American Association Of Individual Investors

Portland, Oregon

January 13, 2018

Terry J. Atzen

- Over 50 years of investment advisory, management and consulting experience

- 30 years on Wall Street

- 19 years as an Independent Advisor

- Author/Creator of "The Investment Compass"™ - E book

- Second Book - "K.I.S.S – Keep Investing Shamelessly Simple" (Available next month in paper-back)

- Owner of an on-line investment coaching service

- Coach/Trainer for Investment Firms and Advisors

- Seeking Alpha - Contributing Author

- Montana's Investment Coach

"I'm in love with Montana. For other states I have admiration, respect, recognition and
even some affection.

But with Montana it is love."

John Steinbeck

"If you have an apple and I have an apple and we exchange these apples, then you and I will still each have one apple. But if you have an idea and I have an idea and we exchange these ideas, then each of us will have two ideas." –

George Bernard Shaw

Investor's Challenges

- News media – Print ,TV, the Internet and Investment Pundits
- Wall Street
- Taxes
- FED
- Timing, Timing, Timing
- It's a Jungle Out There
- What You Don't Know <u>Can</u> Hurt You
- Fear/Greed
- Self Beliefs

-Confusion

-Misleading Info

-Contradictory Info

-Bias

-Sensationalizing

There is a lot of "Noise"

"The Silver Rally Is Just Getting Started"

"Silver: Don't Buy the Plunge - CBS News"

"U.S. economy growth slowed to 2.6% pace at end of 2014"

"**Eurozone deflation gathers pace**"

"Celebrities and Their 'Genius' Business Ventures That Flopped"

"Top Ten Stocks To Buy....Now!"

"Stocks to Sell Now-Kiplinger"

Don't Buy Stocks Now – Money Beat – WSJ

Russia slashes interest rates to avert slump

Middle class families are on financial thin ice

"Now I Get It: Iran Nuclear Showdown"

Revolving Door' Between Fed and Banks Spins Faster

"Asset Bubble Risk If Fed Keeps Rates Too Low"

What investment challenges?

- News media – Print ,TV, the Internet and Investment Pundits
- Wall Street
- Fees and more Fees
- Taxes
- FED
- Timing, Timing, Timing
- It's a Jungle Out There
- What You Don't Know <u>Can</u> Hurt You
- Self Beliefs

1..Conflict Of Interest – Investment Bankers and Brokers
2. Limited Financial Solutions
3. Fees & Commissions

Investor's Challenges

- News media – Print ,TV, the Internet and Investment Pundits
- Wall Street
- Taxes
- FED
- Timing, Timing, Timing
- It's a Jungle Out There
- What You Don't Know <u>Can</u> Hurt You
- Fear/Greed
- Self Beliefs

Natural disasters
Political unrest
International unrest
Election results
Illnesses or debilitating accidents

Self Beliefs:

1. I'm not smart enough

2. Making money is evil

3. I'm not worthy

4. I don't have the time

5. It's too complicated

6. It won't work for me

- Simplifying
or
- Keep it Simple

Oftentimes means an Improvement

My Favorite Story about Simplifying:

NASA

"Keep Investing Shamelessly Simple"

Simple Step #1:

What makes (influences, causes) Stocks Go Up and/or Down?

Buyers and Sellers

The Prevalence of One or The Other

More Buyers – Price goes Higher
More Seller – Price goes Lower

Simple Step #2:

What is the Best Indicator to Monitor Buyers & Sellers?

Where can I find the data to track what Buyers and Sellers are doing?

The Point & Figure Chart

The Point-and-Figure (PNF) charts are the classic graphic representation of supply and demand.

What are the buyers doing and what are the sellers doing?

Where is there support and where is there resistance?

SPY SPDR S&P 500 ETF NYSE
20-Sep-2017, 14:43 ET, daily, O: 250.07, H: 250.19, L: 248.92, C: 249.13, V: 28486608, Chg: -0.84 (-0.34%)
P&F Pattern Ascending Triple Top Breakout on 11-Jul-2016
Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

Light Crude Oil - Spot Price (EOD) ($WTIC) CME

02-Feb-2015, 16:00 ET, daily, O: 47.59, H: 50.56, L: 46.67, C: 49.83, V: 486336, Chg: +1.98 (4.14%)

No New P&F Pattern

Traditional, 3 box reversal chart

Bearish Price Obj. (Rev.): Met (78.0)

© StockCharts.com
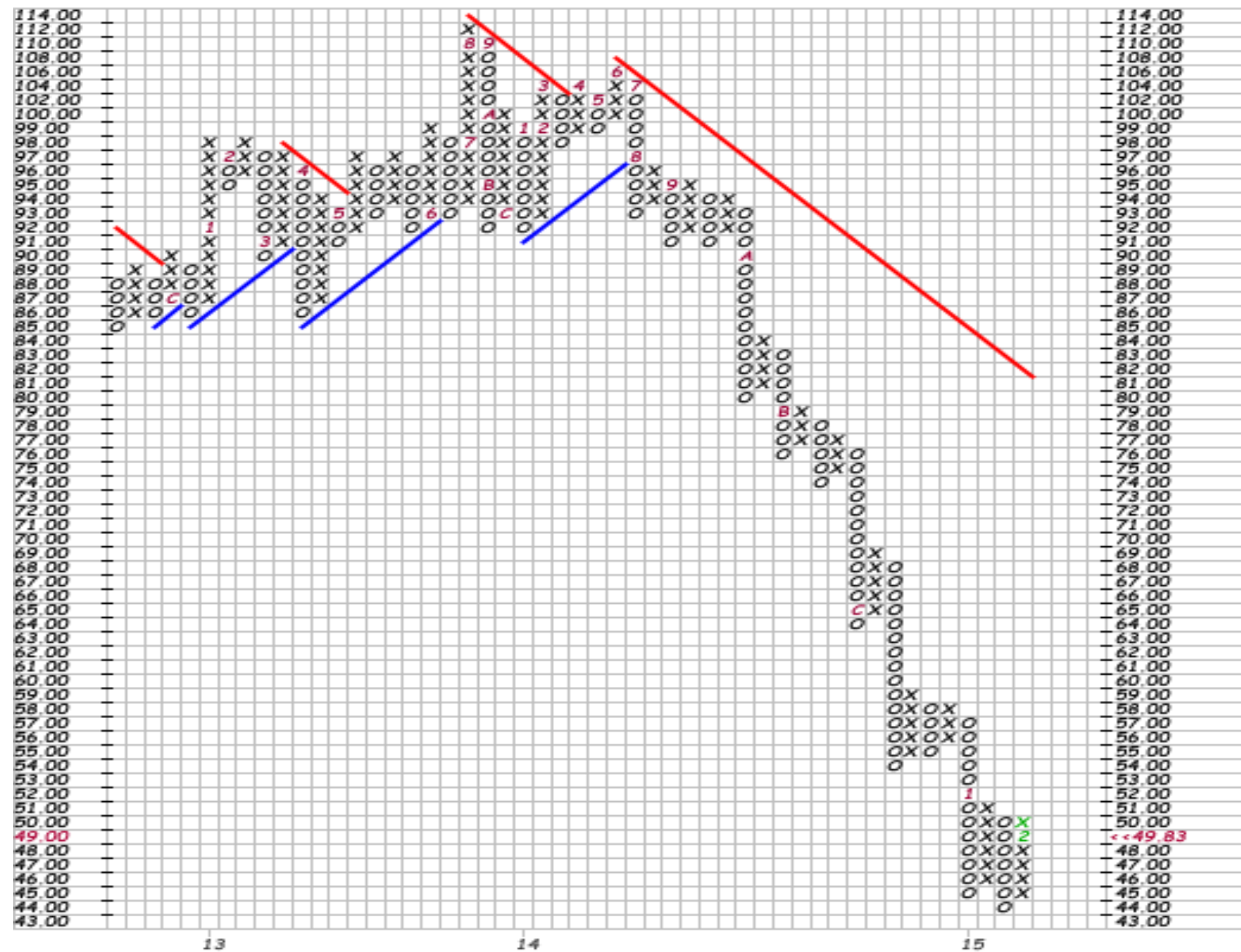
Simple Step #3:

Choose an Investment Vehicle

The Simplest Vehicle for me is an ETF

ETFs

Over 4,000 Investment Choices

Indices, Sectors, Various Caps Stocks, Bonds, Commodities, Foreign

EQUITY ETFs
(yearly net inflows, billion dollars)

Feb
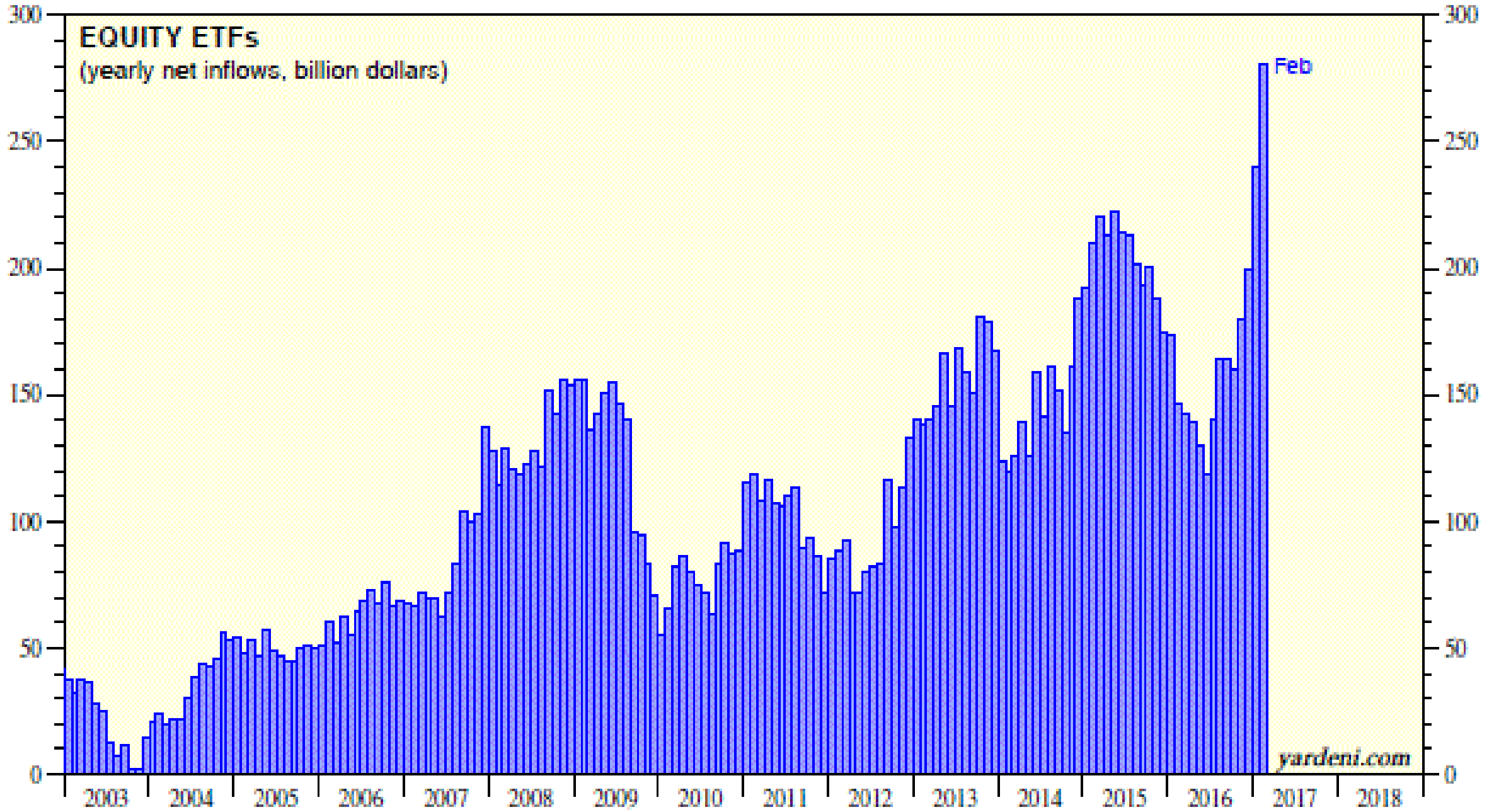
Source: Investment Company Institute.

yardeni.com

Features of ETFs:

- 1. Liquidity
- 2. Diversification/Asset Allocation
- 3. Low fees
- 4. Income
- 5. Transparency – Portfolio & Price
- 6. Access to Niche Markets
- 7. Eliminate Management Risk
- 8. Choices for both Up and Down Markets

Characteristics
of
An Ideal Investment:

Liquidity

Diversification

No Correlation

Simplicity – ease of management

Low fees

Income

Positive return in both Up and Down Markets

And finally, Good Performance

With these virtually matching the characteristics of "the perfect" investment, I have chosen to go with ETFs as my investment vehicle of choice.

Missing characteristic?

Performance!

