
WPT Portfolio

September 2009 Review

Kerry Lovvorn

In September the WPT discretionary portfolio increased 3.04% and was the most active month in number of trades. The discretionary portfolio was very choppy and personally I am disappointed in my performance. I am glad we had another positive month but it is by far the most missed opportunity month this year.

There were many opportunities to capitalize on and I allowed myself get too distracted attempting too many projects at one time. CERN is a good example as I never re-entered although I got a perfect signal I typical act on.



I have no excuse except for lack of focus. On September 1st I was in this trade and decided to raise my stop to breakeven. By end of day the market appeared it was reversing and I was stopped out near breakeven and protecting myself from any losses. I received honors of nearly bottom ticking that trade. As you can see on the chart CERN went on to be the biggest WPT gainer this year. The WPT system did capitalize on this move, again showing that in the end we as the trader can be our worst enemy. It was not the system that failed me, but my lack of focus and willingness to do what my system was telling me to do. It was not like I did not see this trade, it was lack of acting and the trader stepping up to do what his system was instructing him to do.

The WPT system YTD is up 48% while the discretionary portfolio is up 42%. I am by no means complaining as most of the objectives for the year have been met. However, I always want to be conscious of the fact when I as the trader maneuvered myself out of a great trade. In hindsight, I fully understand this was nothing more than lack of focus and attempting too many projects at once. This is a fault I have and has not been the first time I have seen this negatively impact my performance.

I am also aware I began feeling a bias begin to build in my trading and this is an absolute **NO_NO**. I have been here before and likely will be here again. I always want to learn how to keep my biases in check. This is one of the dilemmas in running a discretionary portfolio, controlling the biases. The system again capitalized on a very nice trade setup and the trader executed by protecting his losses. This was not the mistake; the mistake was not taking the re-entry signal, especially when it is one of my all time favorites. A trader can be no more wrong than taking this type of action ignoring what he knows is his favorite setup and signal and not acting. There is no excuse for such actions.

Thus far the portfolios (both discretionary and system) have been exceeding its goals for the year and continues to outperform the SP500 year to date. It is NOT our goal to outperform everyday or every week, but in the course of the year we want to outperform the overall market. Otherwise we are better off buying an index fund and performing with the market. What we are interested in as traders is making money consistently over time, NOT trying to outperform on a daily or weekly basis. This attempt is futile and will cause traders to push too hard and over trade. Be careful allowing the markets daily movements push you into trades that have no resemblance of the system you are attempting to trade.

Your equity curve will always let you know if you are trading well and if your trading process is working or not. It is the only tool that will reveal the true facts of your performance. The WPT equity curves tell us the system performed as expected and has met our goals. It has not outperformed the market every month but it did its job and is trading within its expectancy.

The WPT is a conservative long only portfolio. YTD we have seen a win ratio of 72% in the Discretionary portfolio while the System portfolio has a 65% win rate. In the original write up we mentioned how the portfolio was structured to see 55 – 60% win rate. For now we are performing better than expectations. This is the higher end of the win rate expectancy for this system. The key to any system is to keep losses contained and lack thereof will destroy any good trading system. No system can survive the market **without great money management**.

WPT_KLL Portfolio traded 6 markets for 17 trades in September. (AVP, CERN, JNJ, NFLX, OSK, and SO) My job as an analyst is to find stocks that meet my system's criteria and put them on my trading list. In September we found many opportunities with conditions that met our system rules. The trader in me is responsible to make the trades accordingly and act as the analyst instructed me to do. The opportunities were there but too many of these were missed. There were also opportunities that were on the B list that I failed to act on. September for now is an opportunity lost and we now must focus on the future.

For the WPT portfolio we look for companies that may perform well during current economic conditions until those conditions change. The economic conditions have been weak and there are signs of the economy have stabilized in the short term. The Bear is attempting to hibernate and we must monitor closely to see if the bear is dead. My macro view of the market is we are in a wide trading range and we have a few more years of mini bull and bear markets to navigate. There should be plenty of opportunity for the active trader and I continue to believe this is a stock pickers market. We should see the markets becoming more active as we head into the fall months.

The market must continue to shake out the good from the bad companies. Recessions remove the sick and the healthy acquire the weak. As the fundamental landscape changes we will direct our attention on companies that are likely to be stronger than the overall market. Once those companies are identified we will use our Simple Trend Trade System to help us identify low risk high probability trades. Once a trade is identified we will position ourselves in the trade with the intention to hold a core position if and when a trend develops. One may want to take advantage of add to areas as the trend continues forward.

