Van K. Tharp, Ph.D.

Market Mastery

Putting Peak Performance to Work for You

Creativity

By

Van K. Tharp, Ph.D.

Last night I attended a two-hour workshop on the topic of creativity. The workshop was a bonus to a speaking workshop that I'm attending and it was delivered by a young man who just turned 24. Since I already considered myself to be creative, I really wasn't sure I wanted to put in the extra two hours, but I'm sure glad I did.

Here's an example of what creativity can do for you. The presenter's name was Stu. At 24 years old, he's already attended every major workshop he's ever been interested in attending – some costing as much as $150,000 per weekend. How did he attend? By using his ability to generate ideas. Many of them he simply attended by volunteering. He simply said that he'd work for free at the workshop and many places would admire his creativity and tenacity enough that they'd say "yes."

Let me give you an example. The workshop I was at was a $5,000 speaker-training workshop with a proviso that you'd also pay another $15,000 out of your future speaking fees. The speaking guru was

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An Interview with John Mauldin Part Two

By

Van K. Tharp, Ph.D.

As I mentioned in last week's *Market Mastery*, McGraw Hill, the publisher of our new book, told us to cut 100 pages from our new book, *Safe Strategies for Financial Freedom*. I felt the material that had to be cut was valuable and made the decision to publish some of that material in *Market Mastery*. John Mauldin's chapter on hedge funds was particularly relevant to *Market Mastery* readers for two reasons. First, many of you are qualified investors and thus are able to participate in hedge funds. John's interview is perhaps the most thorough overview of the types of hedge funds that I've ever seen.

But the second reason is also interesting. John describes many interesting hedge fund strategies. Almost all of them are strategies that I've seen used in equity day trading. They also can be applied to other areas of trading. You can also do what the big boys are doing. So, please don't skip this material by just saying, "Oh, I'm not a qualified investor." It's very valuable information.

As I mentioned last month, in the January issue, John writes several excellent e-letters, including one on hedge funds for qualified investors and one on John's thoughts on the economy. You can subscribe by going to *www.2000wave.com* and registering online. (Also you can go to www.johnmauldin.com for all letters and resources)

Last month, in Part I of this series, we talked about hedge funds in general. The first hedge fund was developed in 1952 by Alfred Jones who decided to buy strong stocks and "hedge" those investments by shorting an equivalent amount of weak stocks. That single idea has now bloomed so that today there are over 6000 hedge funds managing about $600 billion dollars.

Hedge funds are allowed to do things that are prohibited under the Securities Act of 1933 and the Investment Companies Act of 1940. Consequently, they cannot do any of the things that would make them be subject to those acts. We discussed this extensively last month.

In addition, John also said that there were three types of hedge funds: <u>market neutral</u> which attempt to profit without the direction of the market coming into play; <u>event related</u> which take advantage of something like a takeover, and <u>directional funds</u>. In Part I, we talked about the different kinds of event neutral funds. We'll continue this discussion from this point and begin the interview on page two.

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John, we still haven't covered all of the market neutral strategies. For example, you said Alfred Jones' original fund involved going long and short simultaneously.

Instead of just going long like most mutual funds, long/short equity funds go long one stock and short a different stock. Long/short does, however, require twice as much trading and therefore twice as much the trading costs to be made up before a profit is earned. As a quick example, let's look at long/short pairs trading.

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What's that ?

In pairs trading the manager will go long one stock and short another in the same industry. He has a belief that one stock is too expensive and the other is too cheap relative to each other. An example of pairs trading would be going long Ford and being short General Motors (or vice versa). Stocks in an industry tend to move together because they have exposure to the same business conditions and customers. But since all companies are not created equal, they do not move exactly together. In our example, the fund manager is predicting that Ford will perform better than GM in both up and down markets. The manager is placing a bet that if Ford is up 10% GM is only up 8% or that if GM is down 10% Ford will only be down 8%. Either way he makes a profit of 2%.

As can be seen from the example, each trade should not be looked at as a lone event, but as a total trade.

What's another type of market neutral trading?

Long Biased is the traditional Alfred Jones Model and would involve the manager being more long than short, so that the overall portfolio is net long. Typically they use modest amounts of leverage. As an example if there is $100,000 to invest the manager might go $80,000 long and $40,000 short, for a $120,000 portfolio. This would hedge $40,000 of the long with $40,000 of the short and leave another $40,000 un-hedged long. The manager is then considered 50% hedged. Keep in mind a long only investor is 100% un-hedged. Short biased is the opposite of the long biased strategy and a manager may move from one to another depending on his outlook for the market.

