

First Saturday Report – October 2015 Results

5 of 5 Portfolios Make Gains Averaging 14.1% for October, 166% Better Than the Market Gain

October was a great week for the market, the best month in 4 years. The S&P 500 gained 5.3%, but this wonderful gain was dwarfed by the 14.1% average gain for our 5 portfolios tracking individual stocks.

This is the first *First Saturday Report* for Terry's Tips. It is designed to be a simple report on how well our *10K Strategy* portfolios based on individual companies are performing. There will not be a lot of discussion of options. Instead, we will avoid becoming unduly alarmed (or pleased) by weekly gyrations of portfolio values, and just report the monthly performance for every portfolio.

The *First Saturday Report* is designed for subscribers who interested in having some of their money in potentially above-average investment vehicles without learning all about the often complicated and confusing world of options. We hope to appeal to investors who are more interested in the bottom line returns than they are the Greeks. We expect most of these subscribers to participate in the Auto-Trade program at *thinkorswim*.

The *First Saturday Report* will be published (no surprise here) on the first Saturday of each calendar month. Portfolio performance will be based on the prior 4 or 5 weeks since the last *First Saturday Report*. (This first report is actually coming out on the first Sunday, but in five years, we expect that no one will remember our mistake).

In October 2015, the market (i.e., the S&P 500 tracking stock, SPY) rose 5.3% and our SPY portfolio (*SPY 10K Classic*) rose 13.7%.

Costco (COST) rose 8.4% and our COST portfolio (*Rising Tide*) rose 7.7%

Facebook (FB) rose 8.5% and our FB portfolio (*Foxy Facebook*) rose 17.4%.

Nike (NKE) rose 4.6% and our NKE portfolio (*Vista Valley*) rose 5.4%.

Starbucks (SBUX) rose 7.7% and our SBUX portfolio (*Java Jive*) rose 26.7%.

Next month we will also report on our new portfolio based on Johnson & Johnson (JNJ). We call this portfolio *JNJ Jamboree*. It will start with \$5000 in the first week of November.

The average percentage change of the five underlying stocks for the month of October was 6.9% while the average portfolio gained 14.1%. On average, our portfolios outperformed their underlying stocks by 104% and outgained the market by 166%.

