

Professional Traders Ltd.

DEC-07

BACKGROUND

THE PROFESSION CURRENCY TRADERS (PCT) TRADING PHILOSOPHY HAS EVOLVED OUT OF OVER 25 YEARS OF PRACTICAL EXPERIENCE, TRADING FOR AND ADVISING SOPHISTICATED INSTITUTIONAL CLIENTS. PERFORMANCE IS DELIVERED BY MEANS OF TWO TRADING PROGRAMS, A FULLY COMPUTERISED SYSTEMATIC PROGRAMME AND A DISCRETIONARY PROGRAMME.

INVESTMENT STRATEGY

SYSTEMATIC TRADING

THE PROGRAMME IS BASED AROUND A HIGHLY SOPHISTICATED, FULLY COMPUTERISED TRADING MODEL, WHICH INCORPORATES BOTH PROFESSIONAL TRADING METHODOLOGY AND MONEY MANAGEMENT DISCIPLINE AND COVERS THE 5 MOST LIQUID GLOBAL CURRENCIES.

THE TRADING MODEL COMPRISES FOUR INTERACTIVE MODULES WHICH COMBINE PREDICTIVE AND REACTIVE COMPONENTS WITH PATTERN BASED AND INDEX BASED ALGORITHMS TO DETERMINE ENTRY AND EXIT POINTS. THE KEY DIFFERENTIATOR IS THE ABILITY OF THE MODEL TO ADAPT TO THE DOMINANT CYCLE LENGTH IN ANY GIVEN CURRENCY PAIR AND/OR TRADING PERIOD IN ORDER TO AVOID THE WHIPSAW EFFECT OF NON-TRENDING MARKETS.

RISK IS MANAGED THROUGH RIGOROUS STOP LOSS DISCIPLINE AND PROGRESSIVE POSITION BUILDING. THE INVESTMENT PHILOSOPHY DOES NOT PERMIT ADDING TO LOSS MAKING POSITIONS. THE MODEL ALSO CONTAINS PROPRIETARY MATHEMATICS WHICH MEASURES TRUE MARKET VOLATILITY AND SCALES THE POSITION SIZES ACCORDINGLY.

DISCRETIONARY TRADING

THE PROGRAMME COVERS CURRENCY PAIRS DERIVED FROM THE 10 MOST LIQUID GLOBAL CURRENCIES. THIS DISCRETIONARY APPROACH PROVIDES THE FLEXIBILITY REQUIRED TO TAKE ADVANTAGE OF LOW RISK OPPORTUNITIES IN DIFFERENT TIME FRAMES. AS A RESULT, PROFITS CAN BE GENERATED BOTH IN TRENDING PERIODS AND TRADING RANGES.

STOP LOSS ORDERS CAN BE FINE TUNED TO SUIT ALL MARKET CONDITIONS.

THE DISCRETIONARY APPROACH IS 80% PREDICTIVE, WHICH MEANS THAT POSITIONS TEND TO BE ENTERED AND EXITED AT NON SENSITIVE MARKET LEVELS.

THE BENEFITS

BY COMBINING THE BENEFITS OF THE TWO PROGRAMMES, PERFORMANCE IS ENHANCED WITHOUT A CORRESPONDING INCREASE IN RISK. THE PROGRESSIVE NATURE AND CONSISTENCY OF THE SYSTEMATIC PROGRAMME ARE COMPLEMENTED BY THE FLEXIBILITY AND PREDICTIVE NATURE OF THE DISCRETIONARY PROGRAMME TO PRODUCE SUPERIOR RETURNS IN A WIDE RANGE OF MARKET CONDITIONS.

RISK MANAGEMENT

RISK IS MANAGED THROUGH RIGOROUS STOP-LOSS DISCIPLINE, PROGRESSIVE POSITION BUILDING AND SCENARIO TESTING.

STOP LOSS DISCIPLINE

THE INVESTMENT PHILOSOPHY DOES NOT PERMIT ADDITIONS TO ANY LOSS MAKING POSITIONS. PROPRIETARY MATHEMATICS MEASURE THE TRUE MARKET VOLATILITY AND SCALE POSITION SIZES ACCORDINGLY.

PROGRESSIVE POSITION BUILDING

THE COMPONENTS OF THE TRADING MODEL INTERACT TO PRODUCE PHASED ENTRIES INTO POSITIONS, THEREBY SUBSTANTIALLY REDUCING THE RISK TO CAPITAL.

SCENARIO TESTING

THROUGHOUT THE LIFE OF A TRADE ENTERED UNDER THE DISCRETIONARY TRADING PROGRAM SCENARIO TESTING IS DONE BASED UPON A RANGE OF POTENTIAL MARKET MOVEMENTS SO AS TO ESTIMATE THE IMPACT UPON THE PORTFOLIO AS A WHOLE. THIS INFORMATION IS THEN USED TO HELP DETERMINE THE LEVEL OF ORDERS TO BE PLACED IN THE MARKET.

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