Summer 2025

Investors underestimate the forces of competition and disruption — Sir Chris Hohn.

Goldman Sachs CEO David Solomon recently highlighted a striking example of AI's capabilities: what once required a six-person team working for weeks—drafting 95% of an S-1 IPO prospectus—can now be accomplished by AI in minutes. This leaves only the final 5% requiring human expertise, as the bulk of the work has become commoditized.

Traditional roles in investment banking and the financial services industry are facing fundamental changes as AI automates substantial portions of previously complex work. Professionals who can master this final 5%—the irreducibly human component—will likely find their value enhanced. Those whose work consists primarily of the now-commoditized 95% face quite an uncertain future. It's going to be tough!

This Summer 2025 Edition expands on idea generation, moats, the Flow Capital investment thesis from my previous publication and explores zero-days-to-expiration (0DTE) options trading—a fascinating and rapidly growing market segment that has become a particular focus of mine.

Idea Generation

In the Winter 2025 Edition, I detailed my worldwide quest for exceptional small-cap companies. This extensive search ultimately led me to discover over 300+ businesses, all of which are either founder-led or family-owned.

New additions to this list are best found by frequently visiting The Value Investors Club looking specifically for founder-led or family-owned small caps. It's a compelling short-cut for generating compelling new investment ideas.

Observing the investment choices of highly successful "Super Investors" can be a valuable approach for generating new investment ideas. To systematically track these Super Investor portfolios, platforms like Dataroma.com serve as useful tools in this endeavor. This website meticulously tracks the publicly disclosed investment portfolios of these prominent figures in finance, such as Warren Buffett, David Tepper, Michael Burry, and Bill Ackman.

The platform provides a historical perspective, allowing users to monitor changes in these portfolios over time and identify trends in their buying and selling activity. However, it's important to acknowledge a limitation of Dataroma: the investment holdings predominantly consist of large-capitalization companies. For investors with a preference for identifying opportunities in smaller companies early in their growth trajectory, this focus on large caps may not be ideal. Discovering Super Investors who specialize in the small and microcap arena requires more dedicated effort and research to compile such a list.

Here, The Value Investors Club fills a crucial gap, standing out as an invaluable resource for investors for several compelling reasons. Firstly, it offers a wealth of investment ideas completely free of charge. By simply providing an email address, investors gain access to a substantial archive of insights, with ideas older than 60 days readily available, and even older ideas accessible without registration.

What truly distinguishes the Value Investors Club is its curated nature. Membership requires a commitment to contribute, with members needing to submit two investment ideas annually that meet a certain quality threshold to maintain their standing. This rigorous process ensures a high concentration of insightful analysis and brain power. Instead of sifting through endless streams of potentially low-quality information, investors on this platform benefit from the collective wisdom of a dedicated and engaged community.

The format of the investment write-ups further enhances the platform's utility. The members have already undertaken the initial work of digesting complex information, presenting it in a more accessible and understandable format. This allows

investors to efficiently explore a multitude of ideas, potentially reviewing several each day without an overwhelming time commitment.

The longevity of the Value Investors Club, spanning over two decades, adds another layer of value. In some instances, the same company has been analyzed multiple times over the years. This allows investors to trace the evolution of a business, understand different perspectives on its value, and learn from the historical commentary and discussions surrounding it.

In conclusion, for both novice and experienced investors the Value Investors Club offers a powerful and free tool. Its curated content, detailed write-ups, historical perspective, and focus on idea generation make it an exceptional resource for expanding investment knowledge and discovering potential opportunities, provided that users conduct their own rigorous analysis.

The Elusive Moat

It's widely accepted that a competitive moat is crucial for a company's long-term success, and by extension, for successful investing. A moat refers to a sustainable competitive advantage that protects a company's profits and market share from competitors. Think of it like a medieval castle's moat, keeping adversaries at bay.

While the concept is straightforward, effectively identifying and evaluating a company's moat is incredibly difficult. This difficulty is starkly highlighted by the consistent underperformance of most professional investment managers compared to the S&P 500 index over the long run. If seasoned professionals struggle, it suggests that accurately assessing a company's competitive advantage is a skill few possess, let alone individual retail investors.

