ROW Research Call – 10/17/14 –Ryan O’Grady (CEO), TR

TEAM

* Jeff is based in NYC, not Newport beach (as is listed in the presentation and listed on his business card), he originally did move to CA, but moved back to NY in September 2013
* Investment research = CA (confirm Saurabh’s location – probably NY)
* Trading = NY but can be done from CA
* Operations = NY
* Ryan’s dad joined the team as head of marketing after discussing with Ryan that he was looking to join another start up with other FX Concepts employees, Ryan then asked him to join ROW
* Original marketing person left in 2012 and is now at Numora
* A research associate also left in oct 2011 – was a UCLA intern to full time employee, went back to his old job

INVESTOR BASE

* One investor = $85mm
  + Half in diversified program and half in custom version with less trend following
  + This client was their first external investor and started with $5mm
  + Was NOT and FX Concepts investor
* They have had little success with FX Concepts investors because < 3 yr track record
  + They feel people move with discretionary managers more quickly

CAPACITY

* Est at 1.5B because of amount of ags/soft – less liquid markets

FX Concepts HISTORY

* #1 reason why they left was the dispute with the CEO over the amount of discretion in portfolio
* Ryan was the sole designer of the Global Currency Program – Jeff was head trader/PM with limited discretion and they used similar language as current DDQ
* CEO of firm paid no attention to the program while AUM was low
* At $8B in AUM (around 2007 or 2008) they did add another trader/PM to support Jeff (Scott Ainsbury – Reference?)
  + Jeff focused on emerging markets and Scott on developed
* CEO John Taylor did put on discretionary trades in 2008, this was always allowed to happen, but it went up 5-10 fold in the second half of 2008
  + This is what caused Jeff to leave
* According to Ryan you can see the discretionary trades impact in the return stream, correlation to trend following increased

DISCRETION

* Used when NOT doing something would add more risk than doing something
* Example is when Swiss/Euro moved from pegged to unpegged, or ahead of Brazil election
* Jeff’s discretion can add 50-100 bps per year

BUSINESS EXPERIENCE

* In addition time since founding ROW, last 2 years at FXC on co’s management committee
* Ryan owned approx. 7.5% of FXC
* As part of mgmt. committee saw all aspects of how firm was run and was around the key people in the business

RESEARCH

* Next update will trade equities and metals, they did not feel forecasting was strong enough previously, as forecasting signals improved and they got comfortable with these markets in the trend following strategy everything else feel into place
* Expect to add them into the program by year end