Simple Step # 4:

Build a Portfolio

To Include All Characteristics of a

Perfect Investment

Initial Principle Markets:

US Stocks

US Bonds

Gold

Energy (Crude Oil)

This became my:

Investment Compass

And I named it:

"The Investment Compass"

The New
Investment Compass

1. US Stocks
2. Bonds
3. Gold
4. Crude Oil
5. Foreign Equities
6. US Dollar
7. Global Commodities
8. Real Estate

Allocation?

Ray Dalio's Allocation:

Stocks – 30%

Long Term Bonds – 40%

Intermediate Bonds – 15%

Gold – 7.5%

Commodities – 7.5%

The Investment Compass Allocation:

US Stocks – 12.5%

US Bonds – 12.5%

Gold – 12.5%

Crude Oil – 12.5%

Foreign Equities – 12.5%

US Dollar – 12.5%

Global Commodities – 12.5%

Real Estate – 12.5%

Comparison

- Dalio's Allocation:

- Stocks – 30%
- LT Bonds – 40%
- Intermed. Bonds – 15%
- Gold – 7.5%
- Commodities – 7.5%

- The Investment Compass Allocation:

- US Stocks – 12.5%
- US Bonds – 12.5%
- Gold – 12.5%
- Crude Oil – 12.5%
- Foreign Eqty – 12.5%
- US Dollar – 12.5%
- Commodities – 12.5%
- Real Estate – 12.5%

So, you ask?
What about Performance?

2012-2016

+ 21.6% average annual return

Simple Step #5:

Check to see if there is:

1. An Index
2. An ETF
3. And, An Inverse ETF

Break!

My First "Sell" Signal - 2008

SPY SPDR S&P 500 ETF NYSE
29-Aug-2008, 16:00 ET, daily, O: 106.846, H: 107.184, L: 105.841, C: 106.072, V: 229723664, Chg: -1.153 (-1.08%)
P&F Pattern Low Pole Reversal on 11-Aug-2008
Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

Moving forward:

SPY SPDR S&P 500 ETF NYSE

31-Dec-2008, 16:00 ET, daily, O: 74.012, H: 75.582, L: 73.838, C: 74.976, V: 233600528, Chg: +1.055 (1.43%)
No recent chart pattern found

Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

Followed by my first "Buy" Signal in 2009:

SPY SPDR S&P 500 ETF NYSE

29-May-2009, 16:00 ET, daily, O: 76.501, H: 78.408, L: 75.881, C: 77.429, V: 308717280, Chg: +1.348 (1.77%)

P&F Pattern Double Top Breakout on 29-May-2009

Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

SPY SPDR S&P 500 ETF NYSE

29-May-2009, 16:00 ET, daily, O: 76.892, H: 78.809, L: 76.269, C: 77.825, V: 307146944, Chg: +1.354 (1.77%)
No recent chart pattern found

Scaling: Traditional [Reversal: 3]
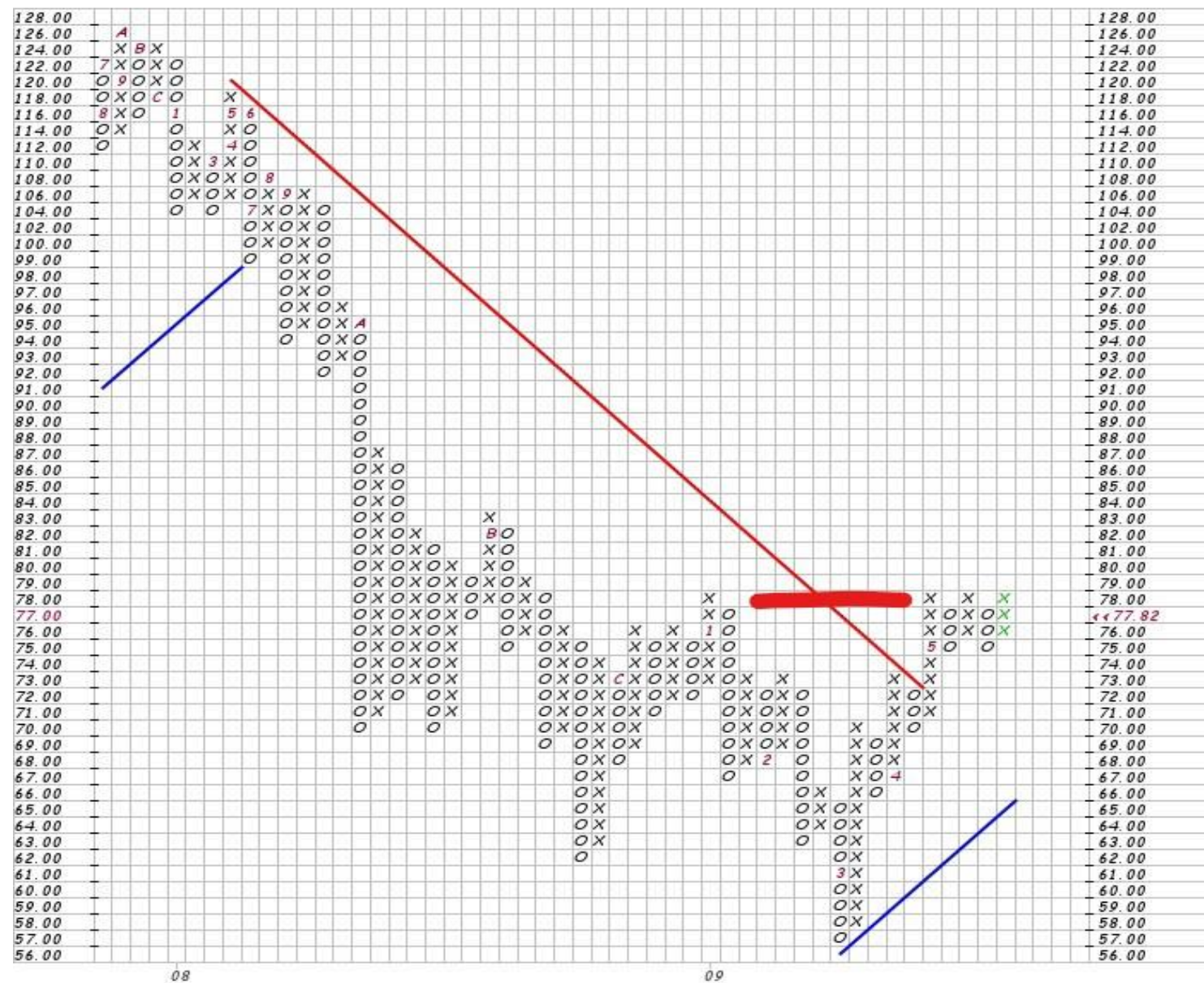
SPY SPDR S&P 500 ETF NYSE

31-Jul-2009, 16:00 ET, daily, O: 83.017, H: 83.707, L: 82.79, C: 83.152, V: 246362208, Chg: +0.118 (0.14%)

P&F Pattern Double Top Breakout on 16-Jul-2009

Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

Example of a Buy Signal (Adding the Inverse ETF)

1. Index – Buy Signal

2. ETF – Buy Signal

3. Inverse ETF – Sell Signal

$WTIC Light Crude Oil - Continuous Contract (EOD) CME
09-Jan-2018, 16:00 ET, daily, O: 61.92, H: 63.48, L: 61.80, C: 62.96, V: 826252, Chg: +1.23 (1.99%)
P&F Pattern Ascending Triple Top Breakout on 26-Dec-2017
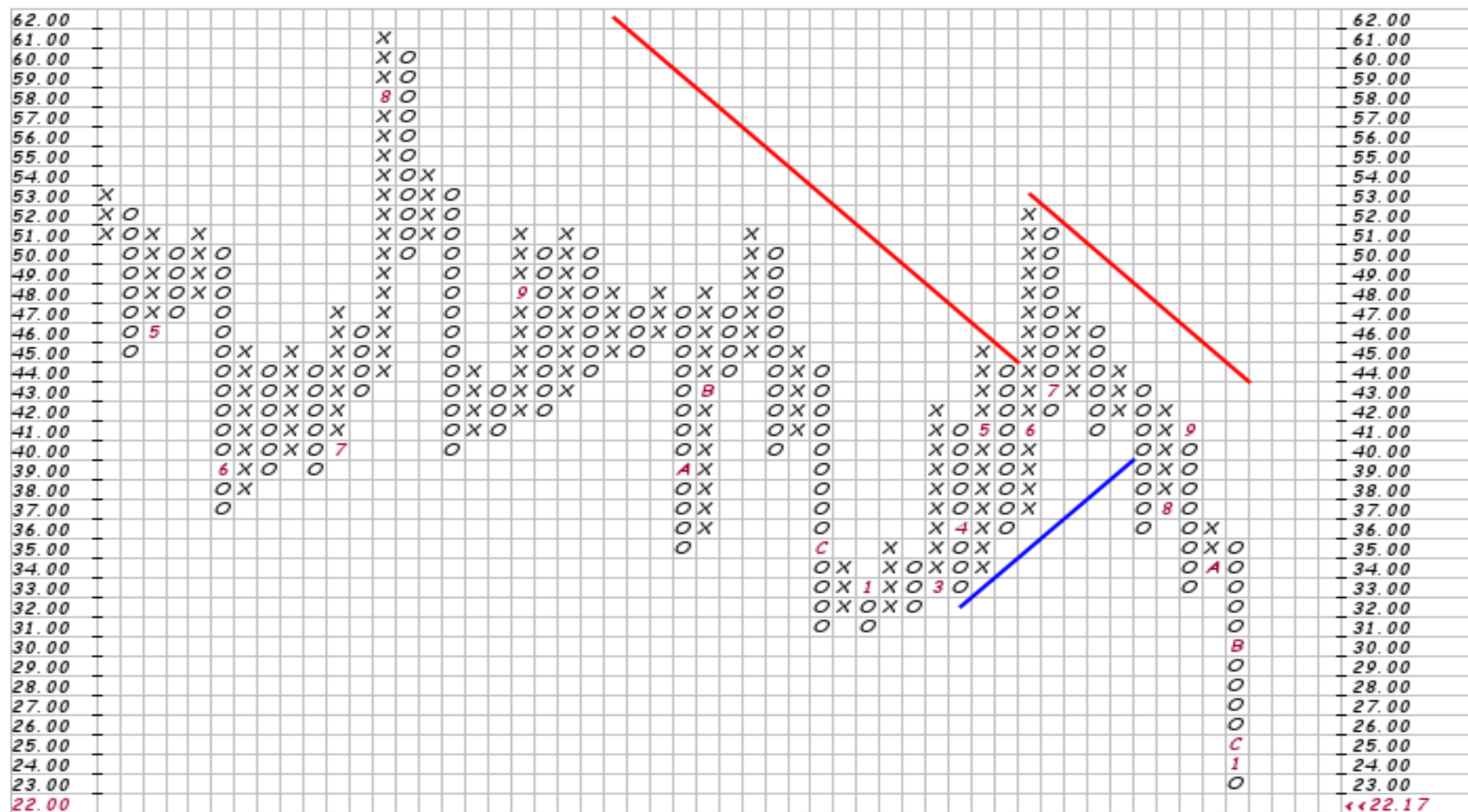Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

UCO ProShares Ultra Bloomberg Crude Oil NYSE

09-Jan-2018, 16:00 ET, daily, O: 24.97, H: 25.81, L: 24.77, C: 25.54, V: 4004767, Chg: +0.76 (3.07%)

