

We're Off to see The Wizard

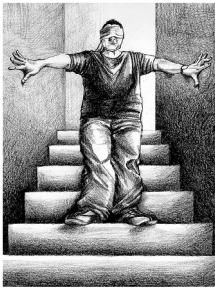
- Traveling on the Yellow Brick Road
- Adapted from a presentation developed by Gene Ricci, Leader of VectorVest User Group in Dallas, Texas

I'm having a lot of difficulty understanding the VV program!

"online tutorials
leave me cold"

"all I want to
know is"

"what is the
quickest path
to using
VectorVest?"



"who has time to
read the daily
Views?"

"what do I need
right now"

"What is the
quickest way to
making good
money using
VectorVest?"

Let us help you!



Start by taking the first ten easy steps to success!

Build Your Foundation

- Step 1 – read *Stocks, Strategies, and Common Sense*
- Step 2 – watch *Getting Started* *
- Step 3 – watch *Finding the Right Stocks**
- Step 4 – watch *Testing Your Ideas* *
- Step 5 – watch *VectorVest Simple* *

* Located in VectorVest University

Build Your Foundation

(continued)

- Step 6 – watch *Financial Success in 15 Minutes* *
- Step 7 – watch *The Investment Climate* *
- Step 8 – start reading the "Views" every day
- Step 9 – watch *VectorVest Basics*, archived on AAI-Pgh website
- Step 10 – attend User Group meetings

A Journey of a Thousand Miles begins with the First Step

- Vector Vest is a very powerful and versatile stock analysis program. To take full advantage of the program, it is necessary to devote a reasonable amount of time to learn what it offers.
- But, as you take the first 10 steps, we will show you how to make VectorVest immediately useful to you tonight!

**Let's start by answering
key questions:**

- "quickest path to using VectorVest?"
- "quickest way to making good money using VectorVest?"

"...path to using VectorVest?"

1. Re-read Dr. DiLiddo's "little green book" to understand the underlying principles of VectorVest.
2. Learn to navigate the software through the excellent tutorials on VectorVest University.

**"..path to making good money
using VectorVest?"**

3. Think through each week's Views on the market and also the Strategy of the Week.
4. Build your own Yellow Brick Road to gain know-how and experience.
5. Paper trade initially to learn mechanics and develop confidence, then use as only one of several strategies in your portfolio

Pathway to Profits

Yellow Brick Road is a disciplined process for position trading that provides:

- Market direction
- Stock selection
- Position Injection
- Profitable Ejection

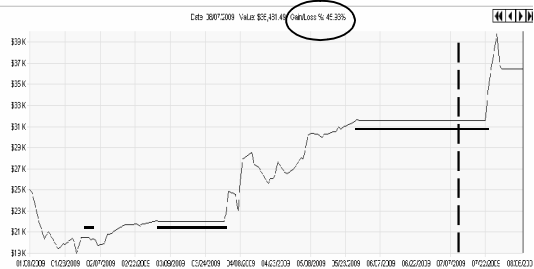
Why The Yellow Brick Road?

As reported in 10/23/08 Views

- "As investors, we dream of making money in the stock market and we aspire to achieve financial freedom. But we need a way to get there. We need a plan, a path, a yellow brick road, if you will.
- We believe we have created such a road at VectorVest. It is based upon a foundation of fundamental parameters and technical indicators. Its bricks are made of strategies, tools and techniques and its road signs are given by the [Color Guard, Market Timing System and VectorVest Views](#).
- The VectorVest "Yellow Brick Road" is a trading system which allows investors to make money in both up and down markets. **It is easy to use, does not demand a lot of time and can be done at night when the market is closed.**"

Why The Yellow Brick Road?

It Makes Good Money!!



Why The Yellow Brick Road?

As reported in 7/10/09 Views

"Three campaigns, two C/Up and one C/Dn, have been conducted since last October. These campaigns are documented in the VSA Model Portfolio Group of the Portfolio Manager Tool. The equity graph of the Yellow Brick Road - 2009 Portfolio shows that the first campaign, a C/Up, lost money while the latter two have produced substantial profits. A net gain of 26.13% (from October through July) is currently being shown for the portfolio." (46% ytd gain through 8/12)

Why The Yellow Brick Road?

- YBR initially used two strategies,
 - "Easy Does It - C/Up," for going long on Confirmed Up signals
 - "Easy Does It - C/Dn," for selling short, if one wishes, on Confirmed Dn signals.
 - Basically, highest/lowest VST stocks with good volume
- For additional details
 - "Easy Does It - C/Up," 9/26/2008 Strategy of the Week
 - "Easy Does It - C/Dn," 10/03/2008 Strategy of the Week

Why The Yellow Brick Road?

