

# The Journey Starts Here



## Agenda for Introduction to Intelligent Option Investing – IOI 100 Series Courses

*To invest successfully over a lifetime does not require a stratospheric IQ, unusual business insights, or inside information. What's needed is a sound intellectual framework for making decisions and the ability to keep emotions from corroding that framework.*

– Warren Buffett

IOI's 100-series courses are designed with the express purpose of **helping you to invest successfully over a lifetime.**

### IOI 101

IOI 101 helps you understand the **strengths and weaknesses of your own investment decision-making process** and **how the structure of the investment industry influences our decisions.** Investing well means consistently making good decisions – this course gives you the insight to do just that.

### IOI 102

In IOI 102, we build a **sound intellectual framework for determining the value of a company.** We build on insights from IOI 101 to form a rational model of the processes by which companies create value for owners, then learn how to assess and measure the value they create. Having a firm understanding of value allows us to make better decisions about what investments to make, when to buy, and when to sell.

### IOI 103

IOI 103 teaches the fundamentals of **how to use the peerlessly flexible financial tools called options,**

then builds on the lessons from IOI 101 and IOI 102 to show **how to find undervalued companies and structure investments that tilt the balance of risk and reward in your favor.**

The 101-series courses are designed for investors who make decisions based mainly on the advice of professional analysts, these courses require no prior knowledge of financial statement analysis, options, or advanced mathematics. Taking the courses allows you to understand **how to form valuation opinions based on facts rather than sentiment,** and to invest successfully based on these insights.

For investors interested in or already doing their own independent analysis of companies, these introductory courses will provide a comprehensive overview of what makes the IOI method different (and better) and serve as a good foundation in options in preparation for our master classes.

We've structured the 100-level courses so that roughly half of the time in class will be spent listening to lectures with the remaining time spent doing hands-on exercises to reinforce the concepts and make them your own.

Let the journey begin...





## Behavioral Biases and Structural Factors

**GOAL: To Understand Behavioral Biases and Structural Pitfalls and Use Them to Your Advantage**

<i>Sessions</i>	<i>Topics Covered</i>
<i>The Weakest Link</i>	Everyone believes that they are better than the average driver... The fact is that many times we decision-makers are the weakest link in the investment decision process chain. This session gives some vivid examples of our cognitive weaknesses discusses the neuro-psychological reasons for them.
<i>Behavioral Pitfalls</i>	The problems in decision making we discuss in the first session manifest themselves in investing all the time. In this session, we show several of the most damaging behavioral biases and get hands-on practice spotting their effect on analyst and investors. You will never read an investment article or report the same way after this session.
<i>Principals</i>	This session looks at the concept of risk, investment time horizon, and investment constraints of principals. We'll keep all these factors in mind in the next session when reviewing how different investment professionals' view of these vital topics are.
<i>Agents</i>	Agents are purportedly working on our behalf as principals. But buy-side (e.g., investment funds) and sell-side (e.g., brokers) agents have very different motivations than most principals, and those motivations ALWAYS color their advice. This session will be an eye-opener to the way Wall Street really works. Spoiler alert: Don't "trade like a pro"!
<i>Three Investment Fantasies</i>	Most investors use a salad bar approach to investing – taking a little Technical Analysis, combining it with Fundamental Analysis, and mixing that with a liberal portion of Ratio Analysis. This session looks at the strengths and (mainly) weaknesses of each of these methods and ties their use to the agents whose interests they mainly serve.
<i>Making Better Decisions</i>	This session gives practical suggestions how you can make better decisions yourself and find opportunities to profit from others' bad decisions.



## Understanding Valuation

### GOAL: Develop a Solid Framework for Assessing Value

<i>Sessions</i>	<i>Topics Covered</i>
<i>Price versus Value</i>	Discuss examples of assets' prices and values to get a sense for that crucial distinction, and develop a sense of what drives the value of a stock or any other asset.
<i>An Overview of the Valuation Process</i>	Understand the Golden Rule of Valuation and chart a course for estimating the value of any company, project or asset.
<i>Analyzing Valuation Drivers</i>	There are only a few key valuation drivers. This session steps through each driver and provides case studies and exercises to show how to get more information out of analyst reports and investing articles.
<i>Accounting for Growth</i>	Growth is the most important factor in a valuation, but perversely, is the one factor that most investors, professional and individual, ignore or misunderstand. Here, we provide a clear, consistent, and academically proven method for assessing and analyzing growth.
<i>Summing up Future Cash Flows</i>	Valuing a company revolves around making assumptions about the total cash a company can generate for its owners in the future. This session takes a practical look at cash flow discounting and recommends strategies for selecting a sensible "discount rate."
<i>Valuation Lifecycle</i>	We build on the material from previous sessions to pull together an integrated, realistic framework for valuing a stock.
<i>Range Estimates</i>	Point estimates of value ("Stock XYZ is worth \$22.47") – the sort beloved by investment banks and research shops everywhere – are doomed to fail (or, like a broken watch, are correct for just a very short time). Here, we show how to use IOI's spreadsheet valuation tool to build a robust, useful, and testable valuation range.
<i>Assessing Value</i>	The morning's sessions end with a case study where participants work together using the IOI valuation framework to estimate a valuation range for an actual company.