P&F Pattern Ascending Triple Top Breakout on 27-Oct-2017

Scaling: Traditional [Reversal: 3]
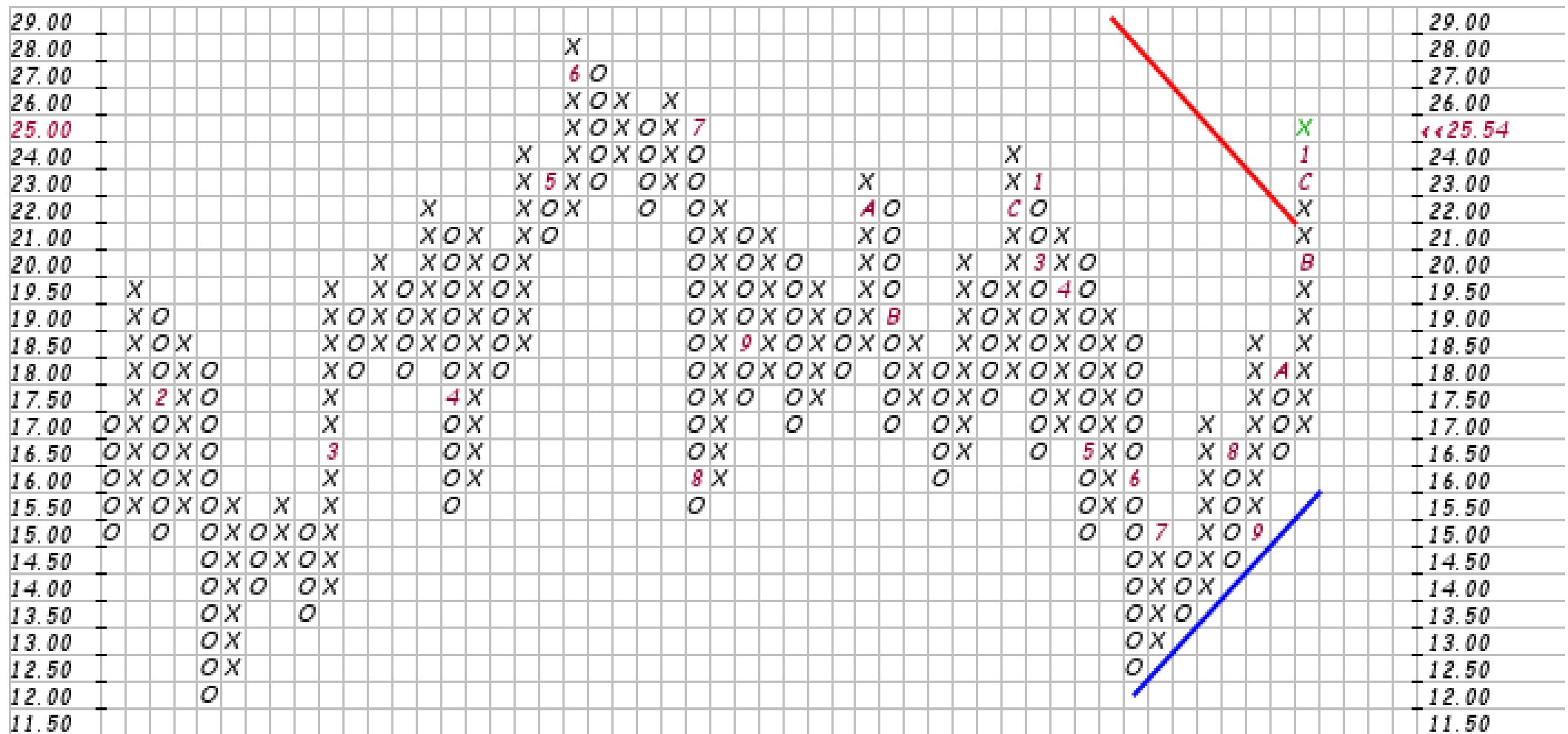
SCO ProShares UltraShort Bloomberg Crude Oil NYSE

10-Jan-2018, 9:31 ET, daily, O: 22.04, H: 22.17, L: 22.04, C: 22.17, V: 10310, Chg: -0.27 (-1.20%)

P&F Pattern Descending Triple Bottom Breakdown on 27-Oct-2017

Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

Example of Sell Signal

Index – Sell Signal

ETF – Sell Signal

Inverse ETF – Buy Signal

$WTIC Light Crude Oil - Continuous Contract (EOD) CME

28-Nov-2014, 16:00 ET, daily, O: 73.50, H: 73.56, L: 65.69, C: 65.99, V: 527868, Chg: -7.48 (-10.18%)

P&F Pattern Descending Triple Bottom Breakdown on 28-Nov-2014

Scaling: Traditional [Reversal: 3]

UCO ProShares Ultra Bloomberg Crude Oil NYSE
03-Nov-2014, 16:00 ET, daily, O: 238.70, H: 241.90, L: 226.50, C: 227.80, V: 336783, Chg: -12.60 (-5.24%)
P&F Pattern Descending Triple Bottom Breakdown on 03-Nov-2014
Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

SCO ProShares UltraShort Bloomberg Crude Oil NYSE

28-Nov-2014, 16:00 ET, daily, O: 24.815, H: 26.21, L: 24.695, C: 26.04, V: 2814508, Chg: +3.73 (16.72%)

P&F Pattern Triple Top Breakout on 03-Nov-2014

Scaling: Traditional [Reversal: 3]

If I had used this strategy in 2008?

Moving forward:

SPY SPDR S&P 500 ETF NYSE

31-Dec-2008, 16:00 ET, daily, O: 74.012, H: 75.582, L: 73.838, C: 74.976, V: 233600528, Chg: +1.055 (1.43%)
No recent chart pattern found

Scaling: Traditional [Reversal: 3]
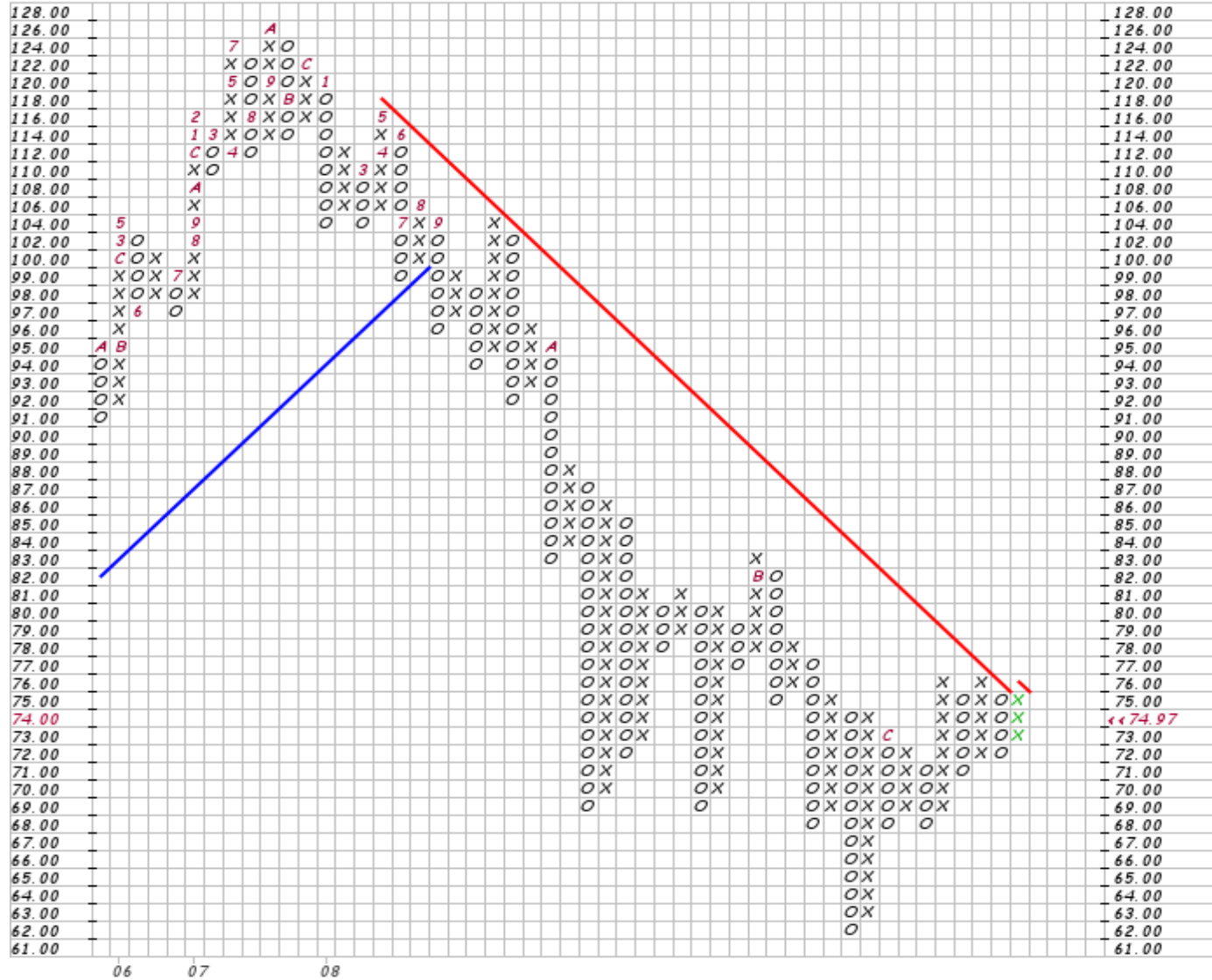
(c) StockCharts.com