- **VV's "process" for the average investor/trader**
- **Uses the "Market Timer That Never Failed" (Confirmed Calls timing – Long or Short)**
- **Uses easy and well-proven VectorVest searches**
 - Long -> Top VST Stocks
 - Short -> Low VST Stocks or Contra ETF's
- **Applies Risk and Money Management techniques**
 - Spread risk over 10 positions
 - Stops for maximizing profit and minimizing losses
- **Well documented, with ongoing improvements**
- **Most of us learn a lot faster and better, if we make a profit early in our VectorVest experience**

Improvements in YBR

As reported in 7/10/09 Views

- "The Yellow Brick Road was introduced to our users in my essay of October 3, 2008. It was defined as a trading system which allows investors to make money in both up and down markets. I said it was easy to use, does not demand a lot of time and can be done at night when the market is closed."
- "The whole idea with the Yellow Brick Road is to buy high VST, "B" rated stocks on a C/Up signal, manage them according to a precise set of rules, go into cash; then sell-short low VST, "S" rated stocks on a C/Dn signal. The buy to go long Strategy was named "Easy Does It - C/Up" and the sell to go short Strategy was named "Easy Does It - C/Dn." Both are located in a UniSearch Group called, "Yellow Brick Road."

Improvements in YBR

As reported in 7/10/09 Views

- "Valuable experience was gained from these campaigns, so there are some things we will be doing that are different from those described last year. For example, we will not necessarily go short with the "Easy Does It -C/Dn" strategy, if and when we do go short. Five different strategies that could be used to go short with will be cited in the Strategy Section of today's Views so that our subscribers do not "move-the-market."
- We will not go short on Monday, "come-hell-or-high-water." We will go short only if the market is going sharply lower as indicated by the major averages being down more than 1% each.* The exit criteria we use to manage the portfolio will depend upon the strategy we go short with. If we go short with "Worst Performing Contra ETFs - C/Dn," for example, we will use the technique being employed in the "Riding-the-Wave" portfolio. In any case, we will describe whatever exit criteria we use."

* Fred Kissell shortly will show how to improve on this entry-rule

Improvements in YBR

- "We are in cash in the Yellow Brick Road Portfolio and will go short on Monday with (the best performing) one of the following Strategies AND if the market moves sharply lower as evidenced by the DJI, SPX and IXIC all going down by 1% or more at the same time after 10:00 AM EST."
 - Buying Contra ETFs,
Easy Does It - C/Dn,
Odd Fellows Short,
Stinky Stocks to Sell Short,
Worst Performing Contra ETFs - C/Dn."
- Method for selecting best performing strategy:
 - Night before planned entry, select top 10 stocks in each strategy and set them up as individual watchlists in Yahoo
 - On the entry day, when major indexes have all moved the required 1%, determine which strategy was most profitable at that time
 - Enter equal-dollartrades for the required positions in the best strategy

For Further Insights

(5/15/09 Views)

- Revisit the VectorVest University for 5/15/09 for the Strategy of the Week – Yellow Brick Road in Review.
- See the following essays in the identified Views:
 - 3/13/09 Avoiding the Stampede – using limit orders
 - 3/20/09 Off to See the Wizard – alternate strategies
 - 3/20/09 The YBR Express Lane – Stop Loss – won't replace
 - 5/08/09 The VV Ratchet Stop – really a 20pct Trailing Stop

Changes in the Yellow Brick Road

	Inception	7/12/2009	
Timing	Confirmed Calls	Confirmed Calls	
Searches	One Long - One Short	Multiple Long - Multiple Short - ETFs	
Long Stops	50% Gain 30% Loss	50% Gain 20% Trailing	
Short Stops	20% Gain 15% Loss	Buying Contra ETFs 20% Gain 10% Loss Easy Does It C/Dn 20% Gain 15% Loss Stinky Stocks 30% Gain 10% Loss Worst Perf ETFs C/Dn 20% Gain 15% Loss Odd Fellows Short 15% Trailing Stop	
Replace Stocks	No	No	
Market Entry	At Open	Conditional DJI, SPX and IXIC all going up or down by 1% or more at the same time after 10:00 AM EST.	

What have we learned?

- The Yellow Brick Road developed 'pot holes' that have been patched
- Confirmed Calls are no longer the only entry signal – requires intraday market confirmation, which necessitates "real-time" data source
- Selecting from "current best strategies" using "real-time" data source should work better than one-size-fits all "Easy Does It"
- The Yellow Brick Road strategy is using enhancements tested in the "Riding the Wave" strategy that is designed for more aggressive and active traders.
- It ain't easy making money, especially during this "Mother of All Bear Markets"!!!

Gene SEZ

If you trade with a VectorVest Portfolio –
Yellow Brick Road or Riding the Wave, etc.