## Understanding the Power of Options

**GOAL: To understand the mechanics of options and option markets and learn how to use option investment structures in a portfolio**

<i>Sessions</i>	<i>Topics Covered</i>
<i>Ranges of Exposure</i>	Options are simple, flexible, powerful tools that can be understood most easily by conceiving of them as representing “ranges of exposure.” We start with the example of a stock’s ranges of exposure and highlight the similarities and differences of those of options.
<i>Understanding Option Pricing Screens</i>	Option pricing screens can seem like an “intimidating wall of numbers” when you first see one. This session takes a step-by-step look at the elements of a price screen and shows how to understand much more than just an option’s price.
<i>Option Pricing Models</i>	Option pricing models are known for their arcane mathematics and intimidating terminology. In this brief session, we cut through the arcane to help you understand the intuition for and economics of option pricing better than graduates of a master’s program in mathematical finance. Full stop.
<i>Measuring and Managing Leverage</i>	Leverage is the most dangerous weapon in the world – responsible for every great crash in history. If you don’t understand leverage, how to measure it, and how to manage it, you are a danger to yourself and your portfolio. This session teaches you what you need to know about leverage.
<i>Finding Investments</i>	IOI 102 focused on estimating the value of a stock; IOI 103 on the mechanics of options and what options imply about future price of a stock. This brief session shows how to quickly identify investible differences between price and value.
<i>Generating Income</i>	One of the most powerful uses of options is what we call a “bond replacement” strategy. This session shows you how to get high yield rates on triple-A issuers.
<i>Boosting Growth</i>	Options can be layered on top of stock positions to allow an intelligent investor to boost returns on an undervalued stock. This session teaches how you can manage moderately leveraged positions and benefit from accurate valuations long-term.
<i>Protecting Gains</i>	One of the most common uses for options is to hedge stock positions. But hedging well at a reasonable price is NOT a straightforward process and many investors hedge poorly. This session shows how to get the most bang out of your hedging buck.

## What Are Others Saying about IOI Training?

*"Erik's framework and teaching are second to none!"*

Franco D.  
Investment manager  
Brazil

*"You have made a significant difference in the way I view the world of investing..."*

Sheila C.  
RIA

*"Your training provided a framework that made options a practical tool in our portfolio."*

Joe M.  
CIO, Family Office

## Why choose IOI for your investor education?

- **A proven, but different approach:** IOI's curriculum gives you insight into the stock and options markets you cannot get anywhere else. As outlined in *The Intelligent Option Investor*, IOI has developed a proprietary way of assessing Company value and using information from the options markets to make investments. Whether you choose to use options or not, this methodology represents an important retooling of analysis and strategy for value-minded, results-driven investors.
- **Institutional Level Access and Mentoring:** Your IOI education gives you unparalleled access to nearly 20 years of Wall Street and Capital Markets experience. Your instructor, Erik Kobayashi-Solomon, started off managing derivative securities for Morgan Stanley in Japan. On returning to the USA, Erik designed, built and ran a hedge fund. He did research and trade strategy as the risk-manager for a large hedge fund. He is the architect of the stock valuation model currently in use at the World Bank. Erik's insights and learning from his on-the-Street experience are the driving force behind IOI.
- **Ongoing Support:** IOI brings our Alumni and Members a suite of ongoing investor support services including guided company research, open office hours with IOI's principals, available online investor education courses as well as available individual level investor coaching and portfolio consulting. IOI wants to ensure you have the tools and resources to improve your competence and confidence no matter where your investing skills are now.
- **IOI's Alumni Benefits:** As an IOI student/enrollee you receive the following benefits.
  - *The Referral Kicker:* If you encourage a friend to register and your friend cites you as a referral source, I will provide a \$150 referral gift to you (one referral per attending "couple" up to the full price of the IOI 101 course for the referring registrant)! That is another 20% off your course price for each person you bring along!
  - *Materials:* Course participants will receive a signed copy of *The Intelligent Option Investor*, hard copies of the slides, exercises, and supplemental materials, soft copies of IOI's spreadsheet tools, and 1 year's access to the online versions of the IOI 100-Series classes you take.