First Saturday Summary | Report

Results for October 2015

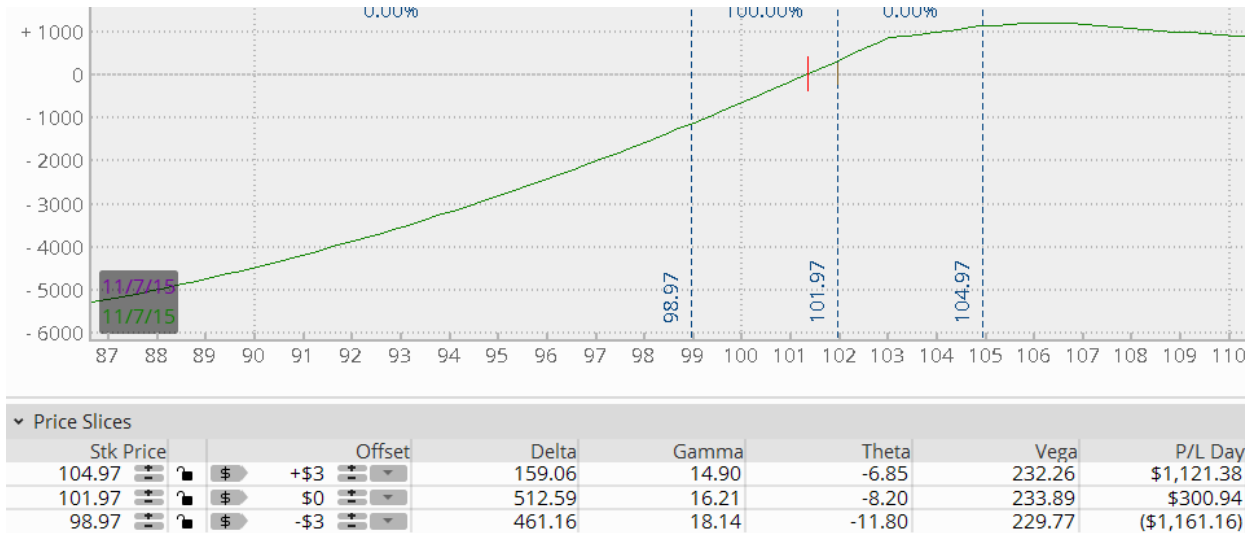
Portfolio	Start Date	Start Value	Today's Value*	Total % Change	Last Mo. Value	Today's Value*	Mo. % Change
Foxy FaceBook	10/15	\$6,000	\$7,046	+17.4%	\$6,000	\$7,046	+17.4%
FB Underlying		\$94.00	\$102.00	+8.5%	\$94.00	\$102.00	+8.5%
Java Jive	1/14	\$4,000	\$9,428	+135.7%	\$7,440	\$9,428	+26.7%
SBUX Underlying		\$42.22	\$62.57	+48.2%	\$58.08	\$62.57	+7.7%
Rising Tide*	6/13	\$2,500	\$7,557	+202.3%	\$7,018	\$7,557	+7.7%
COST Underlying		\$118.00	\$158.12	+34.0%	\$145.86	\$158.12	+8.4%
SPY 10K Classic	10/15	\$5,000	\$5,685	+13.7%	\$5,000	\$5,685	+13.7%
SPY Underlying		\$197.50	\$207.93	+5.3%	\$197.50	\$207.93	+5.3%
Vista Valley	7/13	-\$1600**	\$4,298	n.a.	\$4,078	\$4,298	+5.4%
NKE Underlying		\$118.00	\$131.03	+11.0%	\$125.21	\$131.03	+4.6%
* Portfolio had 2-for-1 split in September 2015							
**Portfolio started with \$4000 and \$5600 withdrawn in December 2014.							
Average Stock Price Change for October = + 6.9%							
Average Portfolio Value Change for October = +14.1%							

Detailed Summary of Each Portfolio: The remainder of this *First Saturday Report* will list the current actual positions of each portfolio. You will notice that the portfolios consist of long calls in the Jan-16 through Apr-16 options series while short positions exist in several short-term weeklies. Each Friday, about one-fourth of the short-term options expire, and this allows us to tweak the risk profile of the portfolio depending on how well or poorly the stock performed during that week. This avoids the necessity of making big adjustment trades whenever the underlying stock makes a big move in either direction.

Summary of Foxy FaceBook Portfolio.

		Foxy FaceBook						
Price		\$101.97	Portfolio Gain since 10/5/15 =		+17.4%			
Option	Strike	Symbol	Price	Total	Delta	Gamma	Theta	
-4	NOV1 15 C	103	FB151106C103	\$2.80	(\$1,118)			
-1	NOV1 15 C	105	FB151106C105	\$1.96	(\$196)			
-1	NOV1 15 C	106	FB151106C106	\$1.62	(\$162)			
-1	NOV1 15 C	107	FB151106C107	\$1.32	(\$132)			
-1	NOV2 15 C	104	FB151113C104	\$2.78	(\$278)			
3	Mar-16 C	97.5	FB160318C97.5	\$10.90	\$3,270			
3	Mar-16 C	100	FB160318C100	\$9.48	\$2,843			
4	Mar-16 C	105	FB160318C105	\$7.03	\$2,810			
				Cash	\$8	229	-19	\$117
2	Total Account Value				\$7,046	3.3%		
							Annualized ROI at today's net Theta:	606%

Results for the Month: With FB at \$102, up \$8.00 (8.5%) for the month, the portfolio gained \$1046, or 17.4%. This is an unusually strong first month for our newest portfolio based on an individual stock. FB rose nicely and the stock performed a little better than twice as well as the stock. Next Wednesday the company announces earnings and the current high option prices will plummet. We have 2 uncovered long calls and will probably sell at least one Nov1-15 call before the announcement. The risk profile graph below assumes that the option prices (implied volatility) for the March long calls will fall by 5 percentage points after the announcement. The graph shows that the portfolio will enjoy moderate gains if the stock is flat through the week, and better gains if it moves higher. There is little downside protection, however, and selling an extra call or two before Wednesday will ease that situation a bit.