Key Components of a Trading Plan	Typical Importance	Allocate Your Efforts
Market Timing	60%	10%
Stock Selection	10%	10%
Risk Management	30%	80%

Allocation of Your Efforts

		Source	Task
10%	Timing	VectorVest	Understand concepts
10%	Searches	Vectorvest	Know what you're trading Beware of Leveraged ETFs
80%	Risk Management	Only YOU Can Determine YOUR Risk Tolerance	Understand Stops Understand How to Apply Stops at Your Broker Use Position Sizing Based on Stops Develop a Rules Based Entry Strategy Develop a Rules Based Exit Strategy Understand Limit Orders

What To Do Now?

1. Get ready for action
 - a) Market is near a C/Dn signal since MTI > 1.6
 - b) Market usually drops sharply around Labor Day
 - c) Market likely to rebound smartly around Halloween
2. Complete the first 10 steps of learning ASAP
3. Set-up paper-trading file and track results
4. When confident, allocate no more than 1/5 of your investables to YBR
5. Next year, compare YBR result to your other strategies and reallocate funds into best ones
6. Volunteer to discuss your experiences at a future meeting

Personalizing Your YBR

- Confirm entry signals with McClellan Summation Indicator
 - Bullish when $McCSI > EMA20$
- Use earlier signal for a "half-portfolio"
 - MTI15 usually a week or two earlier
- Cherry-pick stock choices, using TA charts
- Use chandelier stop, rather than simple %
- Size positions to a 2ATR stop

And if you are interested in making "real money", get ready to move into the Fast Lane

Yellow Brick Fast Lane

- YBR is a profitable process for assuring disciplined position trading
- Advanced traders can add options to enhance returns substantially
- Options are not everyone's "cup of tea", but are worth considering
- If enough interest tonight, we'll develop an expanded presentation on low-risk option strategies for a future meeting

Basic Ideas in Yellow Brick Fast Lane

- Use YBR timing and stock selection
- Allocate 80% of funds to stocks selected and 20% to "in the money" Calls expiring in 4 to 6 weeks
- Exit both calls and stocks with same exit rules

A Call Option is ...

- ... a right, but not obligation,
- to buy 100 shares (contract) of a stock
- at a specific price (strike)
- by a specific date (expiration on 3rd Fridays of each month)
- "in-the-money" call strike-price is less than current strike price (would get stock at bargain price, at expiration)

Latest Foray Gained 16% in just a few days

Company Name	Symbol	Type	Open	Close	Buy Price	Sell Price	Shares	Initial Cost	Final Cost	Gain/Loss	Percent
Cerus Corp	CERS	Long	7/23/2009	7/28/2009	1.50	2.68	2095	3,152	5,605	2,452	77.8%
Belo Corp	BLC	Long	7/23/2009	7/28/2009	2.22	2.72	1415	3,151	3,839	688	21.8%
CDC Corp	CHINA	Long	7/23/2009	7/28/2009	2.65	3.29	1186	3,153	3,892	739	23.4%
Lattice Semi	LSCC	Long	7/23/2009	7/27/2009	2.10	1.93	1496	3,152	2,877	-274	-8.7%
Westell Tech	WSTL	Long	7/23/2009	7/28/2009	1.00	1.33	3143	3,153	4,170	1,017	32.3%
Safeguard Sci	SFE	Long	7/23/2009	7/28/2009	1.67	1.74	1862	3,153	3,265	112	3.5%
Ipass Inc	IPAS	Long	7/23/2009	7/29/2009	1.76	1.71	1786	3,153	3,044	-109	-3.5%
Rae Systems	RAE	Long	7/23/2009	7/28/2009	1.72	1.71	1827	3,152	3,114	-38	-1.2%
Towerstream Crp	TWER	Long	7/23/2009	7/24/2009	1.62	1.51	1940	3,153	2,919	-233	-7.4%
New Energy Tech	NENE	Long	7/23/2009	7/28/2009	1.28	1.53	2455	3,152	3,746	594	18.8%
								31,525	36,472	4,947	15.7%

60% winning trades
30% average winning trade
5% average losing trade
5.7 W/L ratio

Before you try this at home ...

- Learn the basic terms and concepts
- Realize that “dollar stocks” are among the riskiest for strike-choice and liquidity
- Paper-trade til profitable, to make sure you understand what you are doing and know how to constrain the inherent risks

Some Key Factors for Success in Buying Calls

1. High proportion of stocks that rise in price
2. Short time-span before expiration, but enough time for stock to reach target price
3. Analytic tools to avoid overpriced premiums
4. Patience to enter at an advantageous level
5. Position sizing and diversification to constrain risk
6. Discipline to exit weak trades quickly and also good trades before take-back

Options are not everyone’s cup of tea

- Risks are high, especially with low-price stocks
- High realizations require extreme discipline to secure
- Concepts are elusive and greater choices means more confusion and demands analytical tools
- Proven decision-rules and straight-forward processes are not easy to find, even in costly seminars
- Options coaching is expensive and time consuming
