

'Brilliant, brilliant book. Excellently crafted, very well structured and superbly written. Loved the simple examples used to explain the complicated strategies.'

— Owen O'Malley, CEO of The Investment Club network, with over 200 member clubs

THE EXTRA ORDINARY INVESTMENT CLUB

YOUR PATH
TO FINANCIAL
FREEDOM



JEFF FITZPATRICK

Even with only modest means, you can improve your chances of reaching later life with enough money to support a reasonable lifestyle.

Members of Extraordinary Investment Clubs, many investing only small sums, have banded together to transform their financial futures using a safe and lucrative system of trading. You can do the same – by joining a club or using the knowledge shared in this book to start investing yourself. Learn how to:

- Transform your financial and retirement prospects with as little as £100 a month
- Invest for success in just one hour per month
- Manage risk and invest safely as part of an Extraordinary Investment Club
- Make your vote count in Extraordinary Investment Club decisions
- Become a highly skilled investor or a passive club member – or anything in between



Jeff Fitzpatrick has traded successfully for over 20 years. He started the first Extraordinary Investment Club at the end of 2020 with eight members and now supports over 300 members to make money safely. His ambition is to create one million millionaires by sharing his knowledge. Learn more at <https://theextraordinary.club>



Praise

‘Brilliant, brilliant book. Excellently crafted, very well structured and superbly written. Loved your simple examples used to explain the complicated strategies.’

— **Owen O’Malley**, CEO of The Investment Club network, with over 200 member clubs

‘This book offers a great combination of simple explanations and a higher level of detail that will satisfy those who require it.’

— **Acer and Andrew Morgan**, members of four extraordinary investment clubs

‘Jeff’s book is a fantastic manual for an extraordinary trading system, which takes readers step by step through the principles of safe yet successful trading, and the numbers speak for themselves. I would recommend it to anyone who, like me a few years ago, is looking to enter the world of financial markets in the smartest and safest possible way with a view to securing financial freedom.’

— **Kasia Muszynska**, NHS Project Manager

‘The knowledge embodied in this book has allowed me to restore my planned retirement date after pension changes blew it way off course.’

— **Michael Smith**, Fire Officer

'Honest, straightforward and easy to understand.
This book perfectly captures and explains the trading
system.'

— **Paul Elliott**, Police Officer

'I always believed the stock market was for rich
people and the best I could aspire to was an ISA –
what a game changer trading is!'

— **Pat Chambers**, NHS Hospital Foundation
Trust, Charity Lead

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Re^ethink

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While this book could help anyone with any level of wealth, I dedicate it to those I most want to help. So many people needlessly end up at retirement with what, by any measure, are inadequate financial resources to support what they see as just a reasonable lifestyle. They include:

Private and public sector workers, including WASPIs (Women Against State Pension Inequality) who now work longer, pay more into pension funds and get less out, while retiring later.

Self-employed people and small business owners crushed by recessions, pandemics, late-paying customers and a thousand other travails.

Those thrown out of work in middle age when well-paid alternative employment is almost impossible to find. Many are left with long periods between the end of their working life and pension age, with a large income hole to fill.

Young people – as well as the young at heart – looking to finance a lifestyle change. Perhaps they would like to travel, volunteer, work in the arts or whatever, but need to earn a living too.

May they all prosper.

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Disclaimer

In their involvement with the extraordinary investment clubs, neither Jeff Fitzpatrick, The Investment Club Network (TICN) nor anyone else associated with this work act as stockbrokers, brokers, dealers, or registered or unregistered investment advisers.

Stock and option markets are highly speculative arenas in which many people lose money. No stock, option or trading strategy is recommended to readers. Stock and option prices are subject to change, second by second, and any recommendation would be quickly out of date. Any stock or options mentioned are for illustrative and educational purposes only. It is recommended that readers seek advice from a professional licensed stockbroker and independent financial adviser prior to implementing any investment programme or

financial plan. We do not recommend the use of the services of any specific broker, dealer, adviser, financial planner or other professional.

No investment based on the contents of this book can have a guaranteed outcome. This book describes what the extraordinary investment clubs have done to date. The author can't guarantee that their future performance will reflect their previous performance or that the clubs won't change how they trade in the future according to their democratic will.