The core position is typically 1/3 the size of a full position. One may choose to hold a 1/4 as the core position if they choose to be more conservative. Once we are in a trade we look to trade out of 2/3rds to 3/4ths the position on a swing basis as we hit upper targets. If the trend persists we will re-add to the

position on buyable pull backs. The recent condition has not been conducive to holding our positions very long. We have seen some changes and a few stocks have begun to trend very well. It will definitely be a stock pickers market, all boats will NOT float going forward as we experienced in the late 90's bull market or the bull market of 2003.

To properly manage this style of portfolio one will need approximate one hour per day to review positions and identify necessary order management. Many days it will take less time, but no more than one hour is needed even in a busy market environment. One may choose to utilize intraday action to help manage the positions and monitor stops more closely. In volatile markets we will occasionally have positions to be stopped out, only to reverse and set up an entry trigger in the same day. (We saw this in ASIA this month) It is up to each person to identify how closely they want to monitor the markets. Watch too close you may make impulsive decisions based on intraday action, do not watch close enough and you miss some great entry points like we have seen this year in a Bear Market environment. Many good trades will occur on a whipsaw day that stops out positions only to retrigger by end of day. If one chooses to not monitor on an intraday basis, you will want to consider utilizing wider stops than suggested and position size down. The true essence of the WPT portfolio is mixing two styles of trading, Core Position and Swing Trading.

The mix of these two styles allow one to participate in larger moves yet keep risk minimized by utilizing swing trade techniques to move in and out of the position. The more volatile the market, the more active the portfolio will be. A WPT participant needs to be prepared to give up 10 – 15% of existing profits to maintain the portfolio. This was first mentioned in the preliminary write done at the first of the year. The ability to capture larger moves requires the willingness to give something back. An inability to manage thru drawdowns will never allow one to ride the core position during a larger trend move.

WPT will not utilize short positions in the portfolio. Although we have seen in the last 18 months many markets trending lower, most short trades are quick and violent. I prefer to use short positions in intraday trading and daily swing styles only. Rarely will I hold short positions for more than a few days. WPT is a long only portfolio.

The WPT will at times go on margin to make necessary trades. This typically occurs when we get a chance at very low risk entry points and can purchase more shares than funds we have in our cash account. Keep in mind that we do not intend to lose more than 1% of the portfolio on any one trade. We will however be willing to sit thru a drawdown of 10 – 15% of accrued profits in a trade. Margin utilized correctly is a great trader's tool; however, if margin is used incorrectly it is a trader's worst nightmare.

This model portfolio is not only to suggest possible trades but to demonstrate one way to manage a portfolio utilizing proper position sizing and money management.

I look forward in updating our progress each and every month and improving our trading skills each week. If we are lucky, maybe we will make a few dollars along the way.

Keep safe, use discipline, follow your trade plans, and always use great money management!

It is hard enough to figure out what the markets will do; If you do not know what you will do the game is lost. By: Tom Basso

Kerry

PS.....

If you are a new client or have not read the intro document to this system please read the WPT blog at <http://wpt101.blogspot.com/>

WPT-KLL Portfolio YTD Performance

A	B	C	D	E
<i>2009 WPT Actual Portfolio Traded on a \$200,000 Account</i>				
Month	Beginning Equity	Ending Equity	Monthly P/L	Monthly P/L %
January	\$200,000	\$208,429	\$8,428	4.21%
February	\$208,429	\$219,370	\$10,941	5.47%
March	\$219,370	\$224,399	\$5,029	2.51%
April	\$224,399	\$238,454	\$14,055	7.03%
May	\$238,454	\$246,379	\$7,925	3.96%
June	\$246,379	\$262,034	\$15,655	7.83%
July	\$262,034	\$274,632	\$12,598	6.30%
August	\$274,632	\$278,301	\$3,669	1.83%
September	\$278,301	\$284,374	\$6,073	3.04%
October				
November				
December				
YTD Totals	\$200,000		\$84,373	42.19%
Avg	9		\$9,375	4.69%
Total Trades	82			
Wins	59			
Losses	23			
Win/Loss Ratio	72%			
YTD P/L	\$84,373			
Max Weekly DD	(\$5,099)			
PL:WDD Ratio	1655%			
Max Weekly Risk	(\$10,000)			
PL:MaxRisk	844%			

