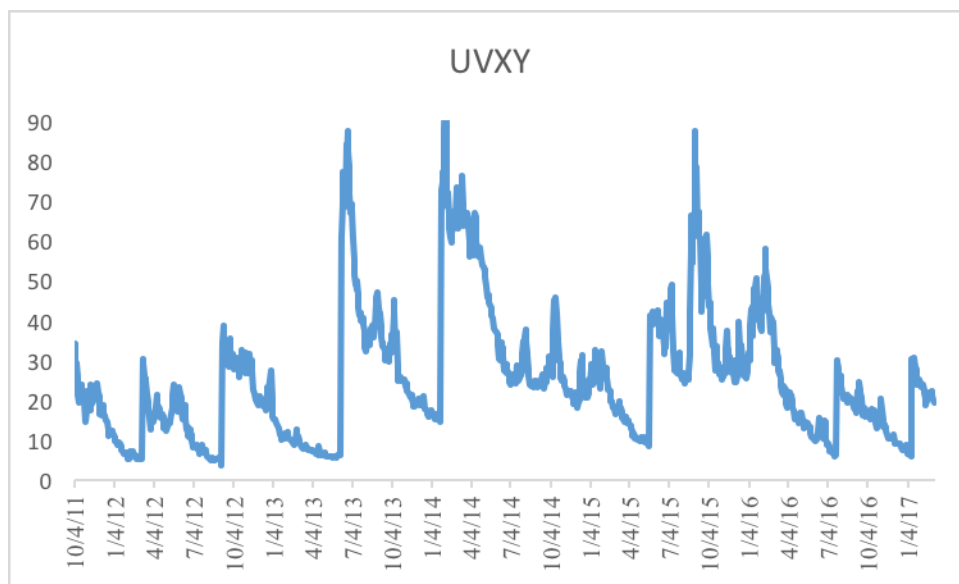


Figure 6 - Constantly on a collision course with zero - not for the retail investor

We aren't picking on UVXY. The point is it is not a product for the majority of retail investors. In fact, most of these products, in our opinion, can be outright dangerous for retail investors. The returns achieved in our strategy, VIPER, prove that speculating in timing volatility spikes is not the route to take.

SUMMARY SO FAR

Ok, so we've met some of the family – including some *quirky* cousins. Here are the main takeaways you should have at this point :

- The VIX is mean reverting, with semi-frequent outbursts (“spikes”).
- The VIX futures *tend* to trade at a premium.
- The VIX futures term structure *tends* to maintain an even keel of contango.
- Many ETNs that comprise the VIX trading complex actually track the futures.
- The VXX ETN tends to be a *losing* proposition as it is making *bad* trades well over 50% of the time, because the futures term structure is in contango well over 50% of the time. The *leveraged* products, such as UVXY illustrate this concept exceptionally as they have to systematically ‘reset’ with a reverse split to prevent falling to zero.
- The XIV ETN *tends* to be a winning proposition as it is taking the opposite (inverse) action of the VXX ETN.
- These ETNs don't have a price so much as a level that one pays to invest in them. And the current price level has nothing to do with the VIX.

OUR STRATEGY - VIPER

We take advantage of the intrinsic nature of the volatility landscape during *normal market operations*. That is, we capture the combination of risk premium (overpriced futures as they converge to the VIX) and the roll yield (buy the front, sell the further out). That's a very long-winded way to say: we're long XIV. The majority of the time, the strategy is long (owns) XIV. In fact, there's a historical case for buying XIV and never looking back. There will undoubtedly be big hits to that position during violent volatility spikes, but again, history shows buy and hold XIV has positive returns over time.

