

Tier 1 and Tier 2 trading

We have recently introduced two levels of trading advice within the Option1 system.

Up until recently we have maintained just one Daily Update page. We now have two Daily Update pages named **Tier 1** and **Tier 2**.

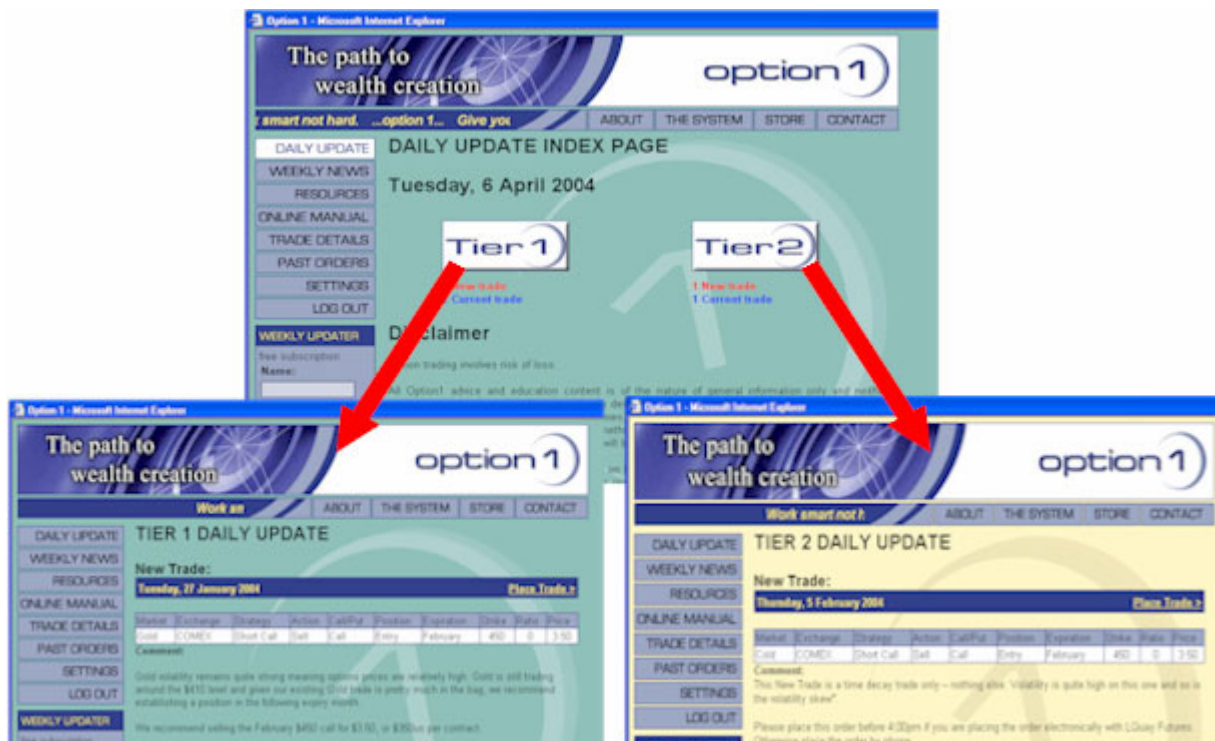
The **Tier 1** section is what you are already used to. We may characterise Tier 1 recommendations as short term and generally short positions across different markets.

Tier 2 will start looking at different types of option strategies. We will look at trades over different time frames, more spread trading opportunities and perhaps even higher risk trades.

Some of these new Tier 2 trades may not be applicable to everyone. So it is up to you to decide on the trade's appropriateness given your own situation.

Operating Tier 1 and Tier 2

Like the rest of the system, we have designed the Tier 2 section to be intuitive to use. When you first log on, you will see the Daily Update Index Page.



Clicking on the Tier 1 or Tier 2 buttons will direct you to the respective sections. From there you can read advice and place new trades as per usual.

Note, no matter what page you are on, you can always click on the Daily Update link in the left column to go back to the Daily Update Index Page. You would do this when wanting to move from one Tier to the next.

Q&As on Tier 2

Q: What about contract allocation? Do I need to take every trade?

A: No you don't. You don't need to take any trade at all - and that goes for Tier 1 and Tier 2.

For all trades in the past (now known as Tier 1 trades), we have assumed that all subscribers are trading in all positions. We will not make this assumption for Tier 2 trades.

You will need to consider two things when you look at a new trade:

- 1- Are you comfortable with the risk of the position?
- 2- Can you afford it? In other words, consider the margin position in your account.

On the second point, we cannot always assume that every subscriber is involved in every trade with the exact contract allocation recommended. Tier 2 may well be used to recommend a few more trades given some people could miss out on others. Therefore, ***taking every trade in both Tier1 and Tier 2 might result in trading too much***. It is up to you to follow your margin position and make the right decision given your own circumstances.

Q: Do Tier 2 trades carry greater risk?

A: Some will carry great risk and some will not. Tier 2 is not about recommending higher or lower risk trades for the sake of having a different risk profile.

The answer to this also depends on how you measure risk. For example a purchase of a long dated out-of-the-money call may be considered low risk because the cost is fixed. Others may consider it high risk because it would have a lower chance of profit compared to another trade.

Q: I like the system the way it is. Does this change anything?

A: No it does not change anything. Tier 1 recommendations are what you are already used to. What we are simply doing with Tier 2 is giving you more choice. If you choose not to follow these recommendations, that's your choice.

Q: Is there a change to the user manual?

A: Yes there is. For all existing users, there are some extra pages to add to your manual. These have been posted to you. For new users, the manual you receive will have these updates included.

Q: When does it all start?

A: April 15th 2004

A final point – we are always happy to hear suggestions and comments from existing users regarding Tier2 (and Tier1) in relation to markets and strategies traded.

Please make sure you contact us if you are unclear on any of the above or have questions regarding the ongoing updates.

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