I would assume that there is some stock selection here, focusing on strong stocks to buy and weak stocks to sell.

This strategy generally focuses on stock quality: they go long the stocks they like and short those they think are over-valued.

It seems to me that style of trading could be quite complex. You might need to balance things according to beta (how much each moves with respect to normal movement of the market) and any number of variables.

Exactly, it can get very complex. It just depends on what the fund manager wants to do. To totally cancel market risk, it can be quite complex.

There is an additional layer of constraint that can be used in long/short and that is to make the strategy totally market neutral. In essence, market neutral tries to eliminate the exposure to the market and depends purely on the manager. Pairs trading would fit in here if it used one of the two following structures: Beta neutral or dollar neutral.

Explain Beta neutral.

A beta neutral strategy is a long/short strategy that uses complex statistical models to attempt to be market neutral. The manager will use a calculation of the stock's Beta to determine the right ratio of long to short to achieve market neutral status. The basic concept is that the market has a Beta of one and more volatile stocks like growth stocks will have a Beta greater than one, while less volatile stocks like value stocks will have a Beta less than one. The stock with the beta above one in theory will go up or down more than the market, and the stock with the low beta will go up or down less than the market. The manager will use a ratio of the two betas to determine how much to invest in each position.

What's the dollar neutral strategy?

The dollar neutral strategy is similar to the beta neutral example but the manager puts equal dollar amounts on the long and short. So, the manager could be long a financial company stock like Citigroup by $100,000 and be short a financial stock like JP Morgan by $100,000. This trade will not be beta neutral if the two stocks have different betas, but it is "dollar" neutral.

We've discussed a lot of market-neutral type strategies. And I'd imagine most of them require a lot of capital because you are buying a lot of stock (long and short) and costs could be huge if you didn't have large side so that the cost per share were smaller.

That's true.

But at the same time, I've seen professional day traders do some of these things. Their cost is typically under a penny per share and they can give themselves 20 to 1 leverage. Thus, sometimes they can do these sorts of things if they have a logical reason to do so.

Okay, John, let talk about event driven funds.

Event driven can include such things as mergers and distressed securities.

Let's talk about mergers first. I would guess that this is a form of arbitrage.

Yes, merger arbitrage is where two companies announce a merger, friendly or not. Either way there are risks the deal will fall apart and this is where the hedge fund manager looks to make money. The share prices will trade at a spread to the merger price. That means even if company A is offering $20 per share for Company B, the actual stock price of Company B may only be $19, as the market prices the risk that the merger may not happen. The more sure the merger, the closer the price of the stock to the offering price. The hedge fund manager tries to determine the probability of the merger happening or failing, and then initiates a strategy based upon his opinion.

Again, I've seen professional day traders doing this. They know there is a particular relationship between the two stocks that's pretty constant, especially if the buyout is for stock. And when it falls outside of alignment, they load up until it falls back into alignment. But all this is very quick.

Right, but the hedge fund arbitrage usually is on a much longer time horizon. If the manager believes the deal will go through he can buy the acquired company and short the acquiring company's shares. When the deal goes through the manager pockets the spread in price, so he's waiting to see if the deal goes through.

And I guess he has huge risk if he's wrong about what will happen?

Hopefully, there will be some risk control to minimize the overall risk, should he be wrong.

And what if he thinks the deal won't go through?

If the manager believes the deal will not go through he shorts the acquired company and goes long the acquirer. Once the deal busts the takeover stock should fall and the acquiring company should stay flat or rise slightly. This is called doing a reverse spread on the merger. These funds are often highly leveraged, as the price spread movement in the actual merger may be quite small.

What other types of event driven funds are they?

Well some work with distressed securities.

How does that work?

Companies in financial trouble offer the hedge fund manager profit opportunities in what is called distressed securities. This market is more inefficient because most institutional investors have to avoid distressed companies due to their investment policy and that leads to a market segment with less liquidity. This segment can include companies in severe financial trouble or already in bankruptcy. The manager looks to buy distressed securities that are underpriced by the market, but it can take a longer period of time for the strategy to pay off. These funds often have long lock-up periods and special provisions for redemptions. They are not for short term investors.