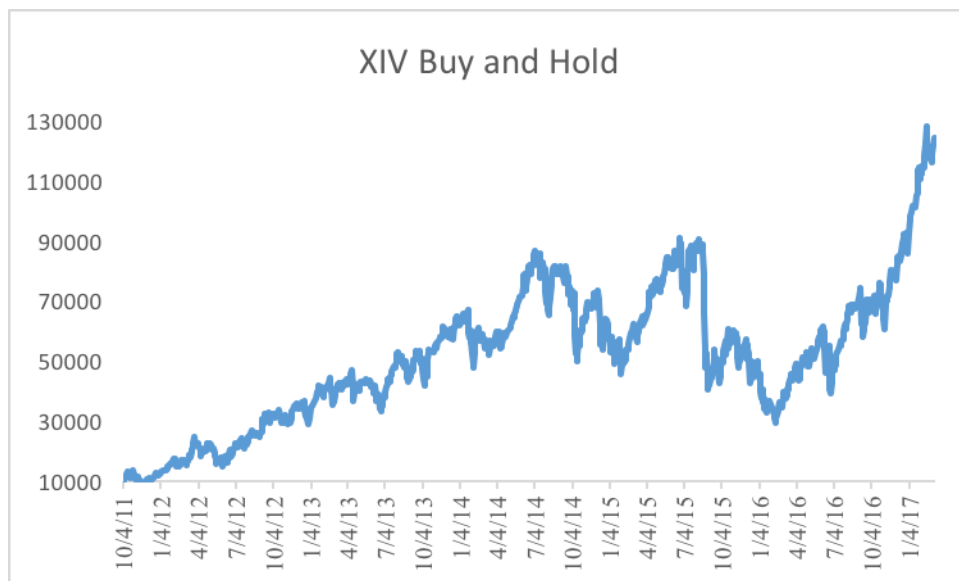


Figure 7 - Growth of \$100,000 invested in XIV and simply held (set it and forget it)

XIV BUY and HOLD Monthly and Total Returns (\$10K Initial Investment ONLY)													
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
2011										20.11	-12.96	10.01	27.16
2012	23.2	2.3	30.95	-2.93	-27.9	26.95	0	15.2	21.48	-4.51	10.91	-11.8	86.15
2013	12.88	-8.67	17.67	-1.38	2.53	-11.24	31.15	-16.03	10.07	5.51	12.7	5.85	60.12
2014	-15.15	10.10	7.41	0.35	18.9	16.77	-13.89	14.91	-11.25	-6.51	11.62	-15.61	22.65
2015	-21.21	28.82	2.32	15.18	8.06	-10.96	10.95	-47.42	10.03	26.18	-8.72	-17.17	-8.33
2016	-17.1	-6.87	25.30	-1.62	13.88	-21.78	25.58	9.35	-0.35	-2.35	21.46	6.85	57.89
2017	10.6	-3.69											23.94

Figure 8 - XIV Buy and hold monthly returns - notice the drawdowns (red)!

We do not buy and hold. We form our opinion of the current state of the market with a few base comparisons of where the VIX is in relation to the broader market *realized* volatility. This is an important concept, and the last one to introduce. Realized, or *historical volatility*, is the true measure of an instrument's volatility. The most common method of calculating historical volatility is close-to-close and in its most basic form would compute the historical volatility for an instrument from the previous day's close to the current day's close. Of course, this calculation can be applied to any term of days and often is. The longer the day term used, the more the longer term price behavior of the instrument will be reflected. Lastly, in general terms, the reading is interpreted as the potential up or down move of the instrument in percentage points of price over the next 252 trading days (one year). So for hypothetical XYZ, that currently has a today historical volatility of 15.5%, it should be interpreted as: the current daily price movement of XYZ is reflecting that its price *could* be +/- 15.5% what it is now, one year from now. Not that it will or will not, but that it could. In fact, it could be anything, no one knows, but a statistically based analysis of the current behavior suggests that this is an intelligent guess.

We compare the historical volatility of the broader market to the VIX, and then compare the VIX to the VIX futures in a (we believe) proprietary manner. We monitor these relationships closely on specific time frames that remain static. This analysis and comparison produces "signals" that govern the actions the strategy takes. The only exception to this rule would be in an intra-day "black swan" scenario. Since late 2011 we have yet to intervene, but would do so if the situation warranted this action. We would also communicate this action via email and the website.

