

Your Portfolio Homework

Turning knowledge into wealth.

The goal here is straightforward: **stop running a mutual fund and start running a portfolio.** A mutual fund holds everything. A portfolio has a plan. Every step below moves you from one to the other and puts every dollar to work generating income.

1 Grade Every Position. No Exceptions.

Every stock, ETF, and position in your account gets a grade using the M\$M 1-4 system. If you have not done this yet, start here. If you already submitted grades, review them with fresh eyes.

- Go through every position. Grade 1, 2, 3, or 4. No "1 or 2," no "3 or 4." Pick one and commit.
- Any Grade 4 gets sold. The thesis is dead. Do not wait for it to come back.
- Use losses from Grade 4 cuts to offset gains elsewhere. Pair them intentionally for tax efficiency.

Remember: a Grade 4 is not about the price, it is about the thesis. A stock can be up 80% and still be a Grade 4 if you no longer believe in it. A stock can be down and still be a Grade 1 if the fundamentals are intact. Grade the company, not the chart.

2 The Sub-100 Share Decision

For every position where you hold fewer than 100 shares, you make one of two decisions. There is no third option.

OPTION A — BUILD IT

You believe in it. You commit to getting to 100 shares. You have a plan and a timeline.

OPTION B — CUT IT

You sell it. Free the cash. Put it to work somewhere it can actually generate income.

You cannot sell a covered call unless you own 100 shares. If you have 30 shares of a stock, you cannot sell a single covered call on it. That position generates zero options income. So what exactly is it doing in your portfolio?

THE MINDSET SHIFT

If you have 50 shares of something you like, consider selling them and using that cash to sell puts instead. You collect premium while you wait to own 100 shares at a price you chose. That is not losing the position. That is owning it smarter.

3 Pyramid Into Your Positions

You do not have to buy 100 shares all at once. Smart position building means adding in layers as a stock proves itself to you. There are two ways to pyramid in. Pick the one that fits your style and stick to it.



BY LEVELS

Add at key support. Then add again when the next level holds. Let moving averages confirm before sizing up.



BY TIME

Add a set number of shares every week or every month. Consistent, disciplined, and it removes emotion from the decision.



VIA PUTS

Sell cash-secured puts at your target price. Get paid to wait. If assigned, you own shares at the price you wanted.

The chart setup below is what makes level-based pyramiding work. You need to know where support is before you can buy at it with conviction.

REQUIRED CHART SETUP — EVERY POSITION YOU OWN + EVERY WATCHLIST NAME

Weekly Support

Weekly Resistance

100 SMA

200 SMA

10 EMA

20 EMA

50 EMA

Weekly support and resistance tell you where to target your put strikes quickly. Moving averages tell you the trend and where the stock has historically found buyers. If a stock is below its 200 SMA with EMAs sloping down, that is not a put-selling candidate right now. Know your levels before you place the trade.

EXAMPLE: PYRAMIDING INTO A \$100 STOCK

You want to own 100 shares. You have \$5,000 to deploy. Sell a put at weekly support. If assigned, you own 50 shares at your price. Next cycle, sell another put one strike lower. Get assigned again and now you have 100 shares at a better average cost than if you had bought all at once on day one. And you got paid premium both times.

4

Calculate Your Cash and Build a Put-Selling Plan

After cutting Grade 4s and sub-100 positions you are not building, count your available cash. Then build a deliberate plan for every dollar.

- Park proceeds from all cuts in SGOV or BIL immediately. It earns yield while you plan your next move.
- SGOV and BIL are not idle cash when they are backing short puts. That is your collateral working double duty: yield plus premium.
- For every roughly \$10,000 in cash, you can sell approximately one put on a \$100 stock. Plan how many contracts you have available.
- Identify 3 to 5 Grade 1 stocks where you would be happy owning 100 shares at a slightly lower price. These are your put targets.
- Write down the strike price and expiration you would target for each. Do the math before you place the trade.

The casino does not hope the table goes their way. They know the math before the game starts. Every put you sell should have a clear answer to one question: if I get assigned, am I okay owning 100 shares at this price? If yes, sell the put. If no, pick a different strike or a different stock.