Sir Chris Hohn, the billionaire hedge fund manager and founder of The Children's Investment Fund (TCI) and the Children's Investment Fund Foundation (CIFF), recently sat down with Nicolai Tangen of the Norges Bank Investment Management to delve into the complexities of this subject. Their conversation likely explored why moats are so hard to pin down and how investors might improve their ability to identify these crucial competitive advantages.

Chris Hohn emphasizes that "moats" (high barriers to entry) are the most crucial factor in a good investment, rather than growth alone. He believes that many people misunderstand this, often focusing on growth or novelty, which he says do not inherently matter. He defines a moat as something that makes a business difficult to replace, compete with, or substitute.

Hohn explains that while growth can come from volume and price, profitless growth is a real risk if there are no barriers to entry. He uses the airline industry as an example: despite consistent growth in travel over a hundred years, airlines as businesses have made minimal profits due to very low barriers to entry.

He highlights that true pricing power—the ability to price above inflation—is a key indicator of a strong moat and can significantly boost profits even with low volume growth. For Hohn, the predictability of essential products or services is more important than simply recurring revenue streams. Ultimately, he states that a barrier to entry "trumps all" other factors when evaluating a business.

Hohn outlines several types of sustainable moats:

- **Irreplaceable Physical Assets:** These are often overlooked by most investors who tend to focus on earnings rather than asset value. Examples include infrastructure like airports (such as Aena in Spain), toll roads, railroads, and telecom towers, which he considers natural monopolies. He notes that it's highly unusual and often economically unfeasible to build a second airport or road in the same location.
- **Intellectual Property (IP) so advanced it's difficult to replicate:** Aircraft engines are a prime example, due to their complexity in materials and thousands of parts. This industry has seen no new entrants in over 50 years, with only two major players in narrow-body and wide-body engines.

- **Installed Base:** This applies to businesses like aircraft engines, where the existing presence of engines leads to a lucrative spare parts business.
- **Scale:** While not a guaranteed competitive moat, scale can be a barrier to entry.
- **Network Effects:** Visa and Meta are given as examples of companies benefiting from network effects. Hohn also points to the derivative business of Deutsche Börse, Eurex, as a natural monopoly driven by network effects, where the liquidity of the marketplace makes it a "winner takes all" scenario.
- **Brands:** Some brands are powerful and sustainable, such as McDonald's, and serve as a barrier to entry, though not all brands are equally powerful.
- **Customer Switching Costs:** Mission-critical software is an example, as companies are reluctant to switch once it's installed due to complexity. Microsoft's Office franchise leverages bundling to create switching costs, enabling them to integrate new products like Teams and win against competitors like Zoom due to their installed base and high switching costs.

Hohn also highlights that competition "kills profits" and substitution can eliminate businesses. He argues that investors often underestimate these forces of competition and disruption. Ideal scenarios involve "weak competition and apparent competition," where competitors might choose not to compete aggressively on price, focusing instead on non-price factors like reliability.

Hohn doesn't explicitly outline a step-by-step method for continuously improving skills in moat evaluation to become a "master." However, based on his views and approach, one can infer several ways an investor analyst might strive for mastery:

- **Deep Dive into Business Fundamentals and Details:** Hohn consistently emphasizes looking at businesses "in detail" and understanding their core operations, not just surface-level metrics like earnings. To truly understand moats, an analyst would need to go beyond general industry knowledge and delve into the specific mechanics that create and sustain a company's competitive advantage. This includes understanding the specific products, services, and operational complexities that make them difficult to replace or compete with.
- **Case-by-Case Analysis:** Hohn states that for infrastructure, "you have to look at the details case by case". This suggests that there isn't a one-size-fits-all checklist for moats. Mastery would involve developing the ability to analyze each company uniquely, identifying how the various types of moats (physical assets, IP, installed base, network effects, brands, switching costs) apply or don't apply in their specific context.
- **Reference Checks and Competitive Analysis:** Hohn and his team conduct thorough diligence, including speaking with former CEOs of competitive companies and talking to current competitors to get their views. This external validation and understanding of the competitive landscape are crucial for evaluating the sustainability and strength of a moat. A master would actively seek out and synthesize these diverse perspectives.
- **Learning from Mistakes (and Others' Mistakes):** Hohn admits to having invested in "risky and bad industries" in the past and learned from those experiences, such as banks. He also highlights Warren Buffett's view that "not knowing what you're doing" is a definition of risk. Continuous improvement would involve reflecting on past investment decisions, identifying where moat assessments were flawed, and understanding why certain competitive advantages didn't hold up. Learning from others' misjudgments is also implied.
- **Embracing Long-Termism:** Hohn's firm holds investments for an average of eight years, taking a "private equity approach" where they are prepared to hold a company "forever". This long-term horizon