I remember an article in Red Herring about hedge funds that made a practice of lending money to a company that was in distress. A condition for the loan would be an option to take over the stock should it fall dramatically in price. This magazine called that the "kiss of death" for the company. As soon as the funds were leant, according to the magazine, some offshore entity would start shorting the company and drive the price down dramatically. Eventually, the company would be forced to turn its stock over to the hedge fund. And, of course, there was no way to link the massive offshore shorting to the hedge fund. If that story was true, and the magazine gave numerous examples, it sound like a great deal for the hedge fund. And it also sounds illegal, but I'm not an expert.

This was quite common in the early 90's and funds which did this were known as Reg S funds. They generally operated offshore. While many were legit, and a real source of capital, there were same bottom feeding scum in the group, which gave the whole group a bad name. There was a lot of pump and dump and other illegal activities.

It generally begins with a legal contract, but only the truly stupid or truly desperate would take money under such circumstances where the conversion could change the ownership structure of the business. If it can be shown the fund intended to defraud the company, then it is illegal. More often than not, the company that is crying foul ran into problems and could not live up to the contract, which they were stupid to have done in the first place.

You don't see this onerous type of deal

as much anymore, because companies put in covenants and minimum conversion prices to protect themselves.

Even so, if a business takes money knowing the funding source is going to convert and sell, they better have a plan to create buying volume on the other side, or the stock price is going into the toilet. There are traders who look for these type of deals (a short-hand name for them is Reg-D) and wait until the lock-up period is almost over and then short the stock. Sometimes that can bite you, but often it results in some reasonable profits.

Okay, let's talk about directional funds.

Global macro directional funds make directional bets on trends in the global economy. The manager will follow government policy, political unrest, currencies, interest rates, stocks, bonds, options and metals. This is a high risk/high reward strategy that often is highly leveraged and not hedged. They take a top down approach to investing by trying to predict where the global trend will go. The returns are generated by going long or short and tend to be in highly liquid investment instruments.

These funds tend to do well during global crisis situations and therefore have a low correlation to equity market returns. In fact, their best returns usually come during times when equities are doing their worst. But they are also among the most volatile of funds. Losses of 20%-25% or more are frequent in many of these funds.

And I assume that there are also directional hedge funds that simply trade the market through some model. Certainly most of the funds I've worked with are doing that. They basically follow the teachings we practice of cutting losses short, letting profits run, and practicing sound position sizing. And if their model is pretty good, they outperform the market.

Exactly.

Okay, let's talk about the funds that invest in other hedge funds.

One other structure that has evolved is a fund of hedge funds. The manager of the fund of funds puts together a basket of hedge funds, anywhere from a minimum of three to as many as 100 in some large funds, which may invest in similar or broadly different strategies.

So what are the advantages of this.

This has the significant advantage of diversifying your portfolio into a group of hedge funds with one single investment. Fund of funds which are private typically have minimums which start at $250,000. If they are registered with the SEC, the number of investors is not limited and the minimums can be as low as $25,000, with some funds suggesting they will go lower. However, the minimum net worth to get into a fund of hedge funds is still $1 million.

It sounds like you might not get the spectacular returns, but you probably also have a lot less risk.

For most investors, a fund of funds is the best way to start investing in hedge funds. Find a manager or consultant who has been involved in the industry for years, has solid research capabilities and a reasonable approach.

John, let's talk about what I think is really critical—performing your own due diligence and analyzing the risks.

It is helpful to think of a hedge fund as a business. Investors should not invest in a business without asking a lot of questions, learning about the management and trying to decide if the potential returns are worth the risk. Those who do not do their homework often get the results they deserve.

So what kinds of questions do you recommend?

Essentially, all risk and investment analysis, whether it be for stocks or hedge funds, boils down to these three basic questions:

1. Is Management honest?
2. Is Management competent?
3. Does the investment strategy have the potential to do well in the future?

What do you recommend first?

Read the offering memorandum. It is important to read the offering memorandum to get a basic understanding of the fund or business structure. But that task is the beginning, not the end, of the due diligence process. You will seldom get the information you need to adequately determine whether or not you should invest in a fund by just reading the offering documents. Often, you cannot even adequately determine the real risks to your investment from these documents.

But most of those memorandum are boring to read (because the government requires certain language to be there) and they are not going to tell you anything they don't have to that might be negative about the fund.

Let's be perfectly blunt. That long offering memorandum and subscription agreement you sign is not to protect you. The disclosure documents sent to you by mutual funds AFTER you have given them your money will not help you understand what market risks you are really taking. It is to protect the fund in case something goes wrong. Attorneys are paid large sums to think of every possible risk imaginable, include them in the offering document, and then get you to acknowledge that you understand the risk. If a creative attorney thinks of some new risk or disclosure and puts it in a new offering document, that paragraph will soon start to appear in every other new document by every other fund.