5 Contributing Capital — Can You Pay Yourself First?

Your portfolio grows from two places: premium income and new capital. Evaluate whether you are in a position to add fresh money on a consistent basis, and if so, build a plan around it.

EVALUATE YOUR CASH FLOW

Look at your monthly income versus expenses. Is there a number you could commit to investing before you spend on anything discretionary?

BUILD THE PLAN


If yes, decide on an amount, automate it, and direct it to SGOV or BIL first. It gets deployed into your next put target when the level is right.

WHY IT COMPOUNDS

Even \$500 a month is \$6,000 a year. That is one more put contract every two months. One more position being built toward 100 shares. The strategy does not require a lot of capital to start working. It requires consistency.

6 Build Your Watchlist and Find a New Sector

A watchlist without levels is just a wish list. And a portfolio that only owns one sector is one bad quarter away from a rough year. Do both of these before the next session.

-  Pull up every position you currently hold. Apply the full chart setup from Step 3 to each one.

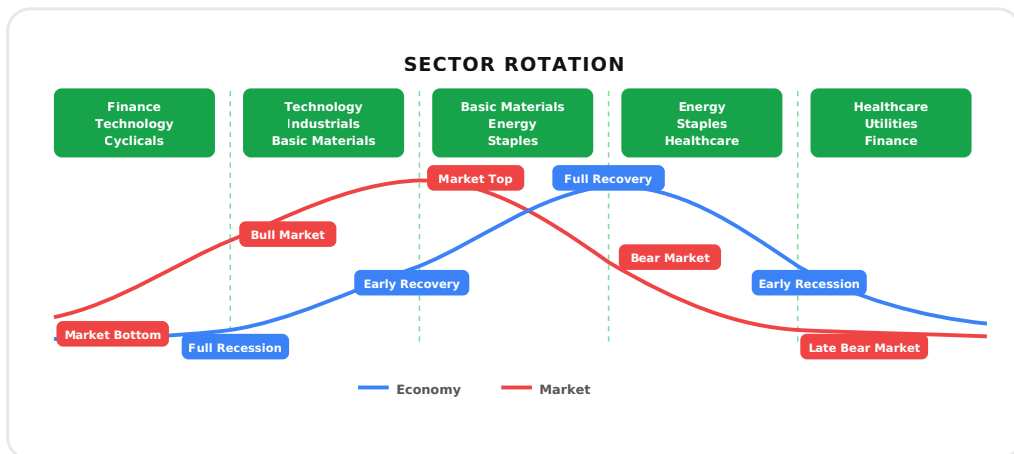
- Build a watchlist of 5 to 10 stocks you want to own next. Mark their levels too before you add them.

- List out every sector you currently own. Be honest about where your concentration actually sits.

- Identify one sector you do not own that you would genuinely want to learn. Not something you are indifferent to. Something you are curious about.

- Find 3 to 5 names in that new sector. Grade them. Add the Grade 1s to your watchlist.

The chart below shows how sectors rotate through the full market cycle. The market leads the economy by roughly 6 to 9 months. Knowing where you are in the cycle tells you which sectors are setting up early and which ones have already had their run.



Ask yourself: where do you think we are in this cycle right now? Which sectors are early to the next phase? That is where your watchlist attention should be, not chasing what already ran.

7 Bring This Back Next Session

Come to the next session with answers, not guesses:

- **Which positions am I actively building to 100 shares?** Name them. Give a timeline and your pyramiding method.

- What did I cut and how much cash did I free up?** Show the math.
- What puts am I targeting and at what strikes?** Have the trade thought out before we talk.
- Am I contributing capital on a schedule?** What is the number and where is it going first?
- What sector am I adding and what are the top 3 names I am watching?**
- Are your charts set up?** Be ready to pull up levels on any position you own or want to own.

The goal is not perfection. The goal is a portfolio where every position has a job, every dollar is working, and you are getting paid whether the market goes up or not. Consistent, mathematical, and boring in the best way. That is the M\$M model.