# Commodity Trading Advisor

Manager:

Address:

Contact:

Strategy:

Report filed:

# Questionnaire

*General Background*

1. Team/Trader(s) Background
2. Give us a brief history of your team and its major steps
3. What is the framework of the team

High frequency trading framework

1. What is the past trading history of the trader?
2. How many assets in US$ do you have under management?
3. Date and Size of you're a) oldest, b) largest, c) smallest, d) average continuously active account
4. What is your capacity to manage in US$ terms? Why?
5. Do you have a lock-up in you strategy/fund?

*Strategy/Approach*

1. Define your strategy/program

High frequency trading.

1. What is your edge (competitive advantage/inefficiency)?

Proprietary alpha, efficient code, leverage-able system

1. Why do you make money (economic rationale) and why are you able to make money also in the future?

We exploit micro scale market inefficiency, which is likely to last in the future due to the fact that many traders are and will be not as sophisticated in quantitative analysis and technology as us.

1. Describe your approach (how you do it) and explain your decision making process (analysis process until you execute a trade):
2. What are the general characteristics of your trading method? (Please mark)

Systematic mechanical (x)

Discretionary

Chart patterns

Fundamental

Multiple systems (x)

Neural Networks

Computerized (x)

Manual

Contrarian

Counter trend

Trend following

Seasonal cycles

Short terms (less than one week)

Medium term (1 to 3 weeks)

Long term (3 weeks+)

Over night

Intraday (x)

Outright trading

Spreads

Arbitrage

Others – please specify:

1. The following list comprises the types of data generally used in most trading models. Indicate by checking the appropriate boxes which types best represent those utilized in your trading system (please mark );

Daily Prices (Open, High, Low, or Close) (x)

Volume (x)

Intra-Day price date (price movements within the day) (x)

Market Depth Data (real-time bids/asks 1-10) (x)

Open Interest (x)

Psychology – Market sentiment – Bullish Consensus (x)

Fundamental data – Supply and Demand decisions, Micro/Macro Economic statistics

News

Others – please specify:

1. Listed below are a number of techniques used in Systems Development. Of those listed, check the characteristics which best describe the techniques used in your program

Moving averages of prices, or multiple averages (including exponential, weighted average – single or multiple)

Chart patterns (head and shoulders, triangles, flags etc.) on bar chars

Momentum

Oscillators

Point and figure charts

Probability models (x)

Penetration identification

Overbought/oversold

Cyclic analysis

Seasonal analysis

Fundamental or economic analysis

Arbitrage

Spreads

Trend following

Counter trend

Reversal

Artificial intelligence (x)

Others – please specify:

1. What instruments do you trade?

Fixed income in China

Stocks in China

Index futures in China (x)

Commodity futures in China (x)

1. How many systems or strategies do you use in your program?

Varying.

1. Which market environment factors are favorable/unfavorable for your strategy?

We are neutral to market enviroments.

1. Which market do you believe your methods of trading perform best in?

Bull trends

Bear trends

Congestion zones

The same in all 3 markets (x)

Bull and bear, but not congestion zones

1. What do you estimate your average holding period is (specify seconds, hours, days, weeks, months)?

Seconds.

1. What is the trading frequency? What is your average trading size?

50-100 round trip per product. 1-5 contracts per product.

Back Testing and Performance

1. How many years have you back tested each system? What type of testing?

A few months. Tick by tick back testing.

1. Please describe back testing results and attach with charts and statistics, be as complete and specific as possible.

Annualized sharpe = 12.

Profit per volume = 0.3-0.5 tick

1. What is your performance objective with what level of risk?

20% annualized return.

1. What percentage of your performance comes from an index (beta) and what from your own value added (alpha)?

100% comes from alpha.

*Risk Management*

1. How do you measure and manage risk?

Most risk comes from catastrophic risk, like hardware failure, buggy code in new releases.

* 1. Hardware failure is out of our control. We have contingency plans to stop trading and stop loss as early as possible
  2. code release, we have rigorous unit/regression testing process

1. What are the external events that could cause a major loss for your program?

Power outage, connection outage, major bugs in code.

1. Is there an event inherent to your approach that could cause a major loss?

No.

1. What is the maximum single position in your portfolio?

5-10 contract per product.

1. Do you place stops?

We have daily stop loss of 10k per product.

1. Do you stay out of the market completely? If yes, why and when?

No, unless there are technology issues.

1. What is the required margin to equity ratio?

30%

1. What is the typical breakdown of your portfolio?

5-10 contracts for each traded product.

1. What is your average cash position? Max/min?

Max 100%, min 50%.

1. What is your average holding period on your positions?

Seconds to minutes.

1. Largest 4 declines in history, date and reasons for it?
2. In general, how have your losses occurred? (be precise as possible)
3. What have you changed since those losses occurred?
4. What do you estimate is you maximum potential decline?

Reaching stop loss for each product.

1. What are you doing in such a case?

Call broker and stop trading. There must be major failures in technology for this to happen. Identify the cause and fix it.

1. When would you stop trading and return the money to the investors? What had to happen?
2. Would power, phone or computer breakdown affect your trading? What are you contingency plans for such an event?

Yes. That would be disastrous for our trading. Plans: shut down all trading. Call broker to close all positions.

*Technical Requirements and Support*

1. Do you need collocation?

Yes.

1. Do you have latency requirements? If yes, please specify.

As low as possible.

1. Do you have system requirement for server? If yes, please specify.

Linux system: Ubuntu 12.04 LTS 64 bits. Large memory 16 GB and above, CPU 8 cores and above. Ssh access from Internet. Root user privilege (ideally).