

# Portfolio Construction Checklist

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Signal Pilot Education Hub

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## Portfolio Construction & Risk Management Checklist

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### From Lesson 23: Portfolio Construction

Use this checklist to manage portfolio heat, correlation, and sector exposure.

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### Pre-Trade: Portfolio Assessment

#### Step 1: Calculate Current Portfolio Heat

List all open positions:

Position	Asset	Risk \$	Risk %
1	—	\$__	___%
2	—	\$__	___%
3	—	\$__	___%
4	—	\$__	___%

- [ ] **Total portfolio heat:** \_\_\_% (sum of all risk %)
- [ ] Heat < 6-8%? Yes / No
- [ ] If > 8%: MUST close a position or wait

## Step 2: Check Correlation

### Asset class breakdown:

- [ ] Equities (stocks, ETFs): % of portfolio
- [ ] **Crypto (BTC, ETH, alts):** % of portfolio
- [ ] Forex (currency pairs): % of portfolio
- [ ] **Commodities (gold, oil):** % of portfolio

### Sector exposure (if equities):

- [ ] Tech: % (max 30-40%)
- [ ] **Energy:** % (max 30-40%)
- [ ] Finance: % (max 30-40%)
- [ ] **Healthcare:** % (max 30-40%)
- [ ] Other: \_\_\_% (max 30-40%)

### Correlation check:

- [ ] Are 3+ positions in same sector? Yes / No (If Yes: Over-concentrated)
- [ ] Do positions move together? Yes / No (If Yes: High correlation risk)
- [ ] All positions same direction (all long or all short)? Yes / No (If Yes: Directional risk)



# New Position Checklist

## Before adding new position:

- [ ] Current heat + new position = \_% (must be < 8%)
- [ ] **New position sector:**    (already > 40% in this sector? Yes / No)
- [ ] New position correlated to existing? Yes / No (Check 30-day chart comparison)
- [ ] Account drawdown < 15%? Yes / No (If > 15%: Reduce size)

## Position sizing:

- [ ] Setup grade: A / B / C
- [ ] Risk allocation:
  - A-grade: 2% max
  - B-grade: 1% max
  - C-grade: Skip
- [ ] Calculated position size: \_ shares/contracts
- [ ] Risk \$: \$\_ (=   % of account)

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# Portfolio Allocation Framework

## Target Allocation (Example):

- [ ] Equities: 30-40% (diversified across sectors)
- [ ] Crypto: 20-30% (BTC, ETH primarily)
- [ ] Forex: 15-25% (2-3 uncorrelated pairs)
- [ ] Commodities: 10-20% (gold, oil)

## Position Limits:

- [ ] Max A-grade positions: 2-3 (total 4-6% heat)
- [ ] Max B-grade positions: 3-4 (total 3-4% heat)
- [ ] Total positions: 5-7 max (quality > quantity)



## Sector Diversification Check

### Current sector exposure:

- [ ] Largest sector: \_ = \_% (max 40%)
- [ ] Second largest: \_ = \_% (max 40%)
- [ ] Third largest: \_ = \_\_\_% (max 40%)

### If any sector > 40%:

- [ ] Close weakest position in over-concentrated sector
- [ ] Or wait for position to close before adding to same sector
- [ ] Diversify into uncorrelated sector

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## Risk Triggers & Responses

### Daily Loss Limit:

- [ ] Account equity start of day: \$\_\_
- [ ] Max daily loss: 3% = \$\_\_
- [ ] Current daily P&L: \$\_\_
- [ ] If down 3%: Close all positions, done for day ✓

### Portfolio Heat Limit:

- [ ] Current total heat: \_\_\_%
- [ ] If > 8%: Close lowest-conviction position
- [ ] Reduced to: \_\_\_% ✓

### Drawdown Protocol:

- [ ] Peak account equity: \$\_\_
- [ ] Current equity: \$\_\_

- [ ] Drawdown:  $\% = (\$ - \$) / \$$  \_\_\_\_\_

### Drawdown response:

- [ ] 0-10%: Normal (no change)
- [ ] 10-15%: Caution (reduce size 25%, review trades)
- [ ] 15-20%: Warning (reduce size 50%, only A-grade setups)
- [ ] 20-25%: Critical (reduce size 75% or stop trading)
- [ ] > 25%: Shutdown (stop trading, full strategy review)

### If drawdown > 15%:

- [ ] Reduced position size to: \_\_\_\_\_% of normal
- [ ] Only trading A-grade setups? ✓
- [ ] Trading journal reviewed for patterns? ✓

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## Rebalancing Triggers

### Rebalance when:

- [ ] Position hits target (close, free up capital)
- [ ] Regime shift (Volume Oracle: Trending → Ranging/Volatile)
- [ ] Correlation spike (3+ positions moving together)
- [ ] Sector > 40% (close weakest in sector)
- [ ] Heat > 8% (close lowest-conviction position)

### Weekly rebalancing (Sunday evening):

- [ ] Review all open positions
- [ ] Check sector allocation
- [ ] Verify correlation < 0.5 between positions
- [ ] Update target sectors for next week

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## Post-Trade Review

### Portfolio management:

- Was heat below 6-8% throughout? Yes / No

- Was sector exposure balanced (< 40% each)? Yes / No
- Were positions uncorrelated? Yes / No
- Did drawdown stay below 15%? Yes / No

### **What went right:**

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- \_\_\_\_\_

### **What could be improved:**

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- \_\_\_\_\_

### **Lesson learned:**

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- \_\_\_\_\_

**Monthly P&L: \$\_\_ Monthly Return: \_\_%

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### **Remember:**

- Portfolio heat < 6-8% (total risk across all positions)
- Max 30-40% per sector (diversify)
- Correlation < 0.5 (positions should move independently)
- Drawdown > 15% → Reduce size
- Core + Satellite: 60-70% long-term, 30-40% active

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