Inverse S&P 500 ETF- 2008

SH ProShares Short S&P500 NYSE
02-Mar-2009, 16:00 ET, daily, O: 175.594, H: 180.451, L: 174.555, C: 179.911, V: 2440240, Chg: +8.115 (4.72%)
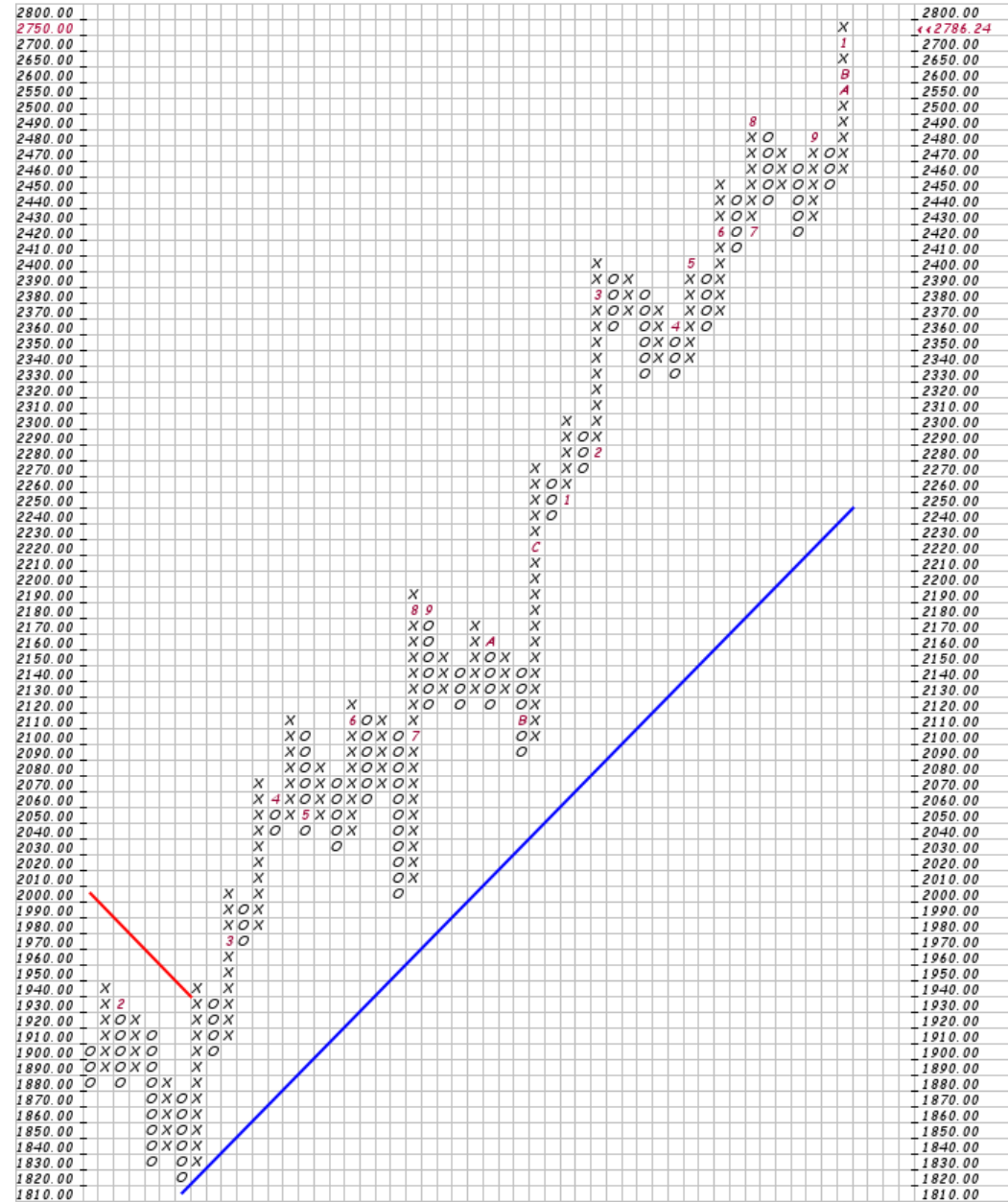**P&F Pattern** Ascending Triple Top Breakout on 27-Feb-2009
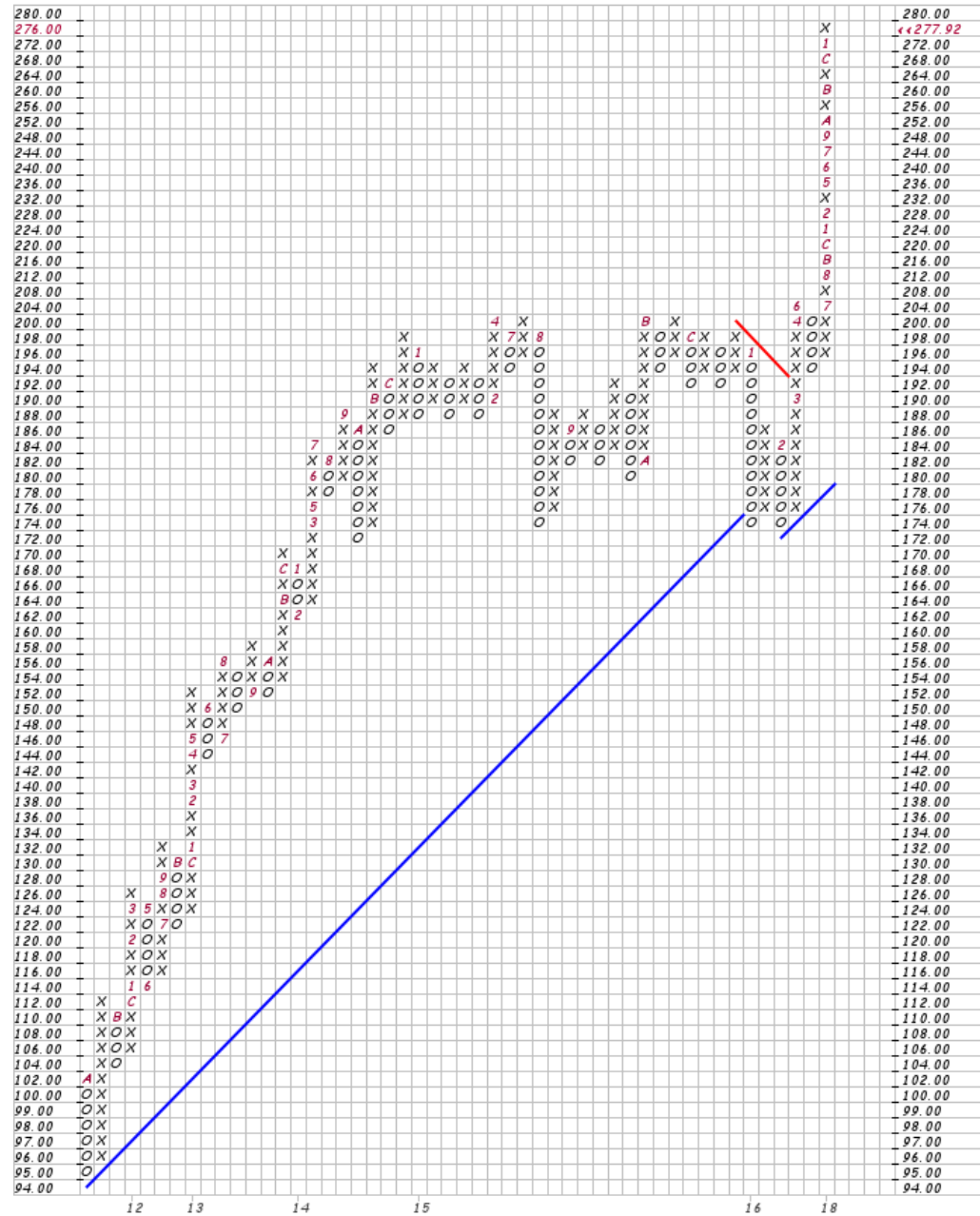Scaling: Traditional [Reversal: 3]
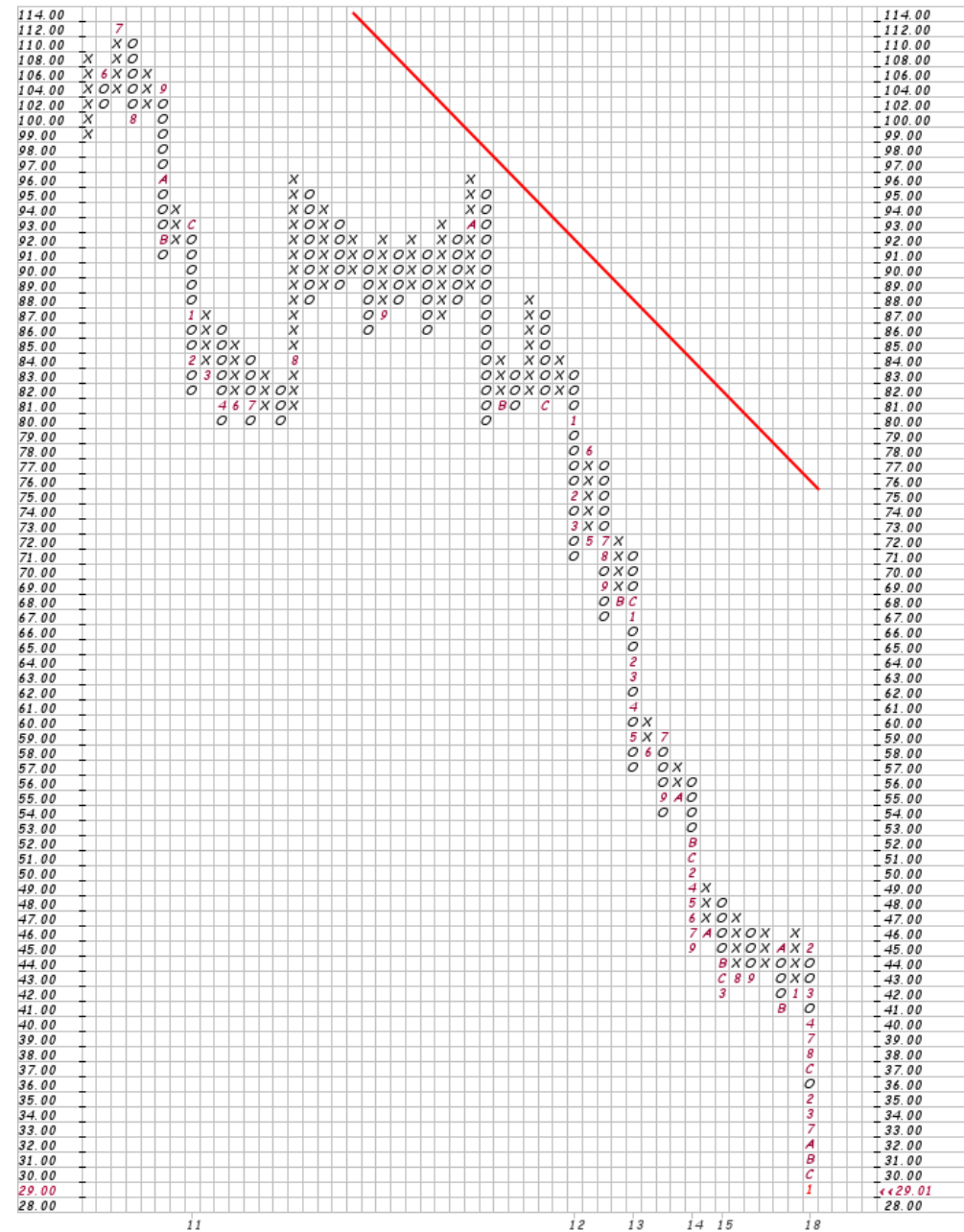
(c) StockCharts.com

Current View

Charts of the Index, the ETF and Inverse ETF

Of all

Eight Markets I Follow

$SPX S&P 500 Large Cap Index INDX

12-Jan-2018, 16:00 ET, daily, O: 2,770.18, H: 2,787.85, L: 2,769.64, C: 2,786.24, V: 2104921984, Chg: +18.68 (0.67%)

P&F Pattern Double Top Breakout on 12-Sep-2017

Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

SPY SPDR S&P 500 ETF NYSE
12-Jan-2018, 16:00 ET, daily, O: 276.42, H: 278.11, L: 276.082, C: 277.92, V: 90467696, Chg: +1.80 (0.65%)
P&F Pattern Long Tail Up on 18-Dec-2017
Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

SH ProShares Short S&P500 NYSE

12-Jan-2018, 16:00 ET, daily, O: 29.16, H: 29.175, L: 28.98, C: 29.01, V: 2599086, Chg: -0.18 (-0.62%)

P&F Pattern Descending Triple Bottom Breakdown on 19-Apr-2016

Scaling: Traditional [Reversal: 3]

$USB CME CBOT 30-Year US Treasury Bond Price (EOD) INDX

12-Jan-2018, 16:00 ET, daily, O: 149.458, H: 149.458, L: 149.458, C: 149.458, Chg: +0.062 (0.04%)

No recent chart pattern found

Scaling: Traditional [Reversal: 3]
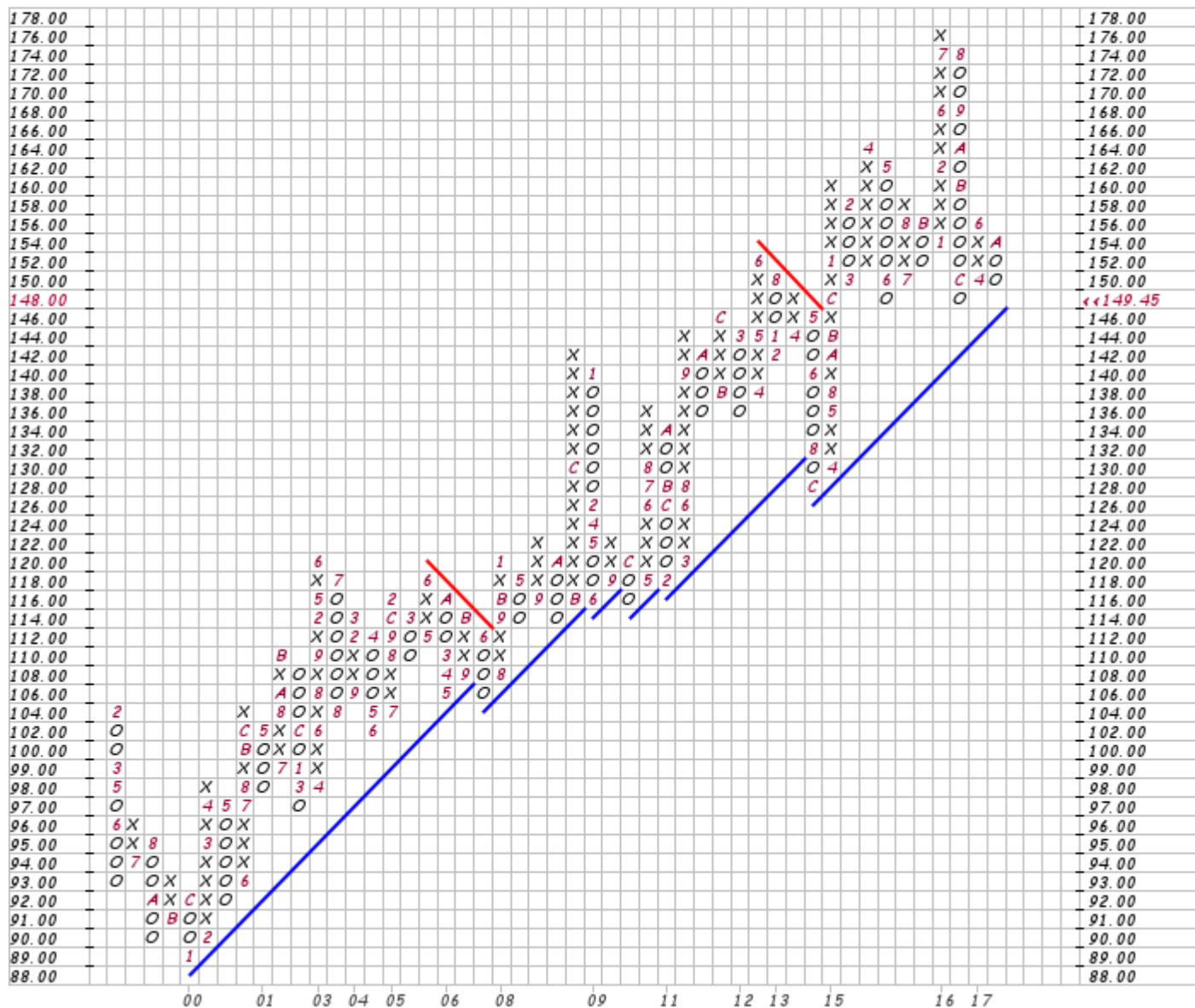
(c) StockCharts.com

$USB CME CBOT 30-Year US Treasury Bond Price (EOD) INDX
12-Jan-2018, 16:00 ET, daily, O: 149.458, H: 149.458, L: 149.458, C: 149.458, Chg: +0.062 (0.04%)
No recent chart pattern found

Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

TLT iShares 20+ Year Treasury Bond ETF Nasdaq Global Mkt.