WPT-System YTD Performance

<i>2009 WPT System Portfolio Traded on a \$200,000 Account</i>				
Month	Beginning Equity	Ending Equity	Monthly P/L	Monthly P/L %
January	\$200,000	\$203,003	\$3,003	1.50%
February	\$203,003	\$204,988	\$1,985	0.99%
March	\$204,988	\$213,128	\$8,140	4.07%
April	\$213,128	\$228,470	\$15,342	7.67%
May	\$228,470	\$234,797	\$6,327	3.16%
June	\$234,797	\$248,406	\$13,609	6.80%
July	\$248,406	\$263,004	\$14,598	7.30%
August	\$263,004	\$281,622	\$18,618	9.31%
Septmeber	\$281,622	\$291,058	\$9,436	4.72%
October				
November				
December				
YTD Totals	\$200,000		\$91,058	45.53%
Avg	9		\$10,118	5.06%
Total Trades	97			
Wins	64			
Losses	33			
Win/Loss Ratio	66%			
YTD P/L	\$91,058			
Max Weekly DD	(\$20,391)			
PL:WDD Ratio	447%			
Max Weekly Risk	(\$10,000)			
PL:MaxRisk	911%			

WPT- YTD Equity Curves



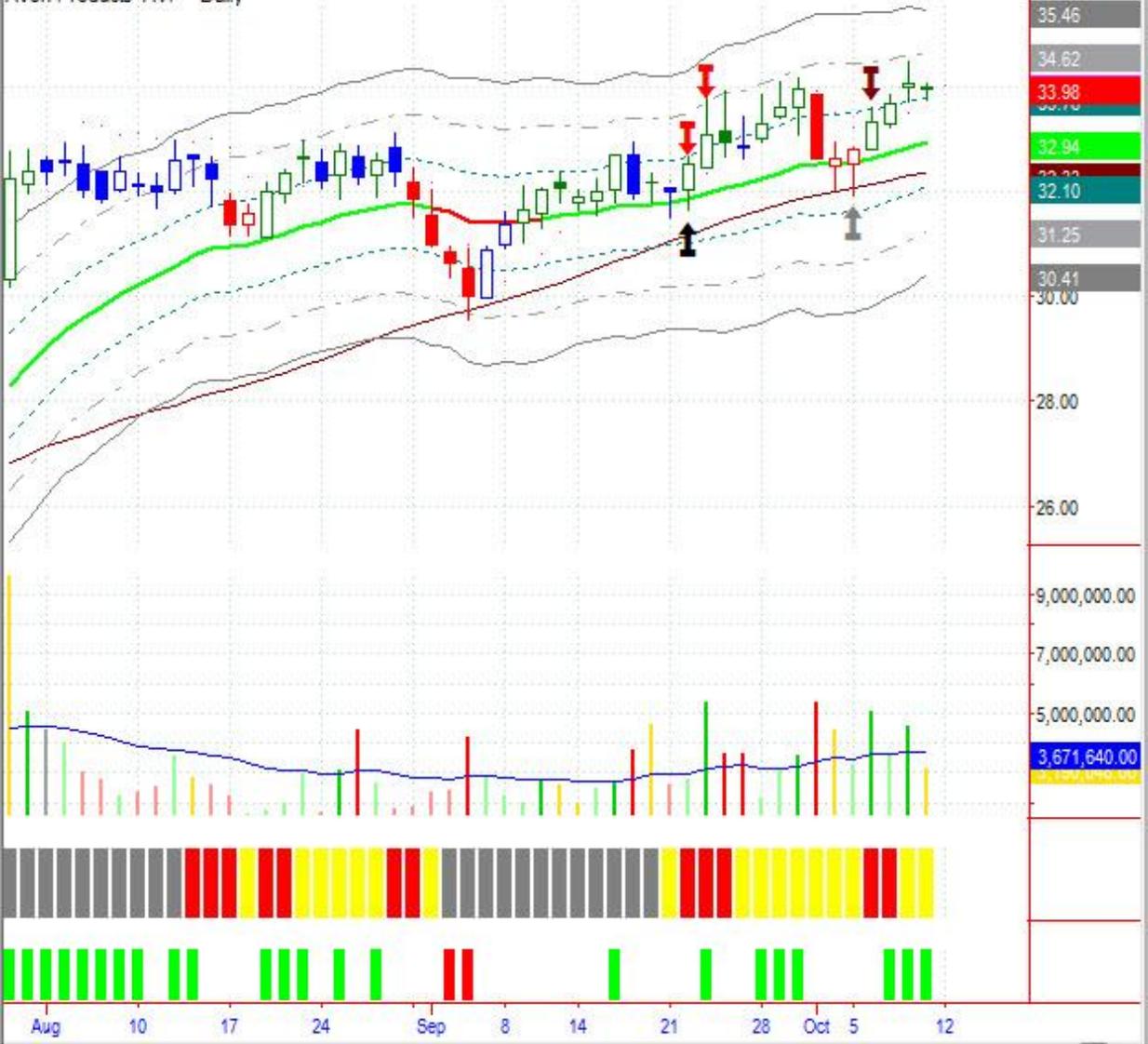
September Trades

↑ ↓ WPT System and KLL Trades

↑ ↓ WPT System Trades only

↑ ↓ WPT KLL Trades only

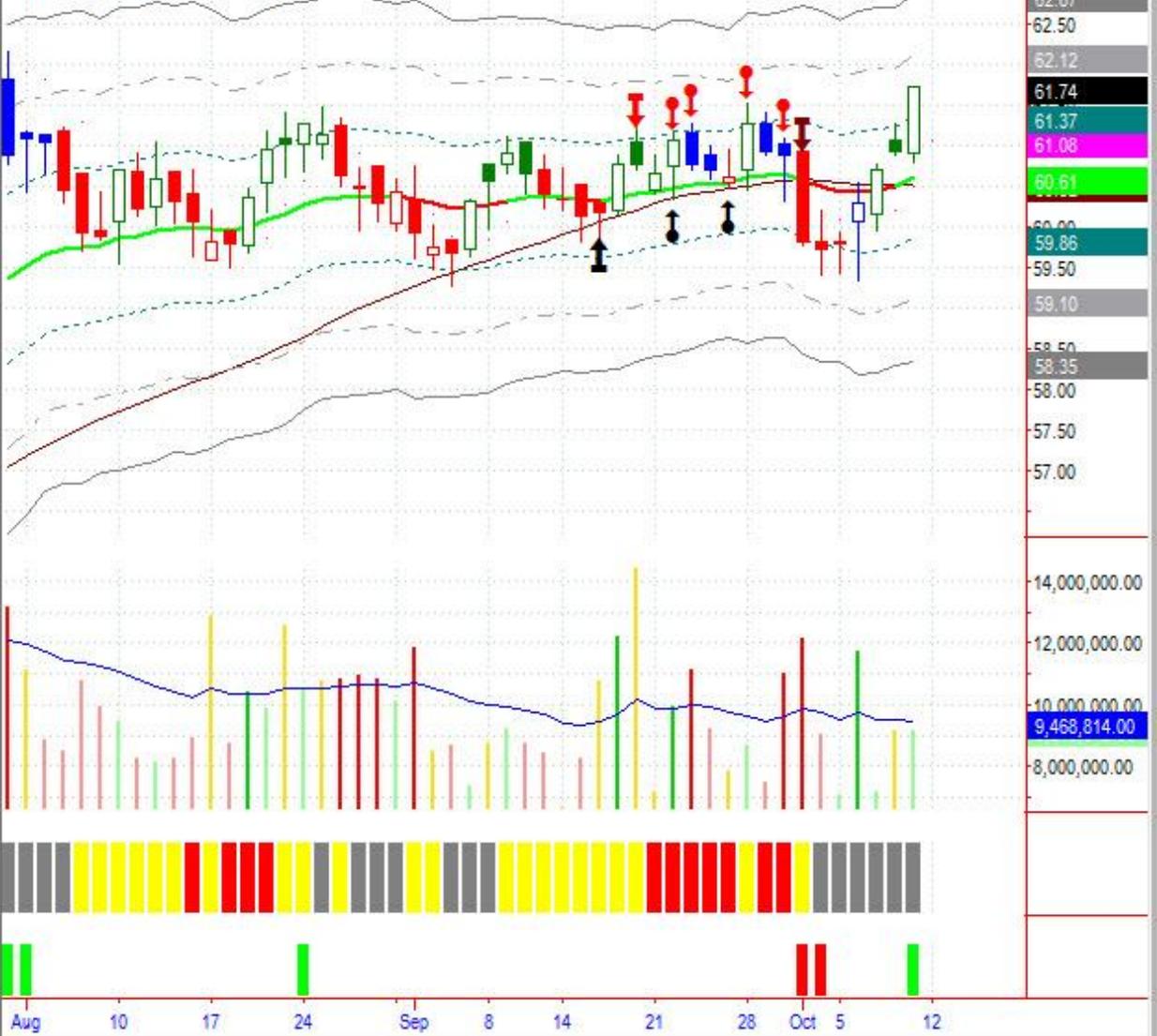
Avon Products AVP - Daily



Cerner Corp CERN - Daily



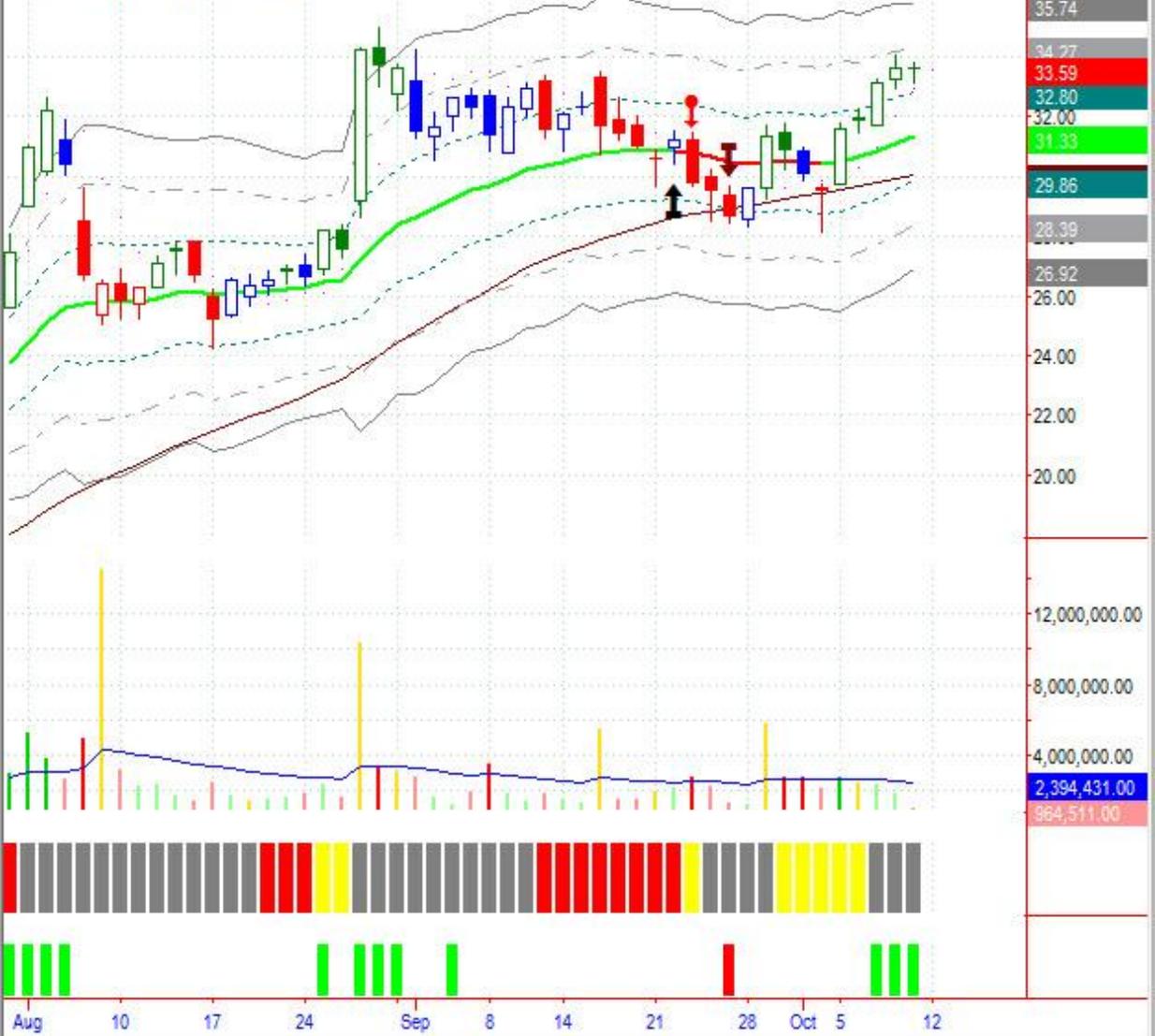
Johnson & Johnson JNJ - Daily



Netflix Inc NFLX - Daily



Oshkosh Corporation OSK - Daily



Southern Company Inc SO - Daily

