

400 Report

The Only Way to “Own” Stocks Today

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LEAPS – Lesson 1

- What are Leaps?
- Long Term Equity Anticipation Securities
- A class of options that expire in 1, 2 or 3 years
- Most established large cap and mid cap companies have LEAPS, some involuntary small caps too!

Lesson 1

- Where to find LEAPS
- Check your Options chain
- Bid and Offer – buy in between or at the offer, sell in between or at the bid
- Each Leap contract is the equivalent of 100 shares



Lesson 2

- How LEAPS work
- The Black Scholes model
- Price
- Expiration
- Volatility
- Risk free Rate of Return

Lesson 2

- When stocks move in your direction, LEAPS fly
- Lower risk
- Higher return
- Time is on your side

Lesson 3

- Lower risk – why?
- Percentage of the actual dollars you would invest in a stock
- Shorter horizon – but who's in there for more than a couple of years anyway
- Stop-loss – really hard to justify with LEAPS

Lesson 4

- Which one should you pick?
- My criteria
 - 1 year – 10%
 - 2 year – 15% to 20%
 - 1 year return potential – 40%
 - Leg into a spread
 - 2 year – triple digit potential



Lesson 5

- Example of LEAPS vs Stocks
- 20 positions - \$50K in each, \$50 price
- \$1,000,000 in stock
- 20% stop-loss, 30% upside
- 20 LEAPS
- \$5 per contract - \$100,000

Lesson 5

- Stock's upside \$65
- Total return 30%, or \$300,000
- Stop-loss - \$200,000
- LEAPS – most you can lose is \$100,000
- Upside \$15 minus \$5 or \$10 per contract for total \$\$ gain of \$200,000
- \$900,000 returning 2% per year or \$36,000
- Net Cost for LEAPS = \$64,000 or 6.4% of portfolio at risk – YOU DECIDE.

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- 15 to 24 picks per year
- Most LEAPS \$4 or less
- Long Strategy – subject to vagaries of market...but much less \$\$\$ at risk.
- Mtversonresearch.com
- Smartprofitsreport.com



Top Sectors To Invest in

- Financial
- Resources
- Technology