Ultimately, readers are responsible for all decisions they make. The author is not in any way liable for the investment outcomes of readers. All trading and investment activities carry a risk of lossmaking. Losses can exceed amounts invested.

Stock and option prices

Throughout this book, share prices have been used to bring examples of trading techniques to life. To ensure that the examples are not misinterpreted as trading or financial advice, the prices given are not actual prices but are typical for the stock at the time of writing. Stock prices change by the minute and the examples should not be used as actual prices.

Option prices also change constantly and expire on a given date. The prices shown are therefore also typical

examples rather than actual prices and should not be treated as such.

Trader profiles

Throughout this book we have used, with permission, a series of trader profiles. These are the true reflections of the motivations and successes of actual members of the extraordinary investment clubs. Their names have been altered for the purpose of privacy. However, if you would like to make contact with any or all of them, your details can be forwarded.

To make contact, email jeff@myinvestmentclub.co.uk. We also facilitate member contact through the unmoderated WhatsApp groups operated by each club. The groups welcome prospective members joining as guests.

Foreword

It is tragic that many people at the age of sixty-five are either dead or dead broke. Given the prevailing economic conditions of our time, the number of people facing hardship at retirement will likely increase.

More than twenty-five years ago, I attended a Tony Robbins 'Wealth Mastery' class at which more than a dozen of the world's richest people who had made their wealth from the stock markets were present. After hearing them speak, I developed the trading system that you will read about in this book. It has grown and developed over the years with the input of Jeff Fitzpatrick.

I have known Jeff and worked with him for over twenty years. He is one of the top traders I know and

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by far the best person, from the many I have known, at supporting investment clubs. Among thousands of users, no one else has developed processes like his to maximise the performance of my system.

Jeff is not only a great trader and club supporter, his strong values drive him to share the goal of my partner Ana Rodriguez and me to bring wealth to as many people as possible. He always ensures that even the most modest contributors to club trading funds have a bright financial future.

Almost anyone can significantly improve their financial position using the techniques described in this book. However, nothing will change for any reader unless they act upon what they read. It is not our circumstances that are important. We all live in the same environment of economic turmoil caused by a myriad of factors. As Jeff is proving, significant improvement is more than possible, even in the darkest of times. It is too easy, and a waste of time, to blame circumstances. The important thing is how we react to them.

Help is available. You don't have to do this alone. The team behind this book form your support structure and collectively have over eighty years' experience in this arena. You can, starting today, leverage the thousands and thousands of hours that have gone before your involvement to formulate the powerful, profitable strategies outlined in this life-changing book. Follow this proven system and prepare to be surprised

by the awesome power and magic of compounding returns.

Ana and I wish you great success in the future, and remember, it is your decision to act by which your destiny is shaped. Congratulations on finding this book.

Owen O'Malley

Founder and CEO of The Investment Club Network

Introduction

Imagine a dice, numbered like any other. It is not loaded, it is perfect. This is a special dice. No matter how it lands, the thrower wins. Some wins are bigger than others, some take longer to deliver, but every throw wins. Replace the word 'dice' with 'stock trading system' and that is what six extraordinary investment clubs have right now.

All 300+ members of the clubs are building wealth. Some invest as little as £100 per month, others invest hundreds of thousands of pounds. All achieve the same percentage return. They aren't getting rich quick, but they will get rich. The programme works to a time horizon of five to ten years.

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I recognise that the above is a big, audacious statement but I will demonstrate that it is fair and you will have as many opportunities as you want to speak with any or all the club members to verify its veracity.

We live in difficult times in which many people have taken a major hit to their finances. Recessions and the pandemic have taken their toll. However, the damage is far worse than most people realise. Structural changes in the economy abound. Some sectors, including hospitality, tourism and retail, have seen many redundancies. Many small businesses have folded and employment patterns have altered with the rise of zero-hours contracts and the gig economy.

There are also changes to pension arrangements. We have seen the wholesale replacement of final salary pension schemes with far less beneficial contribution-based plans. Retirement ages and contribution rates have increased while pensions have reduced. Just ask the WASPI campaigners what they think and feel about pension changes. Too many people have an inadequate pension provision and don't believe they can put things right.