necessitates a deep understanding of how moats will evolve and sustain themselves over extended periods, rather than just in the short term. Mastery would involve forecasting the durability of moats in the face of technological change and evolving competition.

- **Developing Intuition Based on Pattern Recognition:** Hohn speaks about the importance of intuition, defining it as "thinking without thinking" and "pattern recognition". While intellect and analysis are foundational, he suggests a "higher level of intelligence" developed through experience. For an analyst, this would mean internalizing vast amounts of data and case studies on moats, allowing them to quickly recognize patterns of strong or weak competitive advantages. He notes his own intuition improved over the last 5-10 years, suggesting it's a skill that develops with experience.
- **Open-Mindedness and Testing Bear Cases:** Hohn's team actively seeks out "competing views" and has "inherently bearish" members to test the "bear case," including how technology could disrupt a business and what competition might arise. A master analyst would actively challenge their own assumptions about moats and consider all potential threats, rather than becoming dogmatic.
- **Focusing on "Essential Products or Services":** Hohn stresses the importance of investing in companies that provide essential products or services, rather than discretionary ones, as this contributes to the predictability of their revenue streams and, implicitly, the sustainability of their business even in challenging times. Evaluating this "essentiality" is another layer of moat assessment.
- **Understanding Pricing Power:** Hohn links pricing power directly to moats, stating that the ability to price above inflation is "the test of whether you have the moat". Continuously improving would involve analyzing a company's ability to raise prices without losing customers, understanding the underlying reasons for this power, and how it contributes to sustainable profits.
- **Recognizing "Risky and Bad Industries":** Identifying industries that inherently lack strong moats or are prone to disruption is as important as finding those with strong ones. Hohn lists many "bad industries" and explains why they are competitive. An analyst seeking mastery would develop a similar framework for avoiding industries where competitive advantages are fleeting or non-existent.

Investors often underestimate the forces of competition and disruption. Recognizing those in a timely manner, as well as the durability of the moat of a company is a skill that develops with experience.

Flow Capital

Flow Capital Corp. is a Canadian venture debt lender that has established itself as a compelling investment opportunity in the alternative financing space since 2018. The company provides $3-7 million in non-dilutive capital to revenue-generating, VC-backed, and founder-owned high-growth companies across the US, UK, and Canada. With over $156 million invested across 66+ companies in technology, healthcare, and other high-growth sectors, Flow Capital employs a unique investment structure using revenue-based royalties and revenue-linked loans, supplemented by warrants for additional upside potential. This approach allows portfolio companies to access growth capital while founders retain control, creating a win-win scenario that has driven impressive performance.

The investment thesis is strengthened by Flow Capital's exceptional track record and attractive valuation metrics. The company has achieved a remarkable 21.7% compound annual growth rate in book value per share, growing from $0.45 in December 2019 to $1.23 by December 2024, demonstrating management's focus on shareholder value creation similar to Berkshire Hathaway's approach.

Trading at approximately 70% of book value with a market cap of $25.8 million against total assets of $72.0 million, the stock appears significantly undervalued. Strong insider ownership of 32% among the top eight shareholders, led by CEO Vernon Lobo's 15.5% stake, signals management confidence. The company's recent announcement of a share buyback program further underscores management's belief that the market is mispricing the stock, while the microcap nature of the investment creates opportunities for individual investors to capitalize on institutional neglect of this undervalued opportunity.

Here are two examples of Flow Capital's recent investments that illustrate what they mean when they say they focus on high-growth technology companies with strong market momentum and scalable solutions.