12-Jan-2018, 16:00 ET, daily, O: 124.10, H: 124.79, L: 123.91, C: 124.52, V: 9987029, Chg: +0.21 (0.17%)
No recent chart pattern found

Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

TBT ProShares UltraShort 20+ Year Treasury NYSE

12-Jan-2018, 16:00 ET, daily, O: 35.35, H: 35.43, L: 34.93, C: 35.10, V: 3582621, Chg: -0.11 (-0.31%)

No recent chart pattern found

Scaling: Traditional [Reversal: 3]
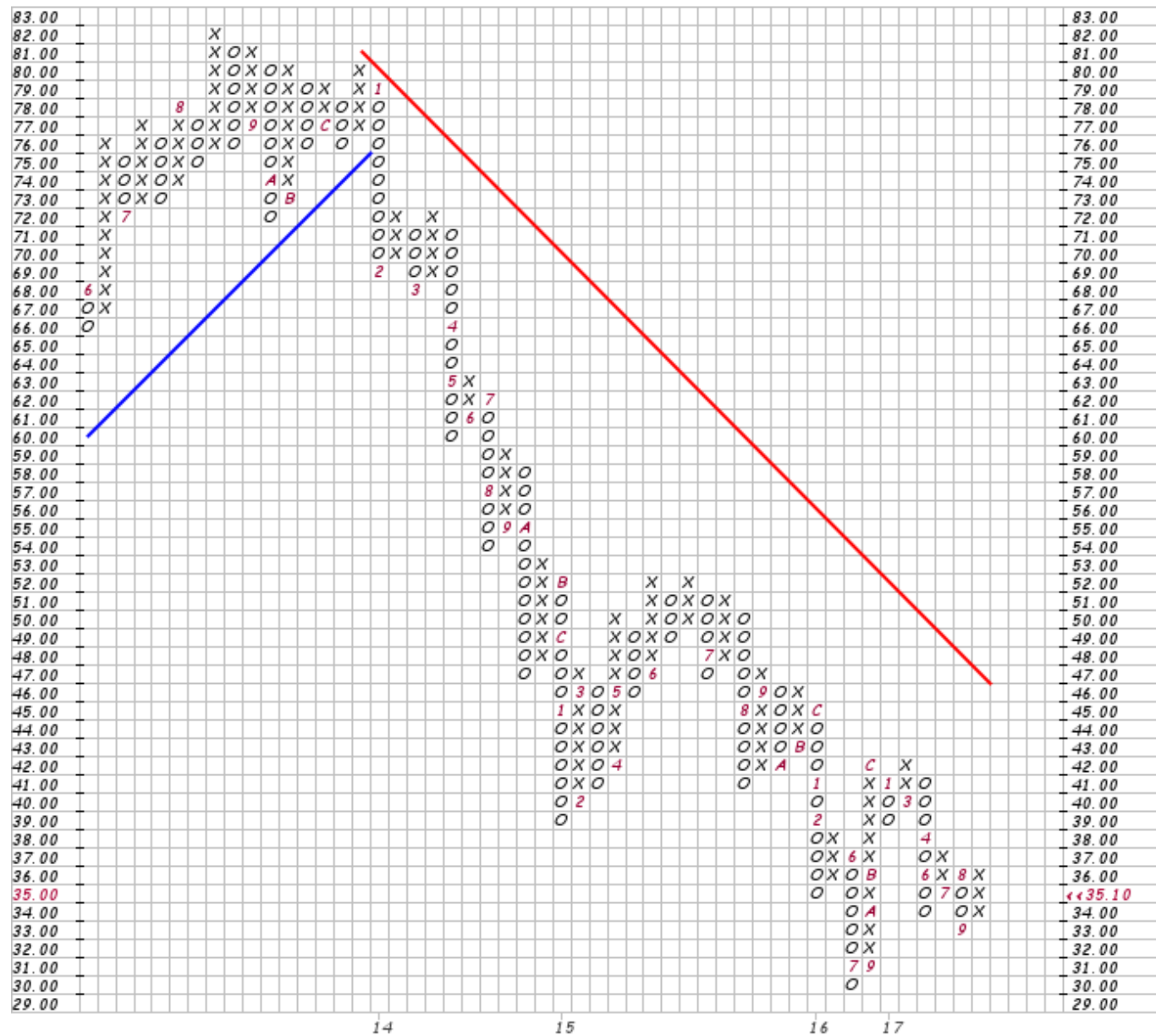
(c) StockCharts.com

$GOLD Gold - Continuous Contract (EOD) CME

12-Jan-2018, 14:30 ET, daily, O: 1,323.60, H: 1,338.70, L: 1,320.80, C: 1,334.90, V: 329941, Chg: +12.40 (0.94%)

P&F Pattern Triple Top Breakout on 02-Jan-2018

Scaling: Traditional [Reversal: 3]
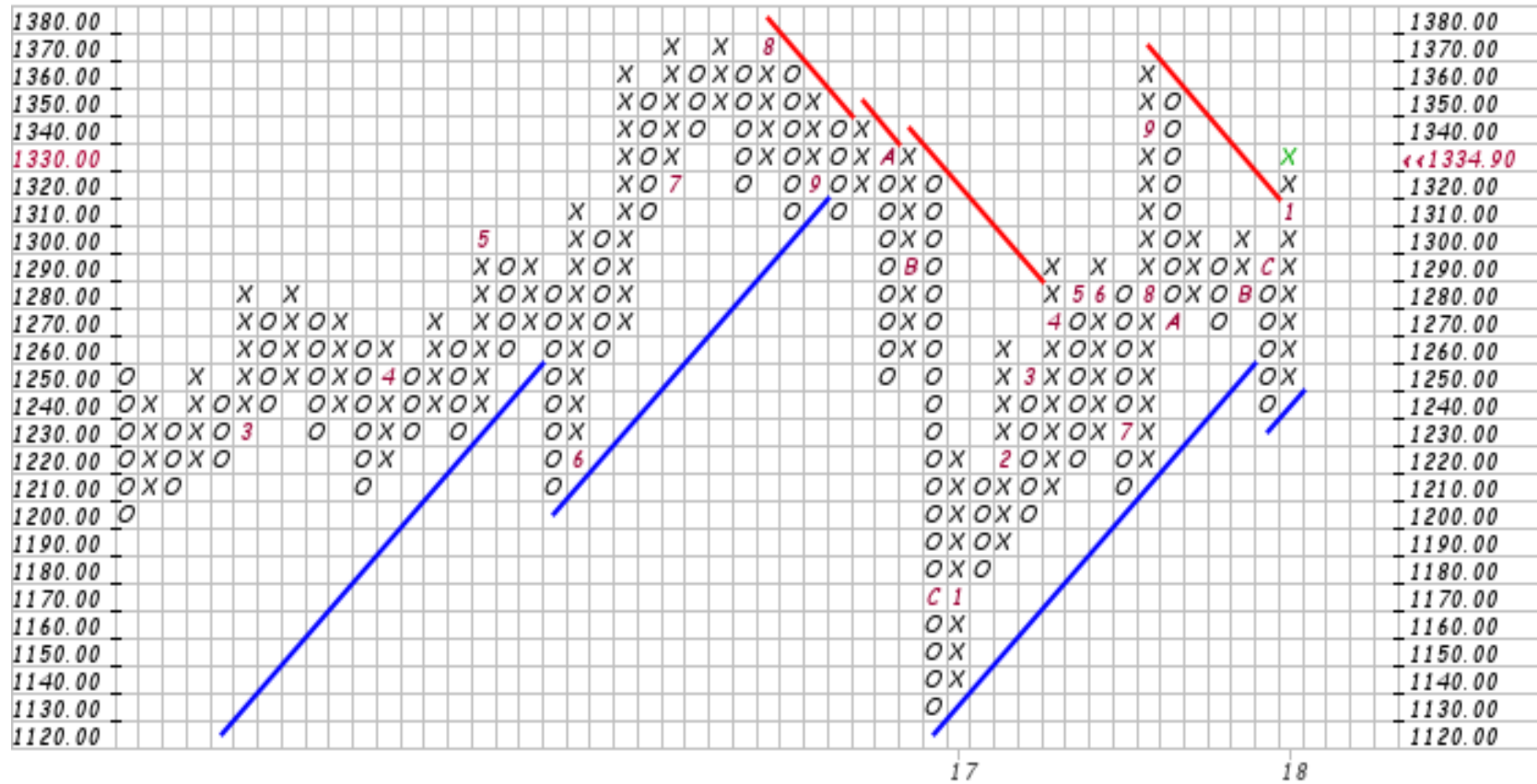
(c) StockCharts.com

GLD SPDR Gold Shares NYSE

12-Jan-2018, 16:00 ET, daily, O: 126.01, H: 127.13, L: 125.81, C: 126.96, V: 9257788, Chg: +1.52 (1.21%)
No recent chart pattern found

Scaling: Traditional [Reversal: 3]

GLL ProShares UltraShort Gold NYSE

12-Jan-2018, 16:00 ET, daily, O: 66.64, H: 66.735, L: 65.41, C: 65.59, V: 105209, Chg: -1.633 (-2.43%)

P&F Pattern Triple Bottom Breakdown on 20-Dec-2017

Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

$WTIC Light Crude Oil - Continuous Contract (EOD) CME
12-Jan-2018, 16:00 ET, daily, O: 63.57, H: 64.41, L: 63.06, C: 64.30, V: 652918, Chg: +0.50 (0.78%)
P&F Pattern Ascending Triple Top Breakout on 26-Dec-2017
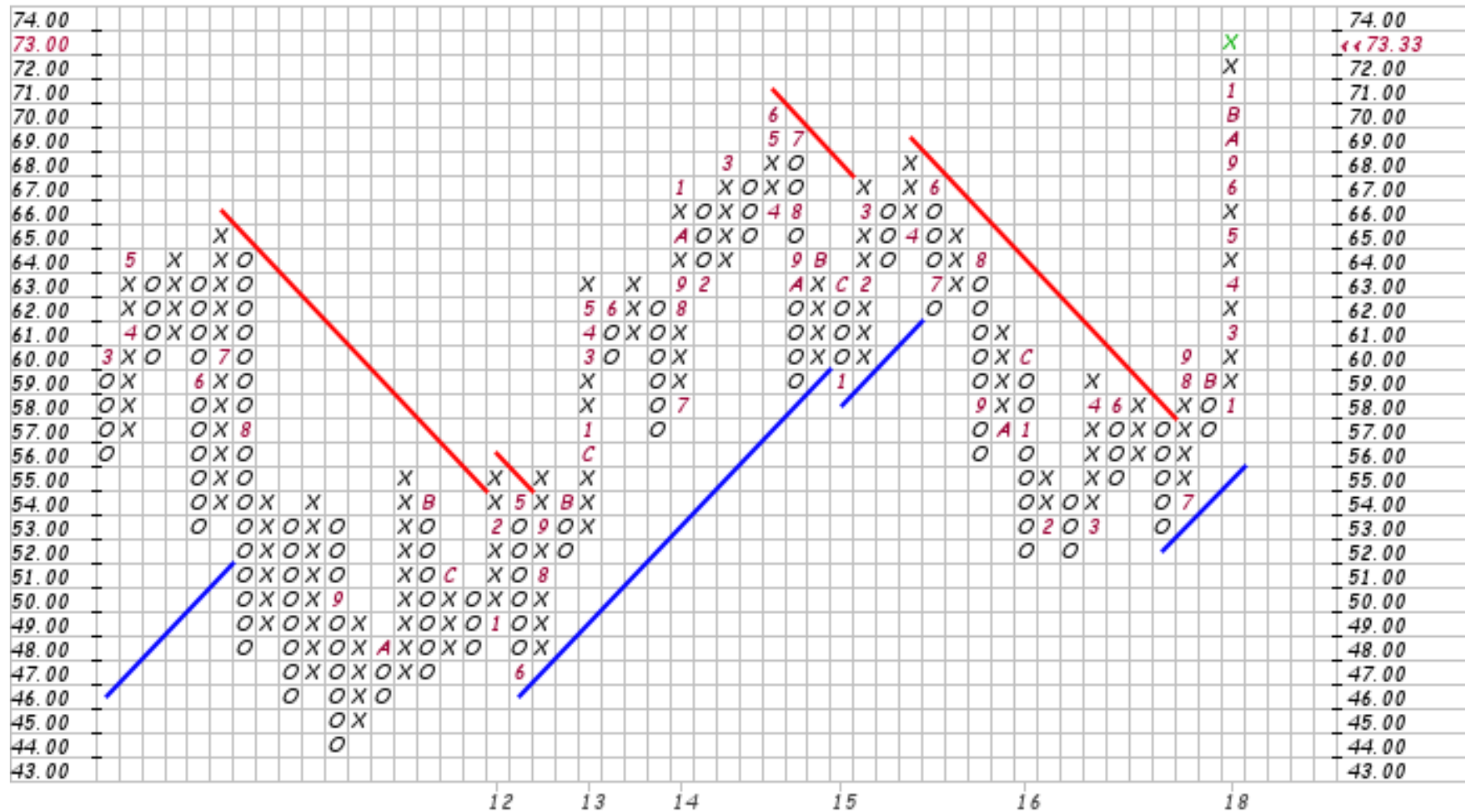Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

UCO ProShares Ultra Bloomberg Crude Oil NYSE

12-Jan-2018, 16:00 ET, daily, O: 25.96, H: 26.79, L: 25.861, C: 26.71, V: 2321014, Chg: +0.63 (2.42%)