Summary of Java Jive Portfolio

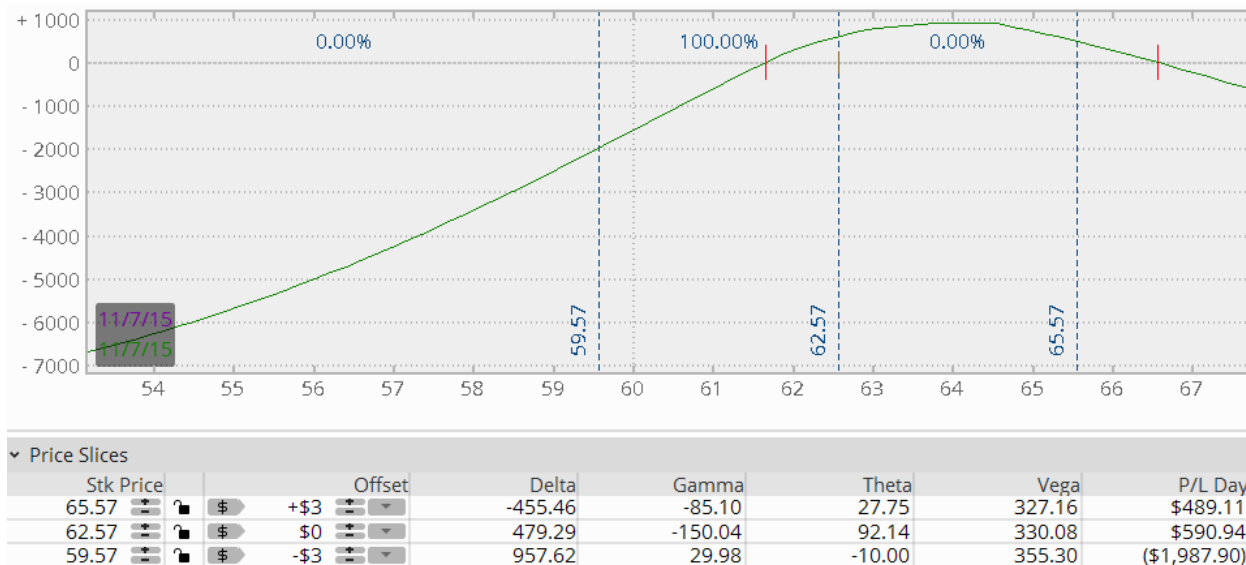
Java Jive
Portfolio Gain since 1/14/2015 = +135.7%

#	Option	Strike	Symbol	Price	Total	Delta	Gamma	Theta
-3	NOV1 15 C	62	SBUX151106C62	\$1.19	(\$357)			
-2	NOV1 15 C	63	SBUX151106C63	\$0.66	(\$132)			
-3	NOV1 15 C	64.5	SBUX151106C64.5	\$0.20	(\$60)			
-4	NOV2 15 C	63	SBUX151113C63	\$0.89	(\$354)			
-3	NOV2 15 C	64	SBUX151113C64	\$0.55	(\$165)			
-3	Nov-15 C	63	SBUX151120C63	\$1.10	(\$329)			
-3	Nov-15 C	64	SBUX151120C64	\$0.72	(\$215)			
-2	NOV4 15 C	65	SBUX151127C65	\$0.70	(\$139)			
11	Apr-16 C	60	SBUX160415C60	\$5.40	\$5,940			
5	Apr-16 C	62.5	SBUX160415C62.5	\$3.88	\$1,938			
2	Jun-16 C	60	SBUX160617C60	\$6.15	\$1,230			
5	Jun-16 C	65	SBUX160617C65	\$3.53	\$1,763			
	Cash			\$308		402	-226	\$56
0	Total Account Value			\$9,428		4.3%		
				Annualized ROI at today's net Theta:				217%