Everyone is fed up with low returns on their savings and investments. Let me demonstrate how poor the returns delivered by the finance industry are... Savings rates of 1% per annum are common. A simple rule of thumb calculation demonstrates the issue. Start with the number 72 and divide it by the rate of return you

are 'enjoying'. For example, for an interest rate of 1%, divide 72 by 1 to get the answer 72 to find out how long it takes to double the savings pot. Yes, it takes about 72 years to double savings at 1% per annum. That is without tax or inflation being considered.

We are now seeing how devastating the effects of inflation can be. The cost of fuel, food and many other goods and services is rising steeply while incomes are not. Inflation needs to be taken account of in any financial plan. What better way to do it than with an income stream that increases well ahead of it?

Most people are not looking for great wealth. All they want is a secure income that supports what they consider to be a reasonable lifestyle. A holiday or two, presents for children and grandchildren, being able to help them complete their education or to get onto the housing ladder. It is not a lot to ask.

This book represents an opportunity to fight back. For those who need it, a move towards financial security or even financial independence could start here with a giant step on the path to financial education.

You are about to find out about a diverse group of people who decided that enough is enough and are taking matters into our own hands. We – yes, I am one of them – are successful stock market traders making returns that are transforming our finances.

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As well as more mature people worried about retirement income, we have younger members supporting lifestyles of travel and avoidance of the 'daily grind'. Often, they want the freedom to pursue other things. They may want to work in the arts, sport or charities while still having a decent income. They may want to overcome lower income earning potential caused by a medical condition of their own or a family member.

There are also members who already have levels of wealth that many would be happy with. Everyone is welcome. All we ask is that those who join us have decent values and are like-minded people.

After a career in the corporate world, I decided to use my experience to help others. I believe the best way to do this is to enable people to take charge of their own destinies. With that in mind, I set up a business that helped people to get into self-employment. My team and I helped more than 5,000 people to do so with a high level of success.

My next attempt to help was to join the North East Ambulance Service NHS Trust as deputy chair. I like to think that some good was done, particularly as I also chaired the finance committee. I served for six years, but found this to be an arms-length way of helping others.

In 2020 I decided to teach others to do what I do best: make money! I had successfully traded the stock

market and owned good businesses for the best part of twenty years. I knew I could give people control of their financial futures. The extraordinary investment club format is the vehicle I chose to achieve it.

My own trading journey started more than twenty years ago. Along the way I have paid off my mortgage, built a good pension, enjoyed a lovely lifestyle and supported my family.

Recently, my ambitions have grown exponentially. I now want to bring financial control and security to a million people. The extraordinary investment clubs are eliminating barriers and bringing the financial opportunities of the few to the many. To date, the clubs have grown purely by word of mouth and recommendation through existing members. This book is a step along the road to realising the vision through publicity. It also aims to grow the numbers reached by bringing what we do to people, even if they choose not to be club members.

With the help of some experienced and talented traders, the clubs have grown to around 300 members from nine countries and trade funds of £5 million.

The first investment club began trading in January 2020. Eight members started contributing £100 per month. By September 2021, it had around £24,000 available to invest. The club has a doubling rate of fourteen months, which is about the average of all

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the clubs. There is no reason why individuals can't repeat this performance. There is little doubt though that many people prefer, and benefit from, communal investment and trading.

It is fair to say that not a single club member had any prior knowledge of stock market trading when they began and some of them still don't! Some members are keen to learn, some maintain a watching brief and others are completely passive.

We expect the doubling rate to come down to twelve months as we move forward. £100 per month gives an average of £600 per year to invest. Five years of doubling this will result in a nest egg of £37,500. That's a return of 525%. If they can keep going for ten years, resisting the temptation to spend the profits, they will get to a value of £1,227,600. That's over 10,000%. Such is the power of compounding returns, but more on that later.

As noble as I think my ambition is, it has not been an easy choice. Sometimes, I believe it would have been easier to just make money and give it away. In the early days I constantly heard cries of 'impossible', 'can't be true' and even 'scam'! Today, I don't have to ask anyone to have faith in what I say. The members spread the word and vouch for the performance.

