

The Khyla Roll

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1. One of my favorite rolls of pure deliciousness. Why, because it is affordable and super filling. Here's why:

If I bought 25 shares of TGT, TARGET Corp, it would cost me (140.09 x 25 = 3,502.25)

If I bought 5 shares of CEG, CONSTELLATION ENERGY, it would cost me (291 x 5=1,455)

If I bought 45 shares of NKE, NIKE, it would cost me (76 x 45=3,420)

If I bought 65 shares of BITO, BITO, it would cost me (65 x 25.31=1,645.15)

Chart B



- I would be buying these securities looking for a return on my investment (ROI) and dividend income.
 - I would ask myself: is it worth holding the security until it goes back (or retraces) from the point it dropped from (capitulated)
 - If my answer is a no, I move on. If it is a yes I will hold the security until it comes close to the retracement point and also collect the dividend.
- BONUS:** I may trade the same security multiple times in a 1,5, or 10 day window because I have identified it as a investment I want to stay in. Sometimes I will buy an option on it too.
- Doing this allows for me to reinvest my capital, make a positive alpha, and slowly remove my original capital invested.

Example

Target (Chart A) rises to \$157, I paid 140
I just made \$157-140=17 (intrinsic value) a share
I make the dividend of \$1.12 x 25=28.0 per quarter
My unrealized gain is \$17 x 25=425

I can now sell 4 shares (removing my dividend paid and my intrinsic value) worth 28+425=453

OR/AND

If I believe the stock has run out of steam I can sell the whole position and wait for another time to buy in again

THEN

Do this same process with the other securities you purchased
This can be repeated hourly, daily, weekly, etc.



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Chart A



Chart C



Chart D



$$\text{Alpha} = R_f + \text{beta}(R_m - R_f)$$

- R_f : The risk-free rate of return
- R_m : The market return, per a benchmark
- beta : The systematic risk of a portfolio

$$\text{Sharpe Ratio} = \frac{R_p - R_f}{\sigma_p}$$

where:

R_p = return of portfolio

R_f = risk-free rate

σ_p = standard deviation of the portfolio's excess return

What the Sharpe Ratio Can Tell You

Subtracting the risk-free rate from the mean return allows an investor to better isolate the profits associated with risk-taking activities. The risk-free rate of return is the return of an investment with zero risks, meaning it's the return investors could expect for taking no risk. The yield for a U.S. Treasury bond, for example, could be used as the risk-free rate.

The Sharpe ratio is one of the most widely used methods for calculating risk-adjusted return. Modern Portfolio Theory (MPT) states that adding assets to a diversified portfolio that has low correlations can decrease portfolio risk without sacrificing return.

Adding diversification should increase the Sharpe ratio compared to similar portfolios with a lower level of diversification. For this to be true, investors must also accept the assumption that risk is equal to volatility, which is not unreasonable but may be too narrow to be applied to all investments.

What Is Alpha?

Alpha (α) is a term used in investing to describe an investment strategy's ability to beat the market, or its "edge." Alpha is thus also often referred to as [excess return](#) or the [abnormal rate of return](#) in relation to a benchmark, when adjusted for risk.

Alpha is often used in conjunction with [beta](#) (the Greek letter β), which measures the broad market's overall [volatility](#) or risk, known as [systematic market risk](#).

Alpha is used in finance as a measure of [performance](#), indicating when a strategy, trader, or portfolio manager has managed to beat the market return or other benchmark over some period. Alpha, often considered the [active return](#) on an investment, gauges the performance of an investment against a market index or benchmark that is considered to represent the market's movement as a whole.



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