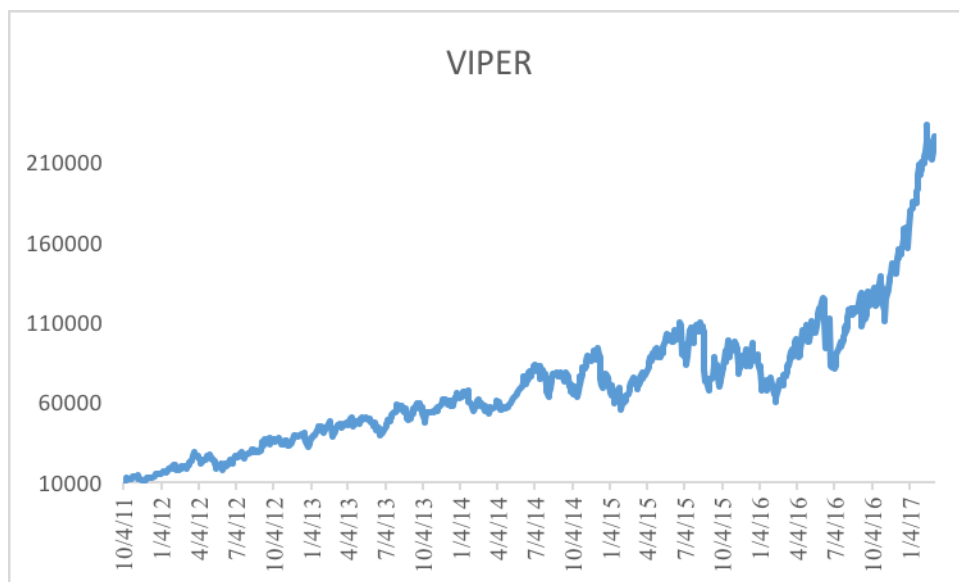


Figure 9 – Growth of \$10000 following VIPER a total of 45 trades were made to produce this performance improvement! Also, please notice the relative smoothness of VIPER's equity curve vs. buy and hold.

VIPER Monthly and Total Returns (\$10K Initial Investment ONLY)													
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
2011										33.78	-7.77	13.59	39.61
2012	20.2	2.4	33.54	-2.93	-27.9	26.55	4.3	7.12	21.43	-4.51	8.55	-11.8	82
2013	9.59	-8.67	17.69	5.17	2.61	-13.94	34.15	-16.03	10.69	-5.51	12.7	9.95	90.6
2014	-9.21	5.77	7.41	-4.15	18.3	14.77	-13.89	14.91	-11.25	29.53	11.62	-19.92	38.49
2015	-21.21	23.89	2.53	15.18	8.06	-10.96	10.95	-32.71	8.45	26.18	-8.72	-8.73	17.14
2016	-5.55	-6.87	25.93	-1.82	19.88	-31.99	30.99	9.35	9.56	-2.35	21.46	6.95	65.94
2017	20.8	2.59											23.39

Figure 10 - VIPER enhanced XIV strategy monthly returns

VIPER # of Trades (1 Trade = BUY or SELL, NOT A ROUNDTURN)													
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
2011										2	3	2	7
2012	0	0	0	0	0	0	1	1	0	0	2	0	4
2013	2	0	0	2	0	2	0	0	0	2	0	0	8
2014	2	2	0	2	0	0	0	0	0	2	0	2	10
2015	0	0	0	0	0	0	0	1	3	0	0	4	8
2016	2	0	2	0	0	1	1	0	2	0	0	0	8
2017	0	0											0

Figure 11 - A total of 45 trades have been made since inception – less is more in this case!

WHY IT WORKS

1. It's fact based. It focuses on the fact that the VIX is mean reverting, and that it more often than not will take an organized approach back to baseline (after spikes).
2. It's stubborn, but cautious. It seeks to identify market environments where the conditions are conducive for a volatility "spike", or if the spike has occurred, if it's best to get to the sidelines.
3. If #2 has proven true, it makes this determination quickly, which leads to point 4.
4. It's willing to step out for a bit and wait for the spike to begin to heal.
5. When the spike begins to heal, it's back in the ring.
6. It averages 1.2 trades per month!

ARE THERE DISTINCT ADVANTAGES TO VIPER VS. OTHER VOLATILITY TRADING STRATEGIES?

Absolutely there are distinct advantages to trading the VIPER strategy. The most prominent would be the overall lack of trading involved in implementing this strategy. It is easy to fall into the trap of trading too much. The costs, management, time commitment, etc., add up quickly. VIPER has generated < \$350 in TOTAL commissions since inception!

We let the product do the "options trading". VIPER has *similar* characteristics to trading options with a short volatility bias. However, actually engaging in options trading effectively and with equal returns as VIPER will cost far more in commissions and is usually beyond the scope of even sophisticated retail investors. This would involve much more position management, portfolio tracking, margin, software and an enhanced account. Most importantly, VIPER is inherently less risky – the strategy is *never* short contracts. This is a welcome sign to your broker and ultimately to you. Many short volatility options trading strategies are going to engage in complex spreads that need to be managed. Some will also focus on *leveraging* (think UVXY) the profitable aspects of the strategy to have a multiplying effect on profits. Obviously along with that comes considerably more risk. Let VIPER tap the options market for you. We like to sleep at night. If the options market is still intriguing to you, we will expand upon the similarities of VIPER/XIV to the options market in blog posts. And if there's any topic in particular you would like us to address in a blog post, drop us a line at support@post6strategies.com.