Everyone is welcome to join one or more of our club WhatsApp groups and to ask any of the members

anything that they wish. We don't moderate the chat, apart from keeping the discussion on-topic. Similarly, subject to the agreement of its members, anyone can join the monthly Zoom meetings of any club. There is no cost or obligation.

People say the stock market is scary and risky. It is, if it is not understood. With over 3,000 trades completed, we have not had a single losing one in any club – so not so scary after all! Every meeting is video recorded to keep a full record of decisions and actions taken. This book will walk you through exactly how the members do so well and how you could too.

PART ONE

THE FIELD OF PLAY

There are lots of ways to make lots of money. Some require a lot of money to start off with, some have a high risk of failure and others take many years to bear fruit. Most successful routes to wealth do not involve directly exchanging time for money, unless you are exchanging someone else's time for money.

Some entrepreneurs have made huge sums – occasionally quickly. I am all in favour of setting up businesses; however, the failure rate is brutal. According to the business insurance provider Embroker's website, 90% of start-up businesses fail.¹

The alternative, for most people, is to take a share in some of the largest and best-performing businesses on the planet. I have the extraordinarily successful CEOs of organisations such as Microsoft, Apple, Starbucks

¹ Embroker Business Insurance, '106 must-know startup statistics for 2022', www.embroker.com/blog/startup-statistics, accessed 12 September 2022.

and Boston Scientific working their socks off for me. The way to achieve that is through the stock market.

There are well over 30,000 companies on the stock markets of the world that can be invested in and traded publicly. Which are the strongest? Which have share prices that offer good value? In Part One, I will show you how the extraordinary investment clubs identify the stocks they trade.

Of course, no one has a fail-safe way of identifying stocks that are set to rise or fall. Powerful computers, investment fund managers with years of experience and some of the brightest graduates working for them still get things wrong. Few, if any, consistently get things right. At the other end of the spectrum there are home-based traders and traditional investment club members. They tend to use the news media as their source of knowledge to underpin trading and investment decisions. A few of these traders do moderately well – most don't. As far as the stock market is concerned, most of the news in the public domain has already been taken account of in pricing stocks.

The extraordinary investment clubs are in the middle of the price forecasting spectrum. They use professional research and fundamental and technical analysis and get things right in most cases. In Part One, you will see exactly how they do this. However, just as importantly, the clubs don't bank

on getting their forecasts of stock price movements right. They use a forgiving, profitable trading methodology that sits alongside their forecasts, but more of that in Part Two.

ONE

Choosing A Stock Market

Among people who trade stock markets there is an understandable preference to trade those that are based where they live. In the UK, I am constantly asked about UK stocks, which I know little about. The decision on which market to trade warrants greater consideration than being an accident of birth.

We now live in a globalised world and have an almost unlimited choice of markets to trade. This has been facilitated by technology. That same technology, together with enabling legal changes, has made it possible for just about anyone to be able to trade most of the world's stock markets. Given that possibility, why would anyone not select the best markets to trade or invest in?

The extraordinary investment clubs have chosen to trade what they see as the world's premier stock markets. Their choice was not based on these markets being 'premier league'. Instead, factors such as available research, the types of trades that are allowed and costs were considered. By the end of this chapter, you should understand their decision and hopefully see good sense in it.

What stock markets?

Think of the world's stock markets as being in a league table. The United States-based New York Stock Exchange (NYSE) and NASDAQ represent the Premier League. Most of the top companies in the world have shares traded on these exchanges. On them you will find non-US-based companies listed, such as BP and Phillips. You will also find many other familiar names, such as Apple, Ford, Starbucks and Disney.

These are also the biggest stock markets in the world. Size is important when it comes to stock markets. A larger market has more liquidity, which means more trades are taking place and it is easier for them to match buyers and sellers. Stocks can only be bought or sold if there is a market for them – that is if someone is prepared to buy what is being sold and to sell what is being bought.

Companies listed on the NYSE and NASDAQ stock markets tend to have a lot more information about

them in the public domain. This is of massive importance as it is this information that we use to assess and rank stocks.

There is another advantage available to those who trade stocks on these markets. This one almost trumps all others. The extraordinary investment clubs could not use their trading techniques without it. It relates to the trading of stock options. That is the ability to sell promises to *buy* stocks at given prices by set dates and to sell promises to *sell* stocks at given prices by set dates.