So what should people look for?

The fund material will only give you vague clues to answers to the questions about honesty, competency, and the investment strategy.. For example, What fund offering material says, "We are liars" or "We don't know what we are doing?" None of them, of course. You have to be experienced enough to read between the lines.

> "Due diligence is not a one time event to be performed before an investment; it is a continuous process for as long as the money is invested with the manager."

And what about when to invest.

Every hedge fund, mutual fund and public stock CEO will tell you "now is the best time to invest" just as do most of the professional analysts. But you can never be certain of that – at least by reading the fund prospectus.

All fund material will give you the warning. "Past performance is not indicative of future results." It should not be read as boilerplate language. It is the single most critical aspect of successfully investing in a fund or business.

My experience is that all the money flows in at the top of their equity curve just when they start to lose money. And all the money flows out at the bottom of the equity curve just when they start to make money.

Exactly. So that also points out the importance of some strategy for investing in funds.

And how do you determine what kind of strategy the fund is using. I've consulted with a lot of hedge funds, mostly on psychological and business issues. I've never seen all of the strategies broken down the way you've done it. That at least gives you a framework for evaluating the strategy.

The fund documents will give you a brief overview of their strategy, but few of them will tell you how to expect the strategy to perform under various market conditions. They certainly will not tell you what market conditions to expect. Every fund management style will have periods of good performance. Many are very dependent upon market externals. By that, I mean if the conditions are not right, they will not make money, and may even lose a great deal. Simply investing by the numbers may not produce good results. It often – quite often — produces very poor results.

Offering memorandi are VERY important. Read them. Jot down questions as you do. Just remember they do not answer the most important questions.

We recommend that at minimum you collect monthly performance changes from a hedge fund you are considering. We have a simulator, called Know Your System, and that can take that monthly data and plug it into the simulator. If you have, say five years worth of data, then we can give you an idea what to expect in subsequent five year blocks. Answering questions such as, "How many losing months are likely?" and, "What's possible in terms of a drawdown?" and so on. These are done as reports to the client and can be very useful.

If you do your homework, it is much more likely you will end up with a fund that fits into your investment philosophy. You won't have to jump from fund to fund, chasing last year's earnings. You will know what to expect, and won't get nervous when the occasional drawdown occurs. You will also have an idea of what situations – and not your emotions — will cause you to exit the fund.

The largest risk to your money is not fraud, estimated at less than 1%, but incompetence or poor management. Investing in hedge funds without proper due diligence is like throwing the dice. Maybe you get lucky, but more likely you will end up, at the very least, unhappy.

Okay, John, what else to you recommend in terms of Due Diligence?

The manager of the fund is the single most important part of the hedge fund. It is often their expertise and knowledge that makes money and without the key players in the fund there would be no fund. Many of the hedge fund strategies are not extremely difficult to understand, but to be successful using that strategy you must have the knowledge that the manager brings to the game.

The key to picking the right manager is an extremely thorough due diligence process. The due diligence process includes looking at many aspects of the funds structure and manager. Attention must also be paid to the back office operations, the amount of money that flows into or out of the fund, position concentrations, transparency and the manager's background.

We teach a whole list of discipline factors involved in good trading, so perhaps it would be a good idea for people who won't do it themselves to make sure that the fund manager they employ is doing it.

Exactly.

What else do you recommend they do?

Do the assets really exist? The back office or outside firm hired to perform these services must be reputable and efficient. Many of these will be organizations audited for industry compliance. This does not imply that the investment strategy is safe, but just that the assets really exist.

Tom Basso also said, be sure the money is in someone else's hands, not the hands of the fund manager.

And that's also an excellent suggestion. What else should they look at, John?

Money flows can have an adverse effect if a large percentage of assets under management are from one investor. The departure of that investor could cause the manager, especially in an illiquid strategy, to sell off assets at an inopportune time, thereby hurting the remaining investors.

Okay, people need to make sure that the money comes from a number of investors and that there is no strong concentration. What else?

Position concentrations can cause excessive risk as the manager puts too much of the fund into one investment. This may be fine, though, if that is the type of swing for the fences strategy wanted, but most hedge funds are more interested in controlling risk than hitting home runs.

This sounds like what we call position sizing. Most of my readers know about that? What else?