P&F Pattern Ascending Triple Top Breakout on 27-Oct-2017

Scaling: Traditional [Reversal: 3]
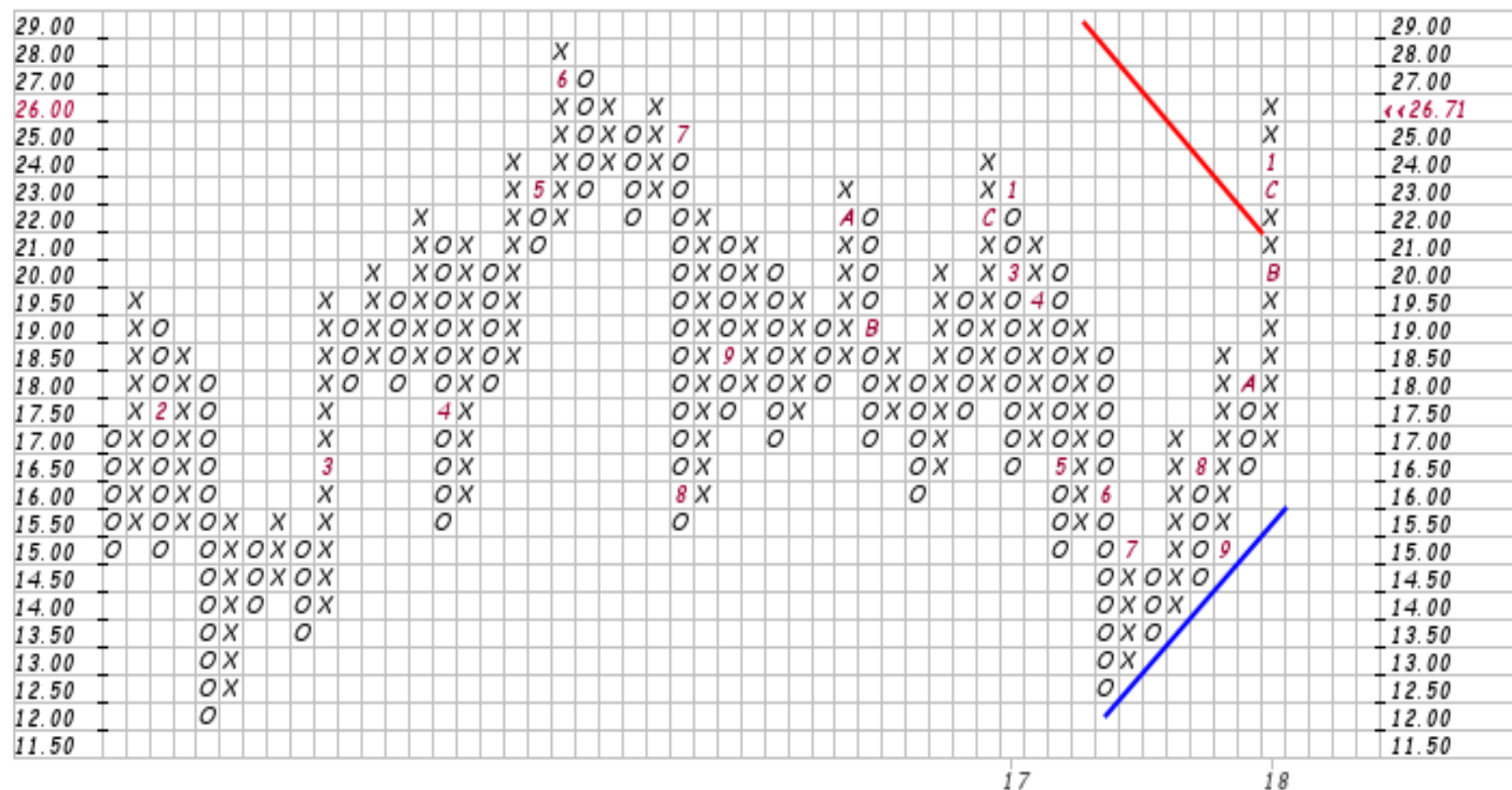
(c) StockCharts.com

SCO ProShares UltraShort Bloomberg Crude Oil NYSE

12-Jan-2018, 16:00 ET, daily, O: 22.09, H: 22.17, L: 21.39, C: 21.45, V: 1680210, Chg: -0.52 (-2.37%)

P&F Pattern Descending Triple Bottom Breakdown on 27-Oct-2017

Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

$IEE iShares MSCI EAFE Index INDX

12-Jan-2018, 16:00 ET, daily, O: 72.925, H: 73.355, L: 72.754, C: 73.33, Chg: +0.694 (0.96%)

P&F Pattern Double Top Breakout on 10-Mar-2017

Scaling: Traditional [Reversal: 3]

EFA iShares MSCI EAFE ETF NYSE

12-Jan-2018, 16:00 ET, daily, O: 73.03, H: 73.51, L: 72.964, C: 73.50, V: 22694326, Chg: +0.73 (1.00%)

P&F Pattern Long Tail Up on 03-Jan-2018
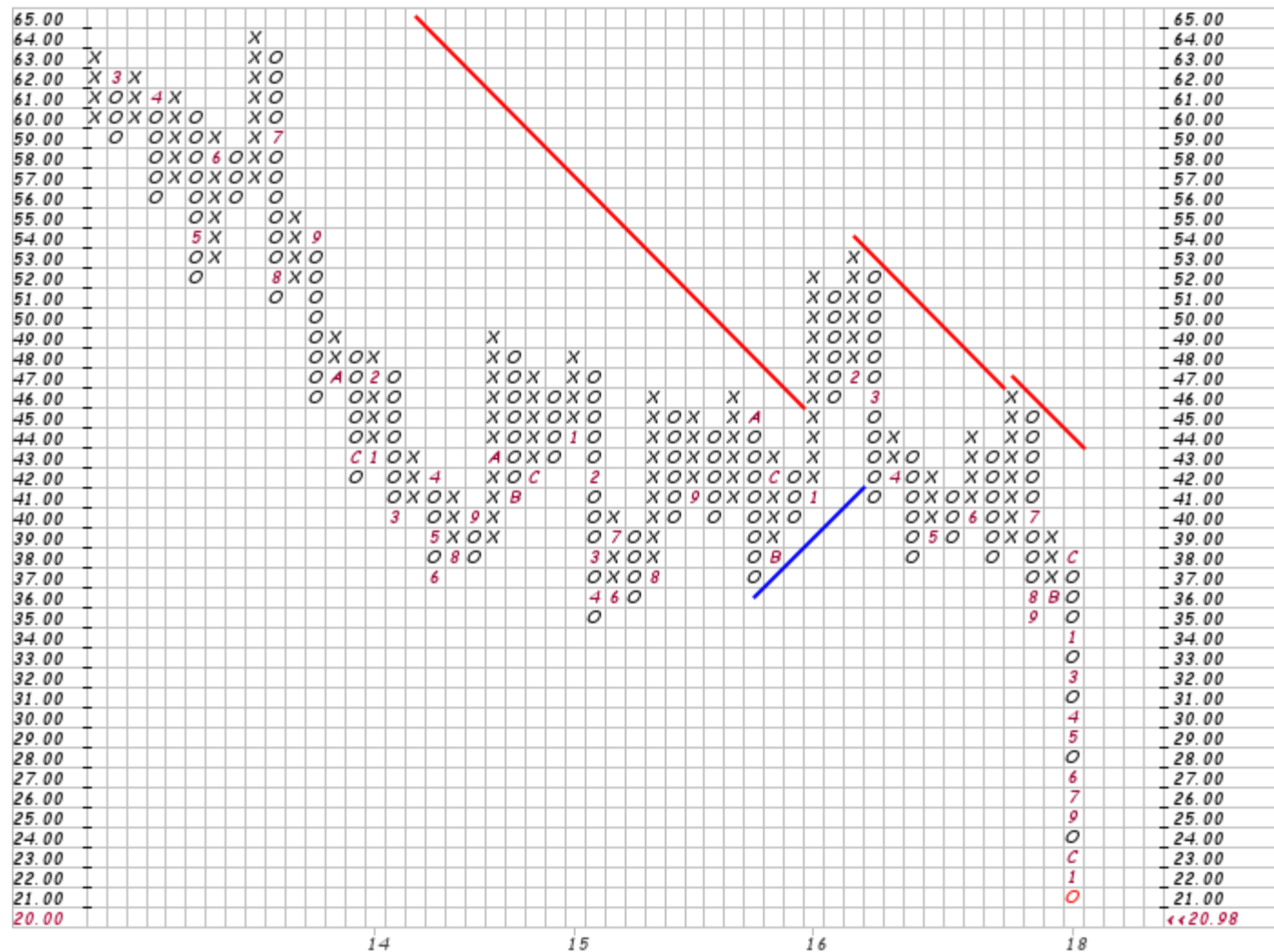
Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

EFU ProShares UltraShort MSCI EAFE NYSE

12-Jan-2018, 16:00 ET, daily, O: 21.26, H: 21.26, L: 20.98, C: 20.98, V: 5686, Chg: -0.56 (-2.60%)

P&F Pattern Double Bottom Breakdown on 13-Jan-2017

Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

$USD US Dollar Index - Cash Settle (EOD) ICE
12-Jan-2018, 16:00 ET, daily, O: 91.51, H: 91.63, L: 90.53, C: 90.735, Chg: -0.873 (-0.95%)
No recent chart pattern found

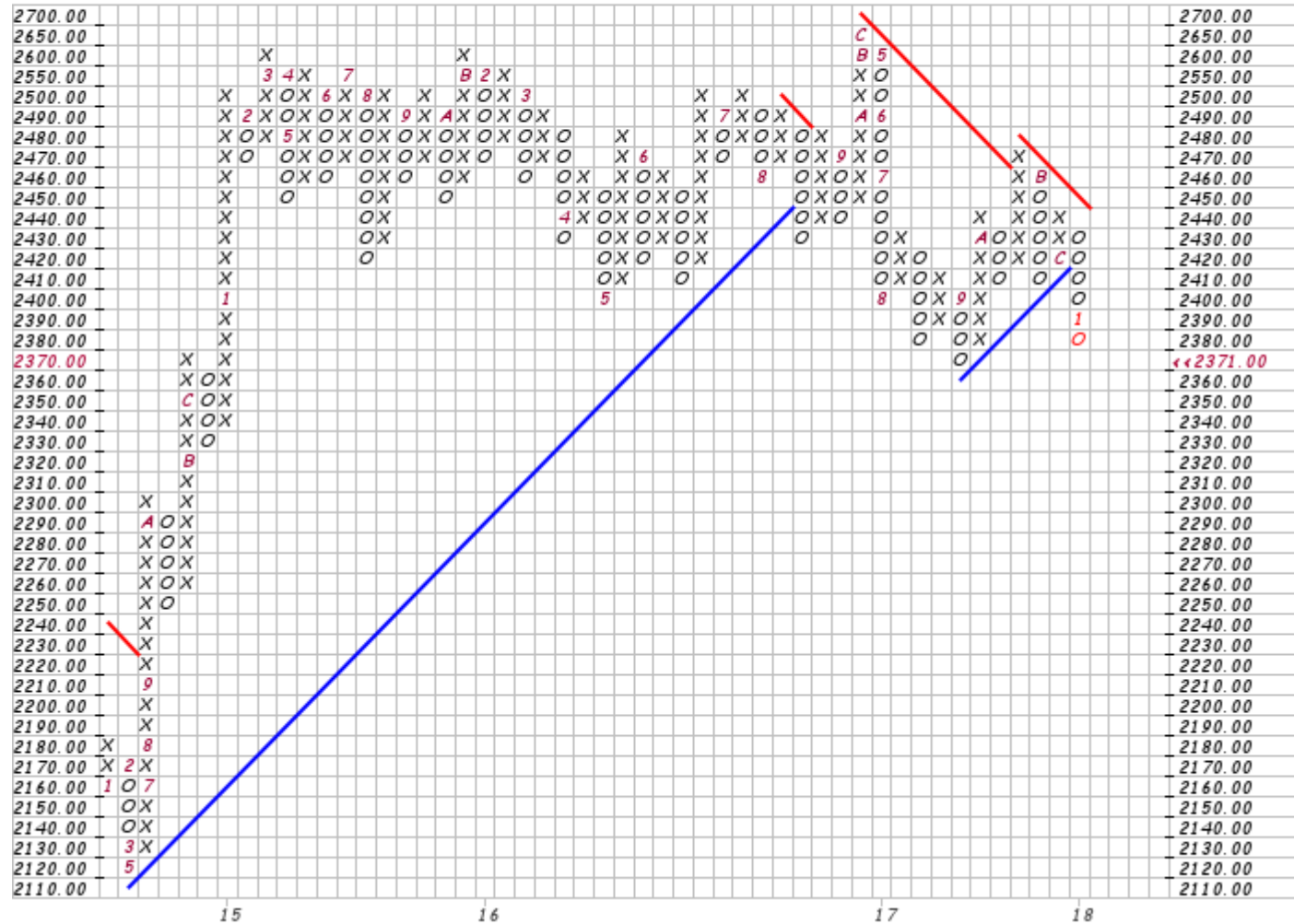Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