Although this ability is also available in respect of other stock markets, including the London Stock Exchange and European markets, there are vital differences that give unique advantages in the way that option trading operates in the US.

Finally, buying and selling stocks usually involves a cost. Brokers, market makers and others earn their money through spreads and commissions. Spreads are just the (usually) small differences between the prices that stocks are bought and sold at. Commissions and spreads costs tend to be lower in the US compared to other markets.

Learning from history and compound returns

The advantages of using the main US markets to trade are considerable. However, they mean nothing unless

we can see and measure success. Success, in this instance, is relative; it is about measuring club performance against the overall performance of the market.

Measuring relative success involves looking back over time at performance against a yardstick. The extraordinary investment clubs see the Standard and Poors 500 (S&P 500) as the best available yardstick. The S&P 500 is an index of the value of stocks made up of 500 of what most people consider to be large companies across all industrial sectors. Size, in this case, is measured by market capitalisation. This is calculated for each individual company by multiplying the number of shares issued to the market by the current price of those shares. Size is not the only qualification for inclusion in the S&P 500, but it is by far the most important.

There are other yardsticks such as the Dow Jones Top 30 and the NASDAQ. The former measures the market capitalisation of only the top thirty companies. The latter measures stocks that are listed only on the NASDAQ stock market. Most of the world's top investors and traders see thirty as being too small a sample and the NASDAQ as being overly biased towards technology companies.

It is possible to buy and sell shares in a fund that owns all the companies that form the S&P 500. Many commentators recommend doing exactly that. After all, the S&P 500 is diverse and changes as some companies get large enough to be included and others shrink to drop

out. Typically, investing in the collective S&P 500 returns around 12% per annum. Investing in it is also a relatively low-cost affair as it doesn't incorporate expensive fund managers and generally involves fewer trades and therefore lower costs than, for example, managed funds.

Logic tells us that size isn't everything and that some companies in the S&P 500 must perform better and represent better value than others. The clubs use a range of measures to determine whether a company is fundamentally sound and if its stock represents value for money. That said, fund managers do the same and, as noted above, few of them – if any – are consistently successful. It is possible to be correct more often than not, as legendary investors Warren Buffett and his partner Charlie Munger have shown (though not all of their selections have worked out well).

The trading system used by the clubs owes a lot to Buffett and Munger and performs relatively well in identifying stocks. The system doesn't get it right all the time, but the stocks it identifies collectively and consistently outperform the S&P 500 for average growth in value.

You will learn, as you progress through this book, that the clubs don't only rely on picking stocks that go on to grow by the largest percentages. Success also comes from how the clubs trade. Essentially, they take advantage of being relatively small players and can use types of trade that the professionals can't. For

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example, according to *Investor's Business Daily*, Warren Buffett's company, Berkshire Hathaway, owns about 10% of the Coca-Cola company.² If he decided to buy more shares, he would pay the current price, which at the time of writing is \$62.87 per share. If a club chose to trade Coca-Cola shares (and by the way, they don't) then they could, at current prices, offer to buy them for \$62.50 each in the future and be paid a premium of \$3.60 – probably a little more with some negotiation – for making that promise. Their effective price would be $\$62.50 - \$3.60 = \$58.90$. That represents a discount of \$3.97, or over 6%, on the current price. Presumably, Warren Buffett would, like the clubs, buy the shares expecting them to rise in price. If the price stayed above \$62.50 no one would want to sell the shares to the clubs at that price. They would just keep the \$3.60. Clubs can undertake such trades because they are dealing with small numbers of shares. The trade could not take place with 10% of them because the brokers would not be able to find owners of 10% of Coca-Cola shares who were prepared to sell at \$62.50, having paid out a premium of \$3.60 for the privilege.

Similarly, if the clubs did end up owning the shares, they could sell the right to someone to buy them from the club at a price and by a set date that the members were happy with. The clubs would be paid for selling the right to have shares taken from them. Usually, the

2 *Investor's Business Daily*, 'Warren Buffett stocks: what's inside Berkshire Hathaway's portfolio?', www.investors.com/research/warren-buffett-stocks, accessed 12 October 2021.

premium they receive is around 5–10% of the selling price. Again, this wouldn't work if anyone was trying to sell 10% of the Coca-Cola company.