Congruity 360

Flow Capital recently closed a US$5.0 million senior note investment in Congruity 360, a specialized provider of unstructured data management and risk mitigation solutions. Congruity 360's Classify360 platform addresses a critical need for Fortune 500 companies by enabling them to discover, classify, and secure petabyte-scale unstructured data across cloud, SaaS, and on-premises environments. The platform incorporates advanced capabilities including automated governance workflows, compliance vulnerability identification, and AI-enhanced classification processes that can analyze and remediate massive data sets in days rather than weeks or months, positioning the company well in the rapidly growing unstructured data management market.

This investment exemplifies Flow Capital's strategic focus on high-growth technology companies with strong market momentum and scalable solutions. CEO Alex Baluta highlighted the attractiveness of the unstructured data classification market and Congruity 360's product innovation, particularly its integration of AI into the classification process. The covenant-light, founder-friendly nature of Flow Capital's financing structure aligned perfectly with Congruity 360's growth objectives, allowing CEO Brian Davidson and his team to accelerate their product development and go-to-market plans for 2025. This deal demonstrates Flow Capital's ability to identify and support companies operating in high-demand technology sectors while providing the flexible capital structure that growth-stage companies prefer over traditional equity dilution.

ConnectAndSell

Flow Capital's $1.5 million 2017 investment in ConnectAndSell demonstrates the company's ability to identify and support established, profitable technology companies seeking growth capital without equity dilution. Founded in 2007 and based in Silicon Valley, ConnectAndSell had developed a patented cloud-based sales acceleration platform that dramatically outperformed traditional predictive dialers, increasing live conversations per sales representative by 8-10 times through a combination of advanced technology and minimal human agent intervention. By 2017, the company had already proven its market value by executing over 100 million dials and delivering more than 5 million conversations to over 1,000 B2B customers ranging from startups to Fortune 500 companies like IBM, making it an attractive investment target for Flow Capital's non-dilutive financing model.

This investment exemplifies Flow Capital's value proposition for founder-owned companies that prioritize operational control over traditional venture capital funding. ConnectAndSell's management team, led by Silicon Valley veterans Chris Beall, Shawn McLaren, and Jonti McLaren, had deliberately avoided venture capital to maintain control and avoid high-pressure growth expectations, making Flow's royalty-based financing structure an ideal fit. The company's recognition by Forbes Magazine as one of the "10 Most Innovative Companies to Watch in 2016" and its track record of self-funded growth aligned perfectly with Flow Capital's investment criteria. This deal showcased how Flow's flexible, expandable growth capital could help established technology companies accelerate expansion while preserving the founder ownership structure that many Silicon Valley entrepreneurs prefer.

These two real-world examples demonstrate Flow Capital's consistent ability to identify and partner

with innovative technology companies at inflection points in their growth trajectories. Whether supporting cutting-edge AI-powered data management solutions or proven sales acceleration platforms, Flow Capital's financing model continues to attract high-quality companies that value operational independence alongside growth capital. For investors seeking exposure to a diversified portfolio of high-growth technology companies through a single investment vehicle, Flow Capital presents a compelling opportunity to participate in the success of tomorrow's technology leaders while benefiting from the company's own undervalued stock price and strong management execution.

Options

Every single trading day encapsulates what makes financial markets so fascinating – they are the collective expression of human emotion, technical factors, and fundamental realities, all interacting in a complex dance. From fear to confidence to uncertainty and back to cautious stability, every day's journey reflects not just price movement but the evolving sentiment of thousands of participants making millions of decisions.

Options trading has ancient roots that stretch back thousands of years, evolving from simple agricultural contracts to today's sophisticated financial instruments.

Ancient Origins: The earliest forms of options can be traced back to ancient civilizations. In ancient Greece, the philosopher Thales is often credited with one of the first recorded options trades around 600 BCE. According to Aristotle's account, Thales predicted a good olive harvest and purchased the right to use olive presses during harvest season at a predetermined price. When the harvest proved bountiful and demand for presses surged, he profited by exercising his options or selling the rights at higher prices.

Medieval Development: During the medieval period, options-like contracts emerged in agricultural markets across Europe. Farmers and merchants used forward contracts and options to manage price risks for crops and commodities. These early derivatives helped stabilize food supplies and allowed for better planning.

Dutch Tulip Era (1600s): One of the most famous early options markets developed during the Dutch Golden Age around tulip trading. Merchants created sophisticated contracts that included options to buy or sell tulip bulbs at future dates. This market became so complex and speculative that it contributed to the famous "Tulipmania" bubble of the 1630s.