UUP PowerShares DB US Dollar Index Bullish Fund NYSE

12-Jan-2018, 16:00 ET, daily, O: 2,380.00, H: 2,382.00, L: 2,370.50, C: 2,371.00, V: 1098238, Chg: -25.00 (-1.04%)

P&F Pattern Triple Bottom Breakdown on 29-Dec-2017

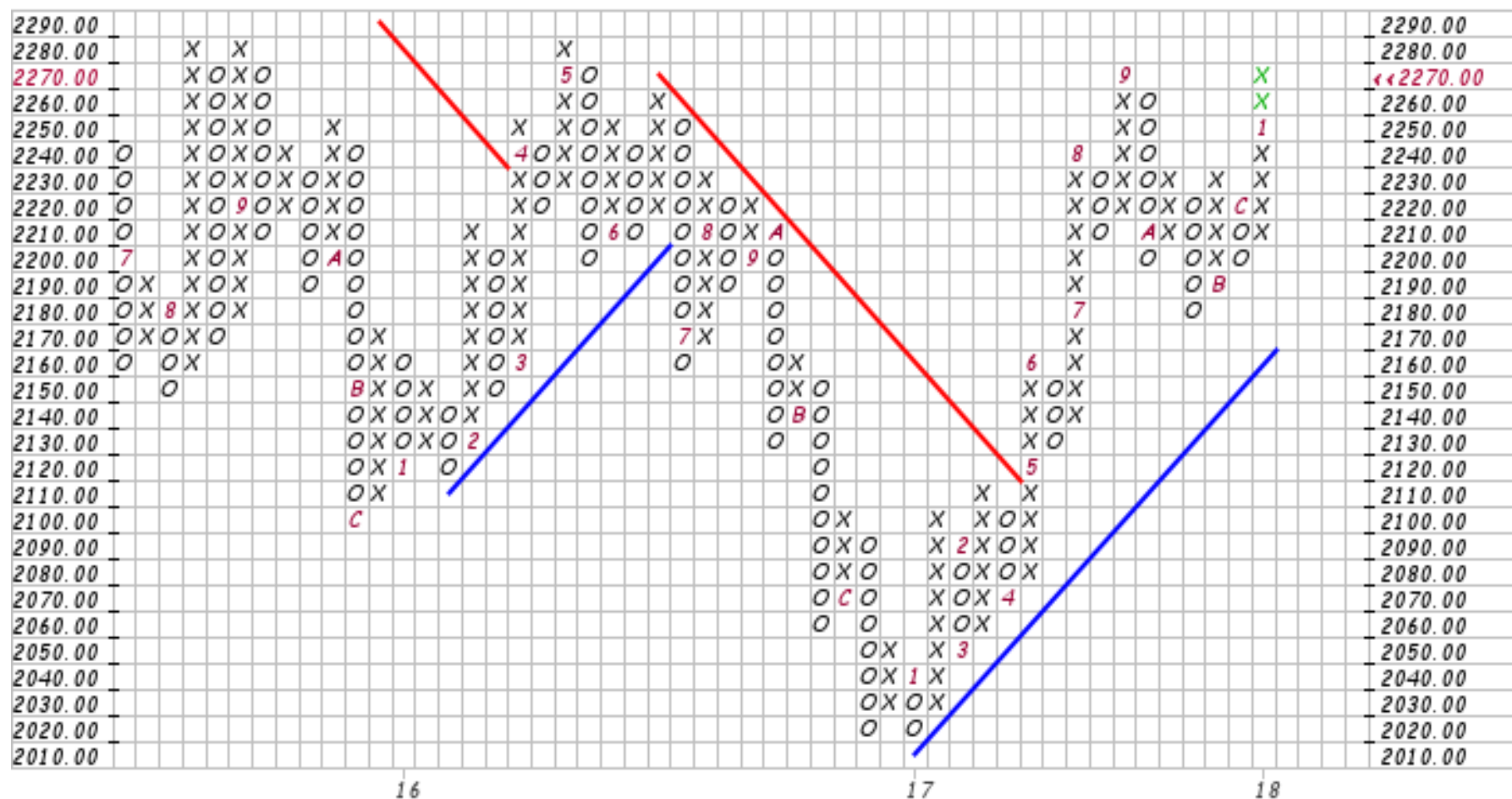Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

UDN PowerShares DB US Dollar Index Bearish Fund NYSE

12-Jan-2018, 16:00 ET, daily, O: 2,261.00, H: 2,270.00, L: 2,259.60, C: 2,270.00, V: 141810, Chg: +22.00 (0.98%)

P&F Pattern Triple Top Breakout on 29-Dec-2017
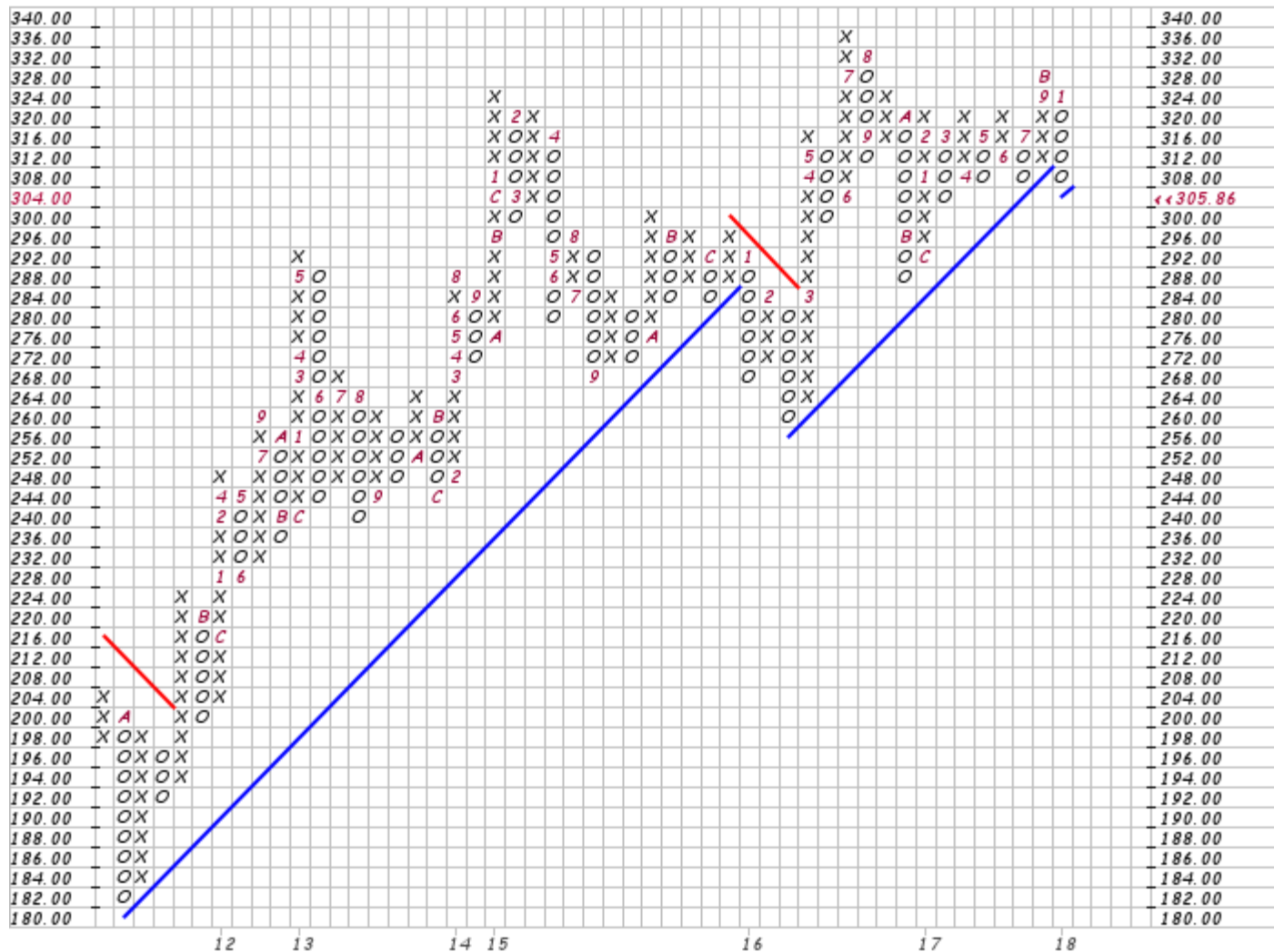
Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

$DJUSRE Dow Jones US Real Estate Index INDX
12-Jan-2018, 16:00 ET, daily, O: 308.24, H: 308.24, L: 305.22, C: 305.86, V: 18761043968, Chg: -2.33 (-0.76%)
No recent chart pattern found

Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

VNQ Vanguard REIT ETF NYSE

12-Jan-2018, 16:00 ET, daily, O: 79.03, H: 79.24, L: 78.467, C: 78.61, V: 5154530, Chg: -0.64 (-0.81%)
No recent chart pattern found

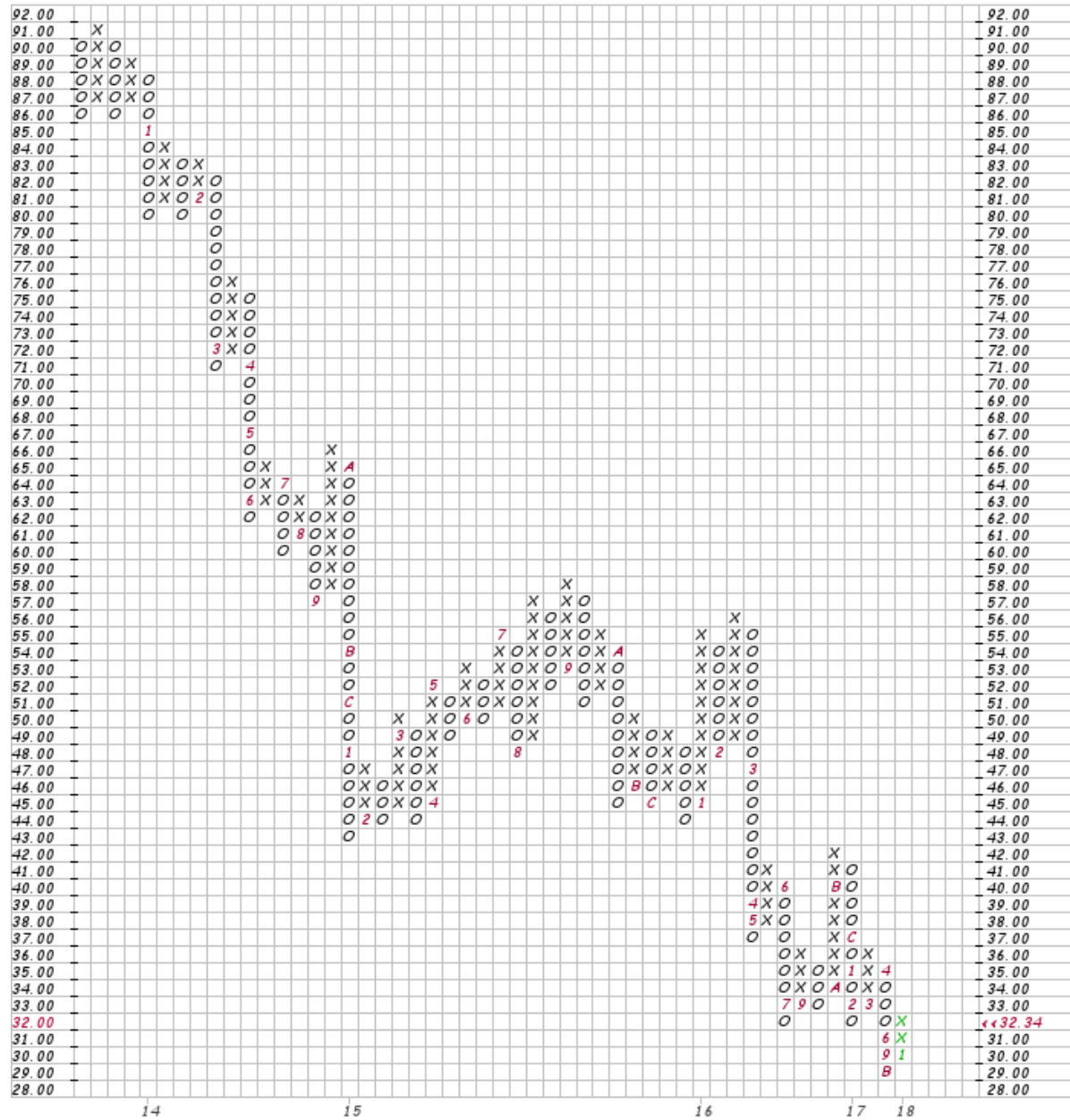Scaling: Traditional [Reversal: 3]

SRS ProShares UltraShort Real Estate NYSE

12-Jan-2018, 16:00 ET, daily, O: 31.92, H: 32.42, L: 31.92, C: 32.34, V: 38005, Chg: +0.522 (1.64%)