Transparency is the ability to look at the portfolio of the manager. Simply ask the fund how frequently it reports to shareholders, and what the fund details about its positions in those reports. This helps monitor problems like position concentration, strategy drift and risk management by the fund manager. Transparency has become much more open than in the past, but for the most part is not anywhere close to what can be seen in other parts of the investment world.

What else should they look for, John?

Another area to look out for is one time events that may cause great returns that can not be repeated. The key is to make sure the manager is consistent over time and not just lucky. As an example: if the manager gets a return of 50% the first year and negative 5% the next two years, his three year annualized return looks great, but the returns going forward may be more like the last two years than the first one.

That's what a report from our simulation software would tell you.

Summarize due diligence for us.

Due diligence is not a one time event to be performed before an investment; it is a continuous process for as long as the money is invested with the manager. The investor must be able to collect and understand the data and this can be costly and time consuming. This is why, for the small investor, using a consultant who can perform these tasks makes a lot of sense.

This is also presumably done by the management of a fund of hedge funds where they put together a basket of hedge funds and continue to monitor and replace them as warranted. The fund of funds manager's job is all about continuous due diligence and risk management.

Thank you John. It's been a great learning experience for us!

To register for John Mauldin's free newsletter, *Thoughts from the Frontline*, mentioned at the beginning of this newsletter, register online at *www.2000wave.com.* In addition, for those interested and who qualify, John writes a free letter on hedge funds and private offerings called the Accredited Investor E-letter. You must be an accredited investor (broadly defined as having a net worth of $1,000,000 or a $200,000 annual income for at least the last two years. There are more details at his website. You can go to www.accreditedinvestor.ws to subscribe and get more details. (John Mauldin is a registered representative of the Williams Financial Group, an NASD member firm.)

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also tough – he doesn't do freebees. It's given by John Childers who used to deliver free preview workshops for the likes of people like Robert Allen and Wade Cook. John is an expert in getting people to attend $3000 and $5000 workshops, just by listening to him talk for 90 minutes. He only gave a 90-minute talk once and 52 people to sign up for Robert Allen's "Nothing Down" boot camp. That means he sold $260,000 worth of workshop in 90 minutes, making him a commission of $26,000 for his 90 minutes of work. Today he might make $400,000 worth of sales on his own products from such a talk. John just doesn't allow people in for free.

But our young creative genius got in for free. Furthermore, four months later, Stu was speaking to me at this guy's workshop on the topic of creativity. How did he do it? First, when the workshop sales pitch was over, a man in the audience was so impressed with Stu's abilities to generate ideas that he said to Stu, "How would you like me to pay for you to attend this workshop for free?" That means that Stu, in talking to the man, had to have been very impressive.

Stu responded, "I'd love it, but what's the catch."

The man responded, "I'll pay for the workshop and you allow me unlimited access to your creative ideas for free for the rest of your life." That seemed like a "no brainer" to Stu so he said, "Yes." As a 24-year old, he probably didn't know what he was giving the guy. But he went to the speaking workshop for free.

At the end of the workshop, Stu, decided he wanted more access to John Childers so he did a creative process (and I'll give you an idea of how he does it shortly) and came up with ten ideas on how John could improve his business. He said that John just sort of grunted at his ideas, but when he returned to his home, he had a message on his phone from John Childers saying, I want you to work for my organization. And that's why Stu was giving us the 90-minute talk.

Just to illustrate how Stu's mind works, there is an organization, the Eureka Ranch, that does creative seminars for top business executives and charges $150,000 for three days for the process. Stu wanted to go to that. How did he do it?

First, he started an email campaign to them about how Stu should attend their workshop for free and how beneficial it would be to them. That at least got their attention. He then called them up and said, "How can I attend for free?"

They said, "You can't."

Stu said, I'll do anything, I work for you for free. That sort of got their attention. And they responded, "For how long?"

Stu had just gotten out of school for the summer (yes, he was that young) and he said, "I'll work for you for four months."

They responded, "Sorry, Stu, we can't even begin to train you in four months. It just won't work." And that was the end of the conversation.

Stu then started his creative process. How could he get their $150,000 training for free? He was the president of an organization at his school. He decided that they should do some sort of fundraiser. They could raise a lot of money by putting on a special event and getting some big time speakers. And one of the big time speakers that they just happened to bring in was the head of this creative institute. Stu, being the president of this organization, got the opportunity to pick him up at the airport, deliver him to his hotel, buy him lunch (Yes, a 24 year old can do that!) and spend about three hours with him. And, if Stu could impress someone enough in a free preview speaking workshop to pay for him to attend that workshop, what do you think happened when he spent three hours with someone?