London's Early Markets (1600s-1700s): Organized options trading began developing in London's coffeehouses, particularly around Exchange Alley. Merchants traded options on commodities and even early stock shares. These informal markets laid the groundwork for more formal exchanges.

American Development (1700s-1800s): Options trading came to America through European settlers and merchants. Early options were primarily over-the-counter agreements between individual parties, often related to agricultural commodities and land speculation.

Modern Foundation - Chicago (1973): The transformation to modern options trading occurred with the creation of the Chicago Board Options Exchange (CBOE) in 1973. This marked the first standardized, exchange-traded options market with:

- Standardized contracts
- Clearing mechanisms
- Regulated marketplace
- Transparent pricing

The CBOE initially offered call options on just 16 stocks, but this standardization revolutionized options trading by making it accessible to ordinary investors rather than just institutional players.

Theoretical Foundation: The same year (1973), Fischer Black, Myron Scholes, and Robert Merton published their groundbreaking options pricing model, providing the mathematical foundation for modern options valuation. This Black-Scholes model gave traders and investors a systematic way to price options, further legitimizing and expanding the market.

Evolution to Today: From these humble beginnings, options have evolved into one of the world's largest financial markets, encompassing everything from simple stock options to complex derivatives, and now including the ultra-short-term 0DTE options (zero days to expiration) that have become so popular. It has evolved into a massive, technology-driven ecosystem with several distinctive characteristics.

Market Size and Volume: The options market has experienced explosive growth, particularly in recent years. Daily options volume regularly exceeds billions of contracts annually, with equity options representing the largest segment. The market has grown from a niche institutional tool to a mainstream retail trading vehicle.

Market Structure:

- Exchanges: Multiple competing exchanges facilitate options trading, including the Chicago Board Options Exchange (CBOE), Nasdaq Options Market, NYSE American Options, and others. This fragmented structure creates competition for order flow and drives innovation.
- Market Makers: Professional trading firms like Citadel Securities, Susquehanna, and Optiver provide liquidity by continuously quoting bid and ask prices. These firms use sophisticated algorithms and hold inventory to facilitate smooth trading.
- Clearing: The Options Clearing Corporation (OCC) acts as the central counterparty, guaranteeing all options contracts and managing settlement risk.

Participant Demographics:

- Retail Dominance: One of the most significant recent changes is the surge in retail participation. Retail traders now represent a substantial portion of options volume, particularly in shorter-dated contracts. Commission-free trading platforms have democratized access.
- Institutional Users: Hedge funds, pension funds, and asset managers use options for portfolio hedging, income generation, and sophisticated trading strategies.
- High-Frequency Trading: Algorithmic trading firms account for significant volume, particularly in market-making activities.

Technology Infrastructure: The industry is heavily dependent on cutting-edge technology. Microsecond execution speeds, complex algorithms for pricing and risk management, and massive data processing capabilities are essential. Cloud computing and artificial intelligence are increasingly important for trade execution and risk analysis.

Market Size

0DTE SPX options trading has seen explosive growth. It has grown more than five-fold in the past 3 years, now averaging almost 2 million contracts a day. As of mid-March 2025, the combined notional risk exposure of S&P 500 0DTE options (including both SPX index and SPY ETF) reached USD$1.5 trillion daily, with trading volumes soaring to 6.6 million contracts.

0DTE SPX options now account for a substantial portion of all SPX options volume, often reaching 50% or more. This highlights the widespread adoption of these short-dated options. Both retail and institutional traders are actively participating in 0DTE trading. Retail investors, in particular, have been a significant driver of this growth, making up around 50-60% of SPX 0DTE trading.

The nature of 0DTE trading, with its rapid price movements and sensitivity to time decay, makes it highly appealing for automated trading strategies. These algorithms, also known as Trading Bots, offer:

- Instantaneous Execution: Microsecond execution speeds are crucial in high-volatility 0DTE markets.
- Emotion-Free Trading: Bots adhere strictly to predefined risk management protocols, eliminating psychological biases that can hinder human traders.

- Scalability and Backtesting: Bots allow traders to backtest strategies on historical data and execute a large number of trades with precision.