P&F Pattern Low Pole Reversal on 12-Jan-2018
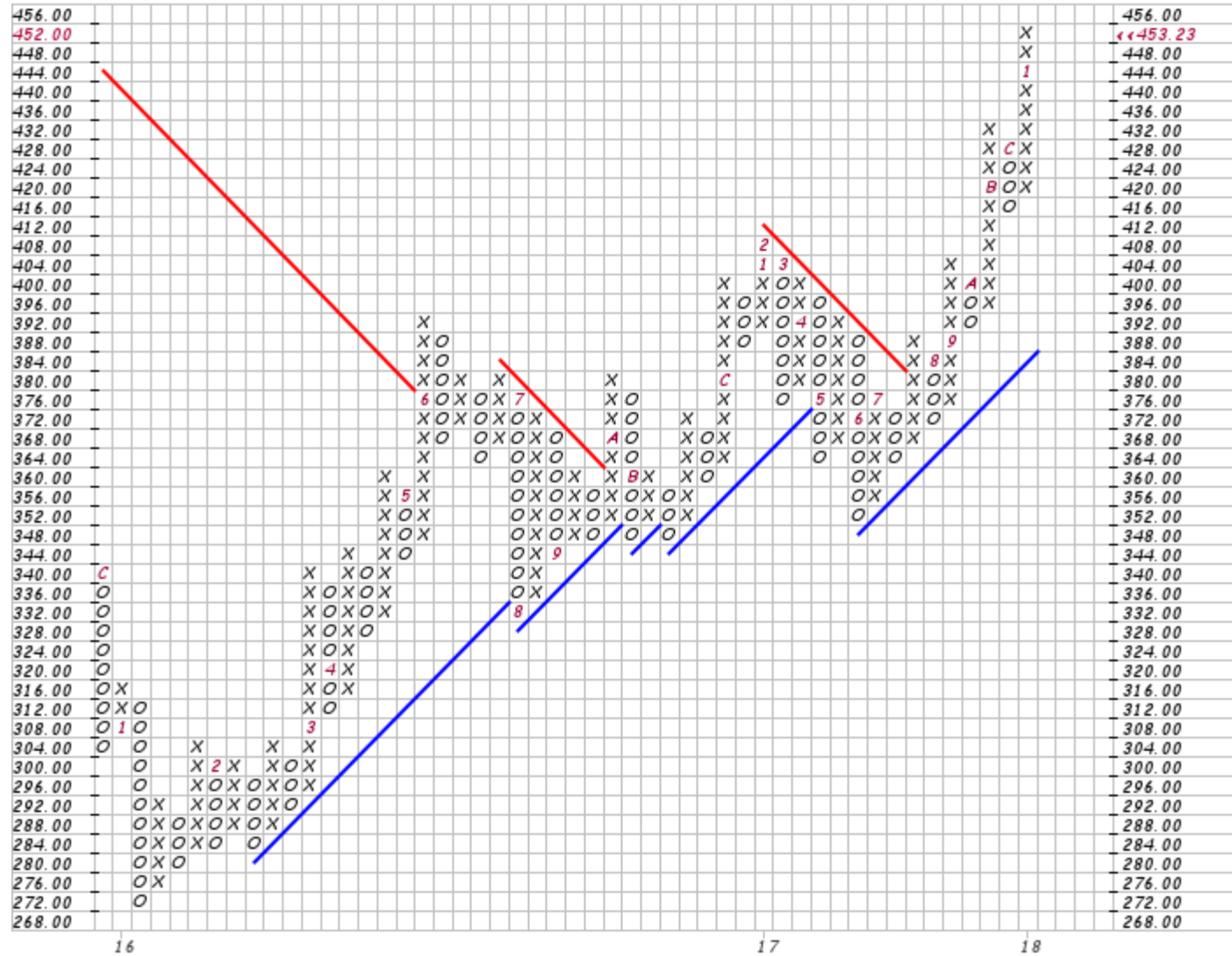
Scaling: Traditional [Reversal: 3]

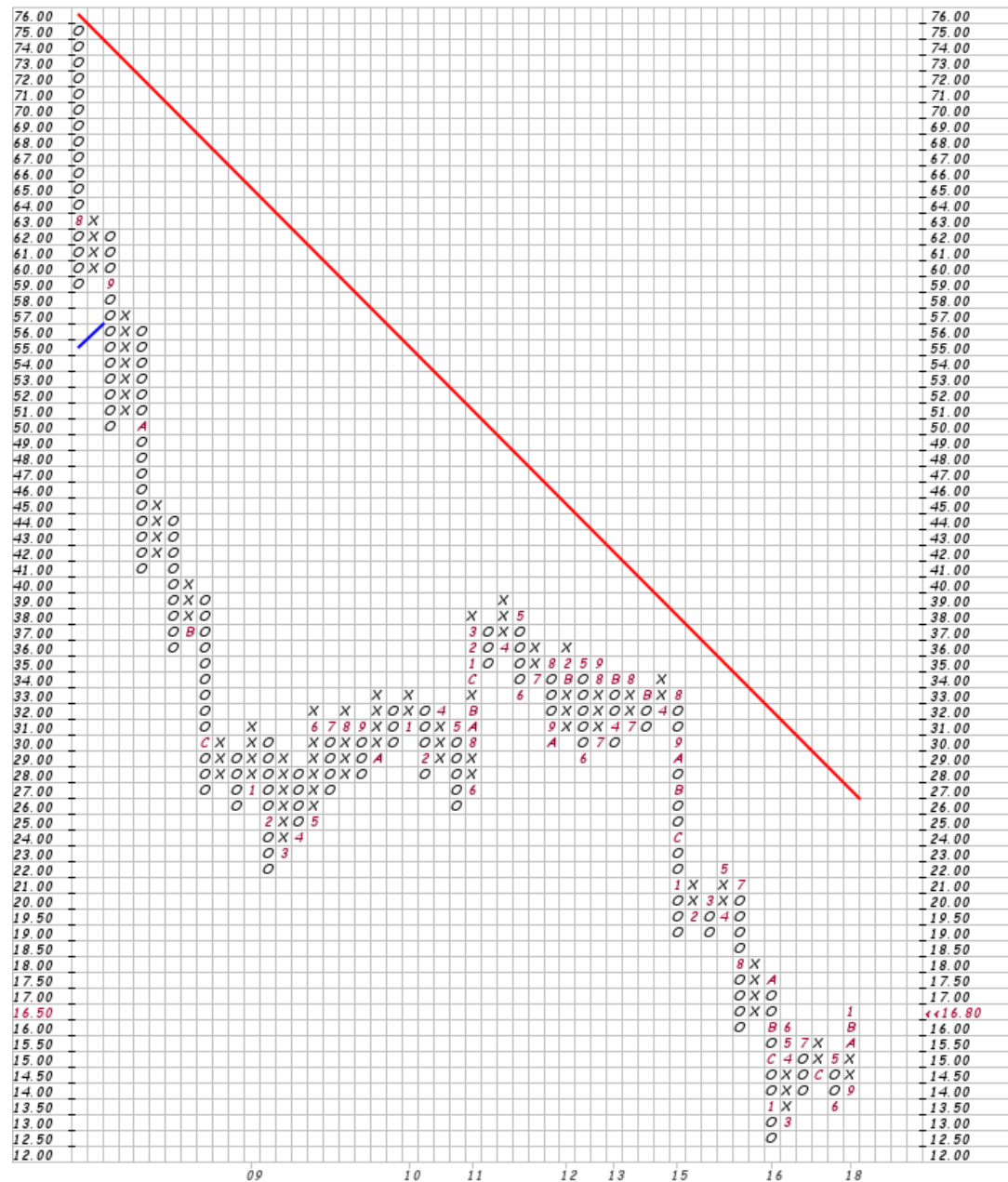$GNX S&P GSCI Commodity Index - Spot Price INDX
12-Jan-2018, 16:00 ET, daily, O: 450.732, H: 453.516, L: 449.071, C: 453.233, Chg: +2.014 (0.45%)
P&F Pattern Ascending Triple Top Breakout on 26-Dec-2017
Scaling: Traditional [Reversal: 3]

(c) StockCharts.com

GSG iShares S&P GSCI Commodity-Indexed Trust NYSE

12-Jan-2018, 16:00 ET, daily, O: 16.68, H: 16.80, L: 16.65, C: 16.80, V: 303967, Chg: +0.12 (0.72%)

P&F Pattern Double Top Breakout on 06-Nov-2017

Scaling: Traditional [Reversal: 3]

DDP DB Commodity Short ETN NYSE

12-Jan-2018, 16:00 ET, daily, O: 44.51, H: 44.51, L: 44.51, C: 44.51, Chg: 0.00 (0.00%)
No recent chart pattern found

Scaling: Traditional [Reversal: 3]

(c) StockCharts.com
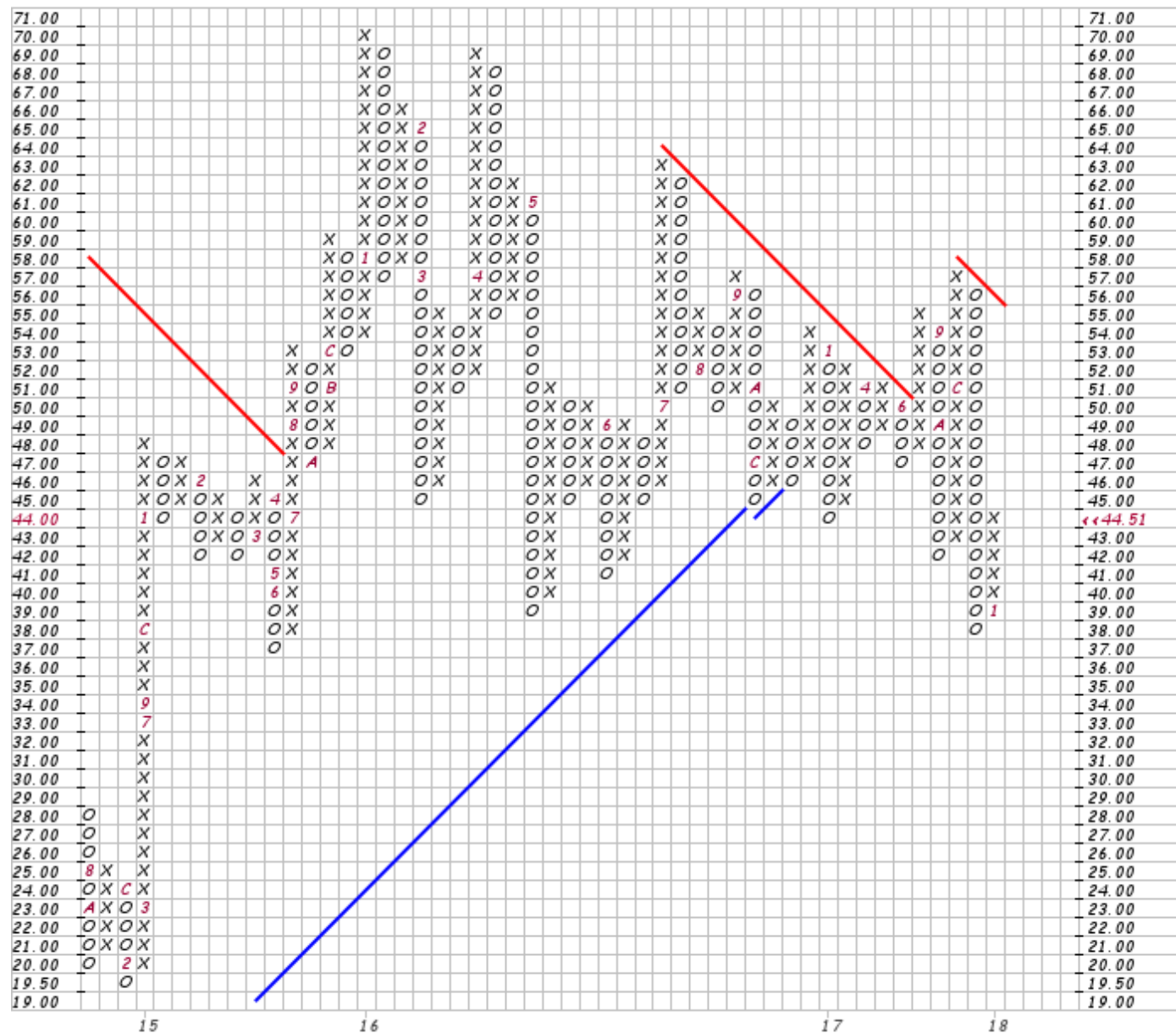
In summary:

1. There is a simple, precise, little-used indicator, of most market – Point-and-Figure Chart.

2. ETFs are my investment vehicle of choice.

3. My Model Portfolio (8 markets) is a near match to "The Perfect Investment".

4. I monitor three charts with each segment of the portfolio:
   A. The Index
   B. The ETF
   C. The Inverse ETF

5. I must have confirmation with ALL THREE to reverse my position

6. Following this methodology, my annualized rate of return for the five years, 2012 thru 2016 was 21.6%