You probably guessed. Two days after the man returned back to the creative institute, Stu got a call from him saying, "Please come to our next $150,000 executive retreat for free." So Stu got his workshop for free. I was impressed.

I find this quite intriguing, but I've sometimes done the same thing. In 1995, I was quite impressed with a man named, Robert Kiyosaki, after going to Australia and hearing about the "Money and You" seminars that he was giving. I decided, "I needed to meet this man." And not only did I meet him, but my first "Infinite Wealth" workshop was given in 1997 at IITM with Robert Kiyosaki as the chief presenter. That workshop was one of the first public presentations of the game CASHFLOW. Furthermore, Robert taught at two more Infinite Wealth workshops with me. And I used the same sort of creative ideas that Stu used to pull it off.

Earlier, I had done something similar to get Ed Seykota to do a retreat in Hawaii right after *Market Wizards* had been published. It also was a great experience. I've also done the same thing with several other famous people that I just wanted to meet.

So what's the creative process? We'll Stu has several rules for how to brainstorm. The rules are as follows.

1. There are no rules.
2. Caterpillars become butterflies. (That's really a metaphor to say, don't judge any idea in its early stages).
3. Go where no one has gone before.
4. Go BIG or go home.
5. Let go and have fun.

What else is involved with such a brainstorm? We'll first you have someone generate a problem to solve. Let's say the problem is "How can I get this training that I cannot afford?"

The next step is to generate a whole series of stimuli and then react to them. For example, you might play music in the background and flash unusual pictures to yourself. Although it's best done in a group with many participants, you can do it alone.

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Here's what might happen. First, you see a picture of a camel with his nose in the foreground looking really big. What comes into your mind?

His nose is big – focus on the big idea.

He looks happy – how can I make the trainer happy?

The next picture is someone at an ATM machine and he looks like the machine accidentally gave him a lot of cash.

Cash – I could give the trainer ideas that would generate him a lot of cash. What if I helped him organize a workshop here?

The next picture shows a double decker bus in London?

What's a British way to solve this problem?

Perhaps I could run an ad on this bus saying, "help me get to the workshop."

And it goes on and on. You then gather up all the ideas. Notice how they might be combined. Perhaps each idea will generate other ideas. Keep your brain going and keep trying.

I've always said that when you have enough commitment, then the universe opens up a way for things to happen for you. Last year a young man came to IITM, who was like Stu. He kept calling our offices saying, "I want to work with you." My staff kept saying, "We don't have anything for you." Now what he lacked was enough creativity to get to me and to give me some creative ideas. However, he was persistent.

I was speaking at an Agora conference that he could attend for $500 – one of the least expensive ways to hear me speak – so this young man showed up. Again, he wanted to work with us. I personally don't remember talking to him about working with us, but again, he wasn't creative enough to really get my attention concerning that topic. However, he was creative enough to get Steve Sjuggerud's attention.

Steve said, "If you'll work for minimum wage…I'll put you to work." Thus, he moved from Iowa to Florida and started working with Steve. He put in 12-hour days at minimum wage working with Steve. But he really started to impress people in the Agora organization. What's he doing today – about nine months later? Today, he's writing a newsletter for Agora with subscribers paying $1,000 per month for his monthly ideas. And how does he get those ideas. He took the efficiency model that I wrote about in *Market Mastery* in 2001-2002 and modified it slightly to find a way to generate really great trading ideas.

So let me ask you a couple of questions?

How committed are you to being a trader? With commitment, you can do anything. You'll always find a way.

How creative are you? And I just showed you one way to generate creative ideas. Find some sort of way of getting stimulation and use that stimulation to help you make creative ideas. All it takes is an open mind (being young helps) to become an idea generator like Stu.

And if you combine commitment with creativity….WOW! Do that and there is probably nothing that can stop you. Stu could work for me any day if he wanted to badly enough. I even have some great ideas about how creativity could be applied to the process of generating trading ideas – one that could be worth millions to people who could harness it. I put that idea into Stu's head. Who knows, perhaps Stu and I might be working together on it one day. Or perhaps it will be you!

Incidentally, there is a common principle behind what Stu did to get free workshops and what the young man did who now writes an Agora newsletter. It was the core principle around which Lee Coit and I did a workshop many years ago. If you think you know what it is…or you'd like to use your creativity to figure it out, then I invite you to post it on the Van Tharp discussion forum online. (http://mastermindforum.com/phorum/list.php?f=9)