I should make it clear that I have no idea whether Warren Buffett is interested in buying more Coca-Cola shares and that the clubs currently are not. I have used the above as an illustration only, albeit using current prices and premium levels.

Compound growth

The S&P 500 index has been measuring the stock market in its current form since March 1957. The value changes constantly, every fifteen seconds during the trading day, to reflect changing share prices.

A graph (or as traders refer to it, a chart) of the S&P 500 index shows exponential growth. The growth is frequently interrupted by world events such as wars, recession, the pandemic, etc. To date it has overcome everything thrown at it and reverted to what looks like a pattern of eternal growth. Some researchers have extended the chart back in time to cover the Great Depression of 1929 and other major events such as the First World War. They have invariably found that the growth pattern has re-emerged whatever the event.

The underlying growth pattern is one of compounding growth in the value of the top 500 companies. In

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general, it has taken an average of around six to seven years to double in value. The nature of compound growth (also known as exponential growth) is such that the doubling rate reduces as time progresses.

As I hinted at earlier, being in the S&P 500 does not mean that a company meets every condition required for the clubs to classify it as being a fundamentally sound business that they would like to trade the shares of. Many S&P 500 companies don't get onto the club watchlists because they fall short of the clubs' standard needed for fundamentally sound business status.

The clubs also look for stocks that represent great value for money. They use several factors to determine which stocks offer good value. For example, one factor is the price to earnings ratio (or P/E ratio). This ratio measures the price of shares compared to their earnings, also known as profits!

In some cases, the P/E ratio is high. At the time of writing, the ratio for eBay was well over 200, while that of US Steel was just 1.48. That means a share in eBay is currently set to take over 200 years to pay for itself through profits, while shares in US Steel generate enough profit to cover their share price in less than eighteen months. Historically, prices of stocks with high P/E ratios tend to fall faster and further than those with low P/E ratios when the stock market has pullbacks and bear markets.

We will put the S&P 500 to one side for now. For the moment, we will concentrate on how the clubs identify fundamentally sound stocks that offer great value, whether they are part of the S&P 500 index or not.

TRADER PROFILE

Paul Middleton is a fire officer. The Fire Service Pension Fund was altered a few years ago, not in a good way. The changes required him to pay more money in and to work to an older age, which would result in him getting a lower pension.

Paul joined an extraordinary investment club in 2020, putting £100 per month into the trading pot. Had he been trading by himself, at that rate it would have taken him many years to achieve a personal trading pot value of \$25,000. That is the value needed to access the type of trade that the clubs use so successfully. Had he just traded a personal account, he may or may not have had the time or inclination to learn how to trade well. He would probably not even have come across the trading methods used by his club. By trading as part of a club, he, together with the other members, was able to benefit from reaching the \$25,000 threshold after about nine months. He is now well over 100% up in account value and hasn't suffered a single loss.

Paul's daughter, a trainee nurse, has now joined the club. Her options on retirement and life choices will be vastly better than those of her father because of the additional years of trading ahead of her.

Summary

In this first chapter, we looked at why the NYSE and the NASDAQ are the best stock markets in the world for the extraordinary investment clubs to trade. Their size, liquidity, volatility, the lower cost of trading and the availability of good, detailed information about the companies being traded put these stock markets firmly in first position by themselves. However, the fact that the uniquely US style of option trading is available on them makes these markets win hands-down.

We also covered an example of how small traders can frequently trade more successfully than large institutions, with the Coca-Cola trade showing how this can work in practice.

The groundwork has been set for determining how traders, including the extraordinary investment clubs, can measure their progress using the frequently used comparator of the S&P 500.

It was demonstrated that generation of compound returns is key to the success of the extraordinary investment clubs. It was noted that the nature of compounding growth is such that it starts relatively slowly but has an increasingly fast doubling rate. Eventually, the growth curve becomes almost vertical.

In Chapter 2 we will begin to focus in on identifying individual stocks within the NYSE and NASDAQ markets that have the potential to generate significant gains for the clubs.