

# **Managing Flexible Portfolios Using Investment Trend Scores**

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# Traditional Investment Portfolio

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- q Uses Stocks, Bonds and Cash
- q Buy and Hold Strategy, Long Term Goal
- q Uses Fundamental and Financial Analysis
- q Does not use Technical Analysis
- q Often ignores actual current trends
- q Little management, used by most brokers
- q May rebalance periodically

# Flexible Investment Portfolio

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- q Uses many asset classes for more flexibility
- q Real estate, oil/gas, bear funds, alternatives
- q Diversify into rising asset classes only
- q Reallocate when trends begin and end
- q Requires technical analysis for decisions
- q Manual or automated portfolio management
- q Active investing, not buy and hold

# Stop Loss Protection

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- q Buy and hold investing doesn't use stop loss
- q Exposure to catastrophic losses and crashes
- q Professionals always use stop loss
- q Don't let small losses become big losses
- q Sell poorly performing assets
- q Replace with assets gaining strength
- q Also use time stops for "dead money"

# More Flexible Investing Choices

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- q Royalty trusts: oil/gas, coal, iron ore, timber
- q Oil tankers, pipelines, refineries, drillers
- q Low priced stocks, micro-cap stocks
- q ETFs, gold, silver, oil, natural resources
- q Collectible backed securities: art, rare coins
- q Options, spreads, straddles, hedgelets
- q Rising/falling US dollar securities/funds
- q Raw land (WiMax, roads, solar)

# Flexible Portfolio Design

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- q Use assets other than mutual funds
- q Choose assets for current environment
- q Limit amounts of high risk assets
- q Carefully monitor high risk assets
- q Screen for good fundamentals, financials
- q Single stocks max 5% to 10% of portfolio
- q Sector funds max 10% to 30% of portfolio
- q Mutual funds max up to 100%

# Flexible Portfolio Considerations

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- q More turnover than buy and hold
- q Use discount broker, low commissions
- q Scottrade OptionsXpress InteractiveBrokers
- q OX: stocks, bonds, mutual funds, options
- q OX, IB allow automated program trading
- q No local branches, lower cost
- q OX, IB allow options in IRA accounts
- q IB: Futures, FOREX available

# Using Computers to Make Picks

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- q Need to learn basic Technical Analysis
- q Free websites: Prophet.net, BigCharts.com
- q Software: TC2000, MetaStock, others
- q TC2000: charting, scanning, sorting, scoring
- q MetaStock: back testing, trading signals
- q QuoteTracker can place manual trades
- q TradeBolt can place semi-automated or fully automated trades

# New Website: Cool-Trade.com

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- q Can do fully automated program trading
- q Use website to choose buy/sell rules
- q Sends buy/sell signals to broker
- q Must use Interactive Brokers only
- q New website, not recommended,  
use at your own risk
- q Can use offline to trade “play money”

# Using Investment Trend Scores

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- q Scores provide method to rank all choices quickly
- q Scores can measure Technicals or Fundamentals
- q Sub-scores can be weighted based on significance
- q Computer can analyze many parameters at once
- q Saves time, reduces errors, eliminates emotions
- q Allows wide universe of investment choices
- q Can create scoring formulas for TC2000 or Excel
- q “Secret” feature not known by TC2000 users

# How to Score? Your Choice.

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- q Give points to Moving Averages order, slope, momentum, key averages (quantum leaps)
- q Give points to current price for quicker response
- q Can screen for good fundamentals, but can't score
- q Can score MACD, volume, RSI, Bollinger, etc.
- q Use many TA signals to vote together, less noise
- q Use Candlestick scores for better buy/sell signals
- q Assign scores, then rank from highest and lowest

# Scoring Some Moving Averages

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- q Common MA: 10, 20, 30, 40, 50, 100, 200, 250
- q Assign +/-n points for n Moving Average
- q +/- if price is above/below that Moving Average
- q Max score= $10+20+30+40+50+100+200+250=700$
- q If above 200,250= $450 - (10+20+30+40+50+100)$   
 $= 450 - (250) = 200$  points
- q If below 200,250= $-450 + (10+20+30+40+50+100)$   
 $= -450 + (250) = -200$  points
- q MA score can be sub-score of total score

# Personal Criteria Formula (PCF)

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q If expression is True, assign +/- points

q  $((C \geq \text{AVGC10 AND } (1)) * 10) +$   
 $((C \geq \text{AVGC20 AND } (1)) * 20) +$   
 $((C \geq \text{AVGC200 AND } (1)) * 200) +$

.....

$((C < \text{AVGC10 AND } (1)) * -10) +$   
 $((C < \text{AVGC20 AND } (1)) * -20) +$   
 $((C < \text{AVGC200 AND } (1)) * -200)$

# Examples with TC2000

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- q Mutual funds work well with scoring
- q Flexible portfolios: Rydex, Fidelity Select
- q No bear funds at Fidelity
- q Many bear fund choices at Rydex
- q No short term redemption fees
- q Must consider trading costs versus profits
- q Works very well for 401k mutual funds
- q Free 401k Excel spreadsheet, email

# Automating the Whole Process

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- q End of day data feed quotes to TC2000
- q Calculate scores, run scans, sort results
- q Check fundamentals, financials for stocks
- q Can export TC2000 data to MetaStock
- q MetaStock: backtest, generate buy/sell
- q Send MetaStock signals to TradeBolt
- q TradeBolt sends orders to brokerage account
- q Need good Buy and Sell rules

# Summary: Use the Computer

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- q Robot means “worker”
- q Saves time, stress, eyes, emotions (fear, greed, panic, hope), verify “stories”, tips
- q Analyze quickly and monitor using scores
- q Choose timeframe swing, core, longer term
- q Buy low, Sell high, Diversify, Repeat
- q Diversify into rising asset classes
- q Compound in tax deferred account

# Questions?

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- q For help, call or send email
- q Visit website, lots of free information
- q Oil and gas info is educational and timely
- q Lots of real estate info, mortgages for LLCs
- q 1031 exchange for TIC, good cash flow
- q Asset protection, LLC, living will
- q Monthly real estate class, 2500 students

# Thank You!

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