WHY ARE WE TELLING YOU?

There are three main reasons why we are telling you!

1. The instrument employed in the strategy is **highly liquid and maintains high daily volumes**. In trader speak this translates to good fills. That is, the amount paid or received upon market entry will be in reasonable proximity to the current market without effort on the participant's part. This notion is of course assuming what the broader market would consider retail size trades. Any larger than several thousand, and you'll require professional assistance to "work" your orders. This concept involves advanced trading techniques and is far beyond our scope.
2. The strategy does not trade often. In relative terms to other strategies it trades remarkably seldom. It's not difficult to employ the strategy; therefore it's not difficult to track.
3. We believe this knowledge is valuable. We suspect that by now in this book you do as well.

We also want to make sure it is clear that we are not affiliated with any broker dealer nor do we earn any commissions for promoting any investment products. We are in it for ourselves!

HOW DO I TRADE IT?

Easy! Almost if not all traditional brokerages offer trading of the "Volatility Complex" ETNs. To the retail investor they behave like ETFs. We have heard of a few brokerage houses requiring the account holder to answer "Yes" to a Terms statement stating the risks associated with such products are understood.

Sign up for a subscription at www.post6strategies.com and begin receiving our daily strategy update emails. The site provides a description of the daily email format as well as periodic blog posts and VIPER performance metrics. Due to the usually low trading frequency (remember that's a good thing), we've designed the email so that it is recognizable from the subject if there is action we are taking.

If you purchased the book without a subscription, use the promo code on the last page of the book for \$5 off of the initial subscription price you choose. This makes the book free!

A WORD ABOUT T+3

Whenever a sell signal is generated by VIPER, the cash generated from the trade will not be available in a traditional brokerage account until 3 business days *post* the trade. Rest assured, the performance metrics take into account this rule, and a new position is not

established until T+3 has been satisfied. Remember that the “T” in T+3 is a separate day (the day the trade was executed).

SOME PARTING WORDS

Whether you choose to follow us or not, here are a few topics we thought we’d pass along, just as some general words of advice based on experience. Do what you will with it, and whatever you decide, thanks for reading and good luck!

DON’T CATCH THE FALLING KNIFE WHEN THE STEAMROLLER SHOWS UP

If there is one piece of advice we can offer to anyone deciding to trade the VIX complex on their own, it would be to not catch the falling knife when the steamroller shows up. That’s the title of this section but it bares repeating. History has proven the backwardation period to be finite, even though it will not feel finite when it is happening. When the steamroller shows up, get out as quickly as possible. Don’t try to pick the top of the volatility spike. Having a false sense of emotionally-based confidence and acting on that confidence with additional capital and adding to an already losing position is referred to as “catching the falling knife”. Don’t do it. Wait for the fundamentals of the strategy to prescribe re-entry. Our strategy concentrates on detecting when to get out, before the steamroller shows up, and when the coast is clear to get back in. We like to sleep at night!

BEWARE OF THE GAP OPEN

Gap opens are common; it’s the breadth of the gap open that is the danger. This occurs when factors have moved the market in off hours and will force the next trading day’s open to “leapfrog” to a new price. The magnitude can be large and this is particularly impactful in volatility trading. It is easy to give in to emotion in the face of a gap open and liquidate. Our collective and deep experience at Post6 Strategies helps us navigate scenarios such as this, and manage it with confidence.

BEWARE OF THE WHIPSAW

Probably the most frustrating of all market moves! Think of the gap open, followed by a rush to liquidate some or all of the position, only to have the market quickly “backfill” and recover the lost ground from the gap open. It’s confounding and by no means easy to navigate. VIPER’s low trading frequency and longer term approach virtually eliminates whipsaws as a concern for us. Remember: the less trading the better.

DON'T TRADE SPECULATIVELY WITH ANY MORE THAN YOU ARE WILLING TO POTENTIALLY LOSE

This should speak for itself. If nothing else has been achieved in this book, we hope the retail investor has learned that it's best to stay away from the majority of the volatility ETNs – timing volatility spikes speculatively is a challenge for quantitative analysts with supercomputers at their disposal, and much more so for the sophisticated retail investor armed with a spreadsheet (and a much smaller account balance).

PLEASE READ THE DISCLAIMER BELOW

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