While a precise figure for the 0DTE SPX trading bot market size isn't readily available, the market for 0DTE SPX options is undeniably enormous and growing rapidly. Given the inherent advantages of automation in this fast-paced environment, it's highly probable that the market for 0DTE SPX trading bots is a very large and active segment within this broader options landscape. Many platforms and developers are creating and offering such bots, catering to both individual traders and institutional players looking to capitalize on these short-term opportunities.

Hidden Dangers

While exact statistics vary by region and broker, multiple credible studies and regulatory disclosures consistently show that a majority of retail traders lose money, and a non-trivial percentage blow up their accounts entirely. Insider data and anecdotal evidence from U.S. brokers (TD Ameritrade, ETRADE, Robinhood, etc.) suggest that:

- Over 80% of retail options traders lose money
- Accounts with frequent trades (especially options) have negative long-term returns
- Robinhood internal reports showed options traders were 4x more likely to blow up accounts than stock traders

Many new or younger traders, especially those drawn in by social media or platforms like Reddit, often underestimate the scale and risk they're taking on when they trade products like SPX options or even leveraged ETFs. This problem becomes particularly acute with 0DTE (zero days to expiration) strategies, where the margin for error is virtually nonexistent.

For example, 0DTE SPX Iron Condors are marketed (and often perceived) as low-risk, high-probability trades. And that's mostly true, if properly managed. Iron Condors feel safe — until they're not. The "gamification" of options by platforms with slick UIs and mobile alerts has made options trading accessible, but also deceptively simple. Young traders often don't run stress tests, rarely understand tail risk (especially with short puts or naked legs), and see high win rates while assuming that makes these strategies "safe."

This false sense of security sets the stage for one of the most dangerous mistakes in options trading: improper position management during rolls. What appears to be a routine adjustment can transform into a catastrophic exposure in seconds.

If a trader rolls a spread by legging it manually and makes the fatal mistake of selling the protective long first, they create a window of extreme vulnerability. Here's the sequence that leads to disaster:

1. Sells the protective long first (e.g. sells the long call or put)
2. Leaves the short call or put naked, even for a minute or two
3. During that moment, the underlying spikes or drops sharply...

Then the short leg is unprotected, and losses can multiply instantly.

SPX options present unique risks that make these mistakes particularly punishing. SPX is cash-settled, so you won't "receive" shares — but the notional exposure is massive. For instance one SPX 6,000.00 CALL option is the equivalent of $600.000, a detail that many traders seem to forget in the excitement of the game. SPX options move very quickly, especially near expiry. Wide bid/ask spreads can hurt execution timing. For a novice trader, what seems like a harmless adjustment can become a catastrophic exposure in just a few seconds.

A novice trader rolling a spread leg by leg is like a man walking through a dynamite factory with a lit match — unaware of the volatile environment, blind to the danger, and convinced he's just "navigating the dark." He thinks he's finding his way, but one careless move — like exposing a naked short — and the whole structure can blow up in seconds, especially in a fast-moving market. He thinks he's fine—until he's not.

This captures what trading complex instruments like 0DTE Iron Condors represents for most novice retail traders. They're stepping into the most leveraged, sensitive parts of the market with little more than intuition, scattered advice from YouTube, and no formal guardrails. The brokers let them. The systems don't stop them. The risk models don't educate them. And when the inevitable happens—a sudden spike, a gap move, a mismanaged roll—they're not just wrong. **They're wiped out.**

That's why education, discipline, and automation are essential pillars of sustainable options trading. The statistics don't lie: the vast majority of retail options traders lose money, and those losses often stem from seemingly small technical mistakes that create enormous, unintended exposures.

In-House Innovation Lab

In the world of 0DTE (zero days to expiration) options trading, precision and timing matter, and insights are momentary. Whether you're managing one contract or scaling a full trading business, success hinges not only on your market edge, but also on your ability to prototype, test, and refine ideas in real time. This is why building your own in-house innovation lab — complete with a dedicated paper trading environment and a carefully monitored live trading environment — isn't optional. It's essential. An in-house lab allows you to:

- Test new ideas immediately
- Simulate edge cases without risking capital
- Quantify performance under real-world constraints
- Refine trade management techniques under stress

Especially in 0DTE trading, where decay is rapid and windows are short, the margin between profitability and loss is razor-thin. A lab is where you push boundaries without risking your edge or your capital.