Results for the week: With SBUX at \$62.57, up \$4.49 (7.7%) for the month, the portfolio gained \$1988, or 26.7%. This was one wonderful month. SBUX announced earnings the day before the Nov1-15 options expired. These options were sky-high because of the upcoming uncertainty concerning the announcement. Earnings pretty much met expectations while sales slightly exceeded expectations, and forward guidance was a little disappointing, but not enough to depress the stock. The net result was that the stock was absolutely flat after the announcement. This is the perfect scenario for our *10K Strategy*, and the flat market resulted in one of our best months ever. The portfolio outperformed the stock price by nearly 3 ½ times, once again proving that a well-designed options portfolio can dramatically outperform the outright purchase of the company stock (especially true when the stock is flat or rises moderately).

Since the portfolio value is now more than double its starting \$4000 value, next month we expect to declare a 2-for-1 split like we recently did in the *Rising Tide* (COST) portfolio. This will allow new subscribers who would like to Auto-Trade this portfolio to get started with about \$4800 rather than double the amount. Current subscribers to the portfolio who wish to continue will have two units instead of one.

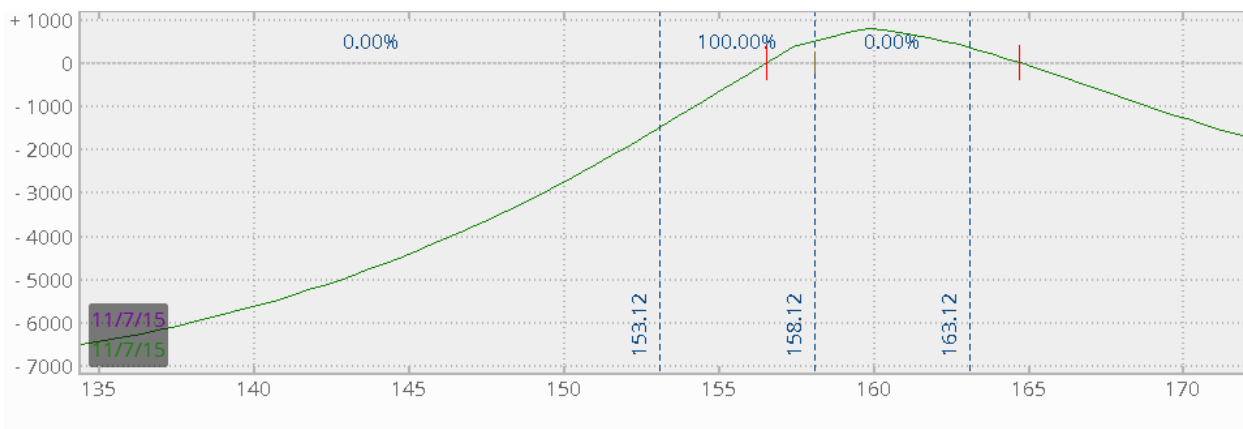
The risk profile graph for next week looks most encouraging for a stock that remains flat or moves higher by \$3 or less. We can't expect another 26.7% gain for at least 3 months until the next announcement, but the possible gains for next week don't look so shabby either. A flat or moderately higher stock price should result in about a 5% gain for the week.