An effective innovation lab blends two parallel feedback environments: Paper Account Testing (Simulation Mode) and Live Environment (Real Market, Real Friction). The first one is your idea sandbox. You can:

- Stress-test trade logic under rare volatility conditions
- Evaluate multiple exit conditions (e.g., BB width expansion, ATR collapse)
- Trial new entry setups
- Track PnL consistency and risk control frameworks

Once the simulation results are promising, transition to micro-size live trading (e.g., 1–2 contracts). This stage provides:

- Real fills and slippage data
- Live execution latency profiling
- Emotional/psychological feedback loop
- Confirmation of edge under stress

Once built, your innovation lab becomes a repeatable discovery machine. You won't rely on third-party bots, Reddit rumors, or one-size-fits-all strategies. You'll build and validate your own logic tailored to your capital, psychology, and market understanding. You'll identify:

- The most statistically relevant entry timing
- The optimal time decay curve for each trade type
- The exit triggers that statistically reduce catastrophic loss

And best of all, you'll scale with confidence, because every logic module was tested, tracked, and proven.

Building an in-house innovation lab isn't a luxury — it's the future of serious 0DTE trading. If you want to turn your strategy from a high-risk experiment into a statistically validated, scalable trading business, you need a place to test, refine, and learn. And that's what your innovation lab delivers.

So here we are

Adding another six months of live 0DTE options trading experience has further reinforced my belief that it's realistically achievable to develop a standalone business trading options—one capable of generating consistent cash flow. I'm also quite

sure that new lessons will be learned over time and new rules implemented.

Over the past half year, I've developed what I now call my personal 0DTE Trading Laboratory. It's a comprehensive environment where I experiment with new strategies, build custom trading charts, and design high-speed, high-precision trading bots to handle order execution and risk management autonomously. These bots are powered by Python and interact directly with the Interactive Brokers API, forming the backbone of my automated trading workflow.

What surprised me most during this phase was the powerful role AI tools like ChatGPT and Gemini can play. They've proven to be capable co-assistants—helping with code generation, strategy analysis, and even real-time decision support.

And here's what I've learned: **experience is everything**. You gain it through trial and error—and in the world of 0DTE trading, errors can be costly. Paper trading is useful, but the true learning happens when real capital is at risk. With live trading, you begin to recognize the nuanced interaction between market internals, volatility shifts, the tempo of price action, Bollinger Band width, and Keltner channel behavior. These insights become crucial in making precise decisions—whether to roll over a position or simply let the trade unfold.

This hands-on experience also proves invaluable when building trading bots—not just as execution tools, but as intelligent and, more importantly, consistent co-traders. Bots eliminate common human errors and bring a level of discipline to the trading process that's difficult to match manually. While some off-the-shelf bots for 0DTE trading are now available in the market, not all bots are created equal. There's a real opportunity to differentiate by developing more sophisticated, adaptive risk management systems.

Building on this foundation, I'm now developing two 0DTE SPX trading bots: the 0DTE SPX Iron Condor Bot and the 0DTE SPX Breakout Bot. Both bots are designed in Python and operate via direct integration with the Interactive Brokers API. They reflect not just technical automation, but the embedding of real trading intelligence—capturing lots of experience, disciplined execution logic, and risk management protocols that would be difficult to replicate manually.

I'm cautiously optimistic about realizing both bots over the next six months and then testing them rigorously for another year. If proven successful, they will eventually become available through a Trading Bots as a Service (TBaaS) platform. This would mark a key step in transforming The Value Firm® into a FinTech company, offering advanced, high-precision trading tools to a broader audience. Ultimately, it's not the software alone that creates the edge—it's the integration of experience and insight into every line of code.

A final word of caution. 0DTE options trading is much more complicated than I anticipated based upon earlier trading experience. The next six months of 0DTE trading results will ultimately determine the path forward. While I'm comfortable with the performance over the past six months, financial markets offer no guarantees. For now I do not see a reason to stop experimenting.

Thank you for reading my letter. Enjoy Summer!

Peter

Peter Coenen
Founder & CEO
The Value Firm®
28 June 2025

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