Summary of Rising Tide Portfolio This portfolio has one spread that is not part of our *10K Strategy*. With COST at \$154 in early October, we sold the Apr-16 145 – 155 vertical put credit spread which will yield a 61% gain in 6 months if COST is trading at any price above \$155 at the April expiration (in which case both put options will expire worthless). We had earlier made a similar 5-month trade which expired in October (this one betting that COST would end up above \$140) which gained 51% after commissions.

		Rising Tide						
		Price:	\$158.12	Portfolio Gain since 6/15/13 =	+202.3%			
Option	Strike	Symbol	Price	Total	Delta	Gamma	Theta	
-2	NOV1 15	C 157.5	COST151106C157.5	\$1.90	(\$380)			
-2	NOV1 15	C 160	COST151106C160	\$0.78	(\$155)			
-2	NOV2 15	C 160	COST151113C160	\$1.09	(\$218)			
-1	NOV2 15	C 162.5	COST151113C162.5	\$0.44	(\$44)			
-3	Nov-15	C 160	COST151120C160	\$1.41	(\$422)			
1	Apr-16	P 145	COST160415P145	\$3.17	\$317			
6	Apr-16	C 155	COST160415C155	\$9.10	\$5,460			
-1	Apr-16	P 155	COST160415P155	\$6.18	(\$618)			
4	Apr-16	C 160	COST160415C160	\$6.43	\$2,570			
				Cash	\$1,045	178	-60	\$44
Total Account Value					\$7,557	2.4%		
0				Annualized ROI at today's net Theta:				213%

Results for the week: With COST up \$12.26 (8.4%) for the month, the portfolio gained \$539, or 7.7%. While we never complain about making gains, this month's gain was our worst October result of all the portfolios. It is rare that our portfolio gain is less than the stock price gain. Since we maintain a positive net delta for the portfolio at all times, the portfolio gain should be much greater than the percentage stock gain since we are also collecting decay from the short calls. This month saw some unusual volatility in the stock that dampened results. Wal-Mart (WMT) came out with a pessimistic outlook, and the market reacted strongly against many retailers. COST was sold down below \$150 but then recovered after we had adjusted to the lower price range. Looking forward, the risk profile graph is quite encouraging if the stock can manage to stay flat or move moderately higher. It shows a possible 7% gain for next week across a fairly wide range of possible stock prices. Our break-even range extends only a little over a dollar on the downside, making us a little more bullish than we would like to be, but we will be slow to adjust in that direction. We have done that in the past and ended up wishing we hadn't (such as last month).



Price Slices									
Stk Price			Offset	Delta	Gamma	Theta	Vega	P/L Day	
163.12		\$	+\$5	-197.99	-29.07	15.03	338.72	\$351.19	
158.12		\$	\$0	186.58	-30.07	85.69	350.83	\$505.41	
153.12		\$	-\$5	428.36	9.91	-12.78	377.55	(\$1,494.83)	

Summary of SPY 10K Classic Portfolio..

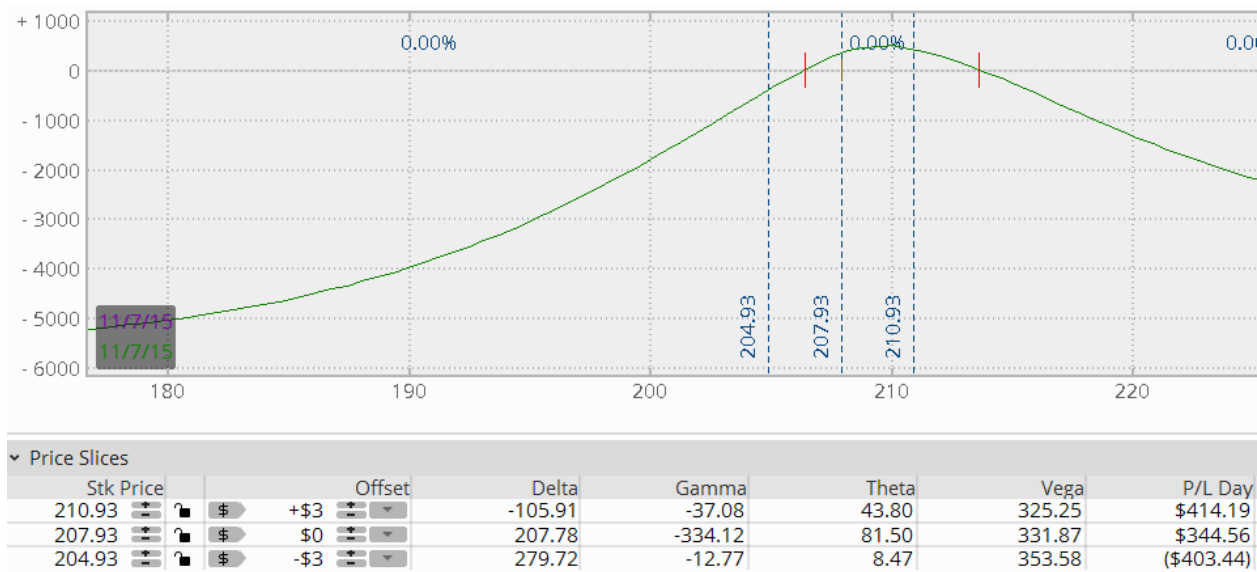
SPY 10K Classic
Price: \$207.93 Portfolio Gain since 10/5/15 = +13.7%

#	Option	Strike	Symbol	Price	Total	Delta	Gamma	Theta
-1	NOV1 15 C	208	SPY151106C208	\$1.45	(\$145)			
-1	NOV1 15 C	210	SPY151106C210	\$0.54	(\$54)			
-1	NOV2 15 C	209	SPY151113C209	\$1.52	(\$152)			
-2	NOV2 15 C	210	SPY151113C210	\$1.07	(\$213)			
-1	Nov-15 C	207	SPY151120C207	\$3.26	(\$326)			
-1	Nov-15 C	210	SPY151120C210	\$1.57	(\$157)			
-1	Nov-15 C	211	SPY151120C211	\$1.14	(\$114)			
1	Mar-16 C	202	SPY160318C202	\$11.15	\$1,115			
2	Mar-16 C	204	SPY160318C204	\$9.75	\$1,950			
1	Mar-16 C	206	SPY160318C206	\$8.41	\$841			
1	Mar-16 C	207	SPY160318C207	\$7.78	\$778			
1	Mar-16 C	209	SPY160318C209	\$6.56	\$656			
1	Mar-16 C	210	SPY160318C210	\$5.99	\$599			
1	Jun-16 C	211	SPY160617C211	\$7.99	\$799			
			Cash		\$107	112	-44	\$30
0	Total Account Value				\$5,685	2.0%		

Annualized ROI at today's net Theta: 193%

Results for the week: With SPY up \$10.43 (5.3%) for the month, the portfolio gained \$685 or 13.7%. This is a great start to a portfolio which is only 4 weeks old. Over the last month, we accomplished our goal of having 8 long calls in this portfolio so that we could have 2 calls expiring each week over a 4-week period. (It doesn't always work out that way, however, because when we roll over each Friday, if the best way to adjust the risk profile is selling an at-the-money call, we prefer to sell that in the next weekly series rather than going out 4 weeks. Hopefully, the 2-expiring-each-week arrangement can be fixed on the subsequent Friday, but sometimes that can't be done and we end up with an uneven arrangement like we presently have. Looking forward, the risk profile graph points out that our break-even range extends only about \$1.50 to the downside while we could handle almost a

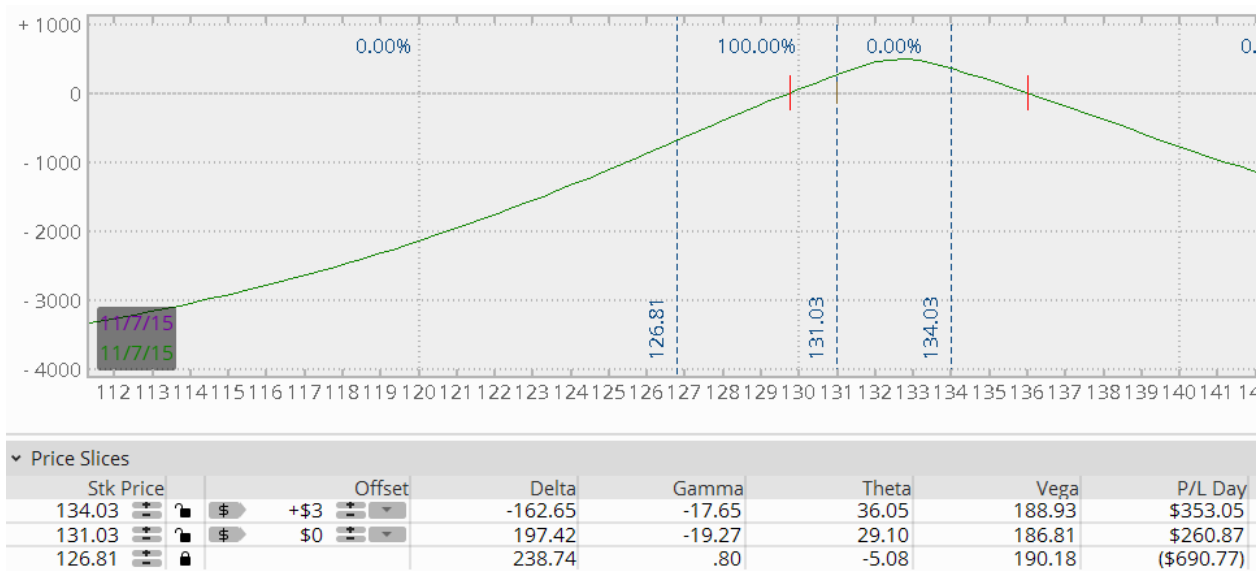
\$5 gain on the upside next week. A flat or moderately higher stock price should give us about a 5% gain next week.



Summary of Vista Valley Portfolio This portfolio was originally set up with \$4000 in July 2013. Seventeen months later, in December 2014, it was worth \$10,560, for a gain of 164%, and \$5600 was withdrawn from the portfolio. Over those months, the stock rose from \$63.11 to \$94.84, or 50.3%. Our portfolio gained more than 3 times as much as the stock.

Vista Valley									
Price:	\$131.03	Portfolio Gain since 7/13/13 =	+147.4%						
Option	Strike	Symbol	Price	Total	Delta	Gamma	Theta		
-1	NOV1 15 C	132 NKE151106C132	\$0.92	(\$92)					
-2	NOV1 15 C	133 NKE151106C133	\$0.56	(\$111)					
-1	NOV2 15 C	131 NKE151113C131	\$2.06	(\$206)					
-1	NOV2 15 C	132 NKE151113C132	\$1.57	(\$157)					
-1	NOV2 15 C	134 NKE151113C134	\$0.85	(\$85)					
4	Apr-16 C	130 NKE160415C130	\$8.93	\$3,570					
2	Apr-16 C	135 NKE160415C135	\$6.45	\$1,290					
			Cash	\$87	91	-43	\$25		
0	Total Account Value			\$4,298	2.1%				
			Annualized ROI at today's net Theta:					212%	

Results for the week: With NKE up \$5.82 (4.6%) for the month, the portfolio gained \$220 or 5.4%. This is a disappointing result for October. There was unusual volatility this month that reduced our expected gains. Looking forward, the risk profile graph shows that we should expect as much next week as we made all last month if the stock is flat or moderately higher. We don't have a lot of downside protection, however, about a dollar, while we have almost 5 times that amount on the upside. Let's hope for a flat or higher week to get the month started off well.



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