



The Stock Index Program

Compelling Performance

One of the oldest and best performing programs that has withstood the test of time in Autumn Gold's data base is WRG's Stock Index Program. It has earned the distinction of being one of the top ranked performing programs of all CTA programs covered by Autumn Gold over the past 10 years. *

Ending April 2019, the program has been profitable approximately 80% of all months delivering consistent attractive returns achieved through prudent money management.

Since its inception in November 2008 ending April 2019 the program has experienced only two losing years (in 2016) of 1.49%, and (in 2018) of 8.26% returning an average compounded annualized return of 10% and cumulative return of 176%. The performance results include the program's current drawdown of 1.37% ending April 2019.

The worst drawdown experienced was 18.73% in August 2011 due to the U.S. debt downgrade crisis.

Past performance is not necessarily indicative of future results.

* The Autumn Gold Data base does not include the entire universe of CTAs. Only CTAs who choose to submit their performance are included.

Interesting Point

An interesting point that can be seen by analyzing the Stock Index Program's performance record is its best returns have historically occurred for clients opening accounts during and right after drawdowns. For example, after its worst drawdown in August 2011, over approximately the next 4 years, from September 2011 through July 2015 the program averaged an annual compounded ROR of 21% with a cumulative return of 112%. It had 80% profitable months (38 out of 47) with a worst-case drawdown of only 3.59%.

The risk of loss in futures and options trading is substantial no matter who is managing money. There is unlimited risk of loss in selling options. Past performance is not necessarily indicative of future results. An investor must read and understand the CTA's current disclosure document before investing.

Point of Interest

As a point of interest, if you go back to when the stock market ended its worst drawdown of 52% (9/08 - 3/09) after the 2008 Financial Crisis in March 2009 and go out 47 months (ending January 2013, the same length of time from WRG's recovery from its worst drawdown), you will find the S&P Price Index averaged a compounded ROR of 19.73% with a worst-case drawdown of 17.03%.

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Interview with WRG's Trader Andreas Diessbacher

Autumn Gold: Andreas, could you share with our readers your educational background and career leading to you becoming a CTA?

Andreas: Math was always my best subject. Throughout high school and college, I excelled in mathematics receiving A's in most of my courses. I attended Germany's Fachhochschule University, where I was one of 30 applicants accepted into the program out of 2,000 applicants. I graduated at the top of my class. My college education focused on statistics, probability theory, and the global financial markets.

After college I moved to the United Kingdom where I furthered my studies at Coventry University. There I studied under Keith Redhead, who is noted for writing financial books used for in-house training for major financial institutions in London. At Coventry University, I received my B.A. in *Business Studies*, and graduated with honors. My honors project was "*An Evaluation of Option Pricing Models*".

Early Career

Autumn Gold: When did you start your career in the futures industry?

Andreas: In 1998 I began my professional career in the futures industry as a broker. I used my educational training in the markets and began to hone my options and futures trading skills. A good part of my learning experience occurred at Refco, a large FCM, where I oversaw over 1,000 accounts. I carefully observed how traders made, lost, and preserved money. Assimilating my observations from the best traders and avoiding the mistakes of the worst traders, I formulated a proprietary option writing trading strategy. I used this strategy as a broker when advising my clients' trading.

In 2007, after approximately 8 years working as a broker and in other capacities in the futures industry, I felt I had finally perfected my trading strategy and was ready to start my CTA.

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The Stock Index Option Writing Strategy

Autumn Gold: You started trading your Stock Index Option Writing Strategy during the Financial Crisis in November 2008. What is your program's trading strategy?

Andreas: My Stock Index Option Writing Strategy is proprietary and 100% discretionary. My trading approach and strategy is based on what I have learned and discovered over the past 20 years in the futures industry and utilizes advanced mathematics and statistical probability models. I generally sell far out of the money options on E-mini S&P 500 futures contracts. Instead of trying to hit "home runs" by writing options with strike prices close to the market, I write options much further away from the market, thus attempting to hit a larger number of "singles" which can add up to attractive returns.

I attempt to sell options with what I believe have the highest probability of expiring worthless based on my analysis. When placing trades, I compute "what if scenarios" of potential moves against my positions. Then using volatility numbers and standard deviation I figure the mathematical probability of an adverse move happening. I select positions that I deem statistically to have a high probability of being successful. The program has averaged approximately 80% winning trades since its inception in 2008.

Autumn Gold: What are some of the main features of the Stock Index Program?

Andreas: The program seeks to exploit and capitalize on multi-billion-dollar stock funds and institutions buying puts far away from the market to protect them in case of a stock market meltdown. Using statistical analysis, option strike prices are selected that I believe have an extremely high statistical probability of expiring worthless typically within one week to two weeks.

Autumn Gold: What do you believe are the most attractive features of the Stock Index Program?

Andreas: I believe the Stock Index Program has passed the proverbial "test of fire" through market meltdowns, melt ups and flat markets producing attractive risk adjusted returns.

The most challenging and difficult trading environments for an option seller is very low VIX levels and sharp spikes in the VIX. Option writers collect much lower premiums in a low VIX environment, thus limiting returns. The program has experienced a huge range of market conditions, from extremely low levels in the VIX to some of the quickest and most severe volatility spikes in market history. Thus far, the program has been able to navigate a low volatility environment as well as turbulent market conditions.

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Since the inception of the Stock Index program in 2008, I have minimized losses during volatility spikes and capitalized on the subsequent higher premiums which spikes in volatility cause, to recover from drawdowns, and in the process, achieve new equity highs.

Autumn Gold: How do you feel about the Stock Index Program's prospects going forward?

Andreas: I believe a much better trading environment exists now and for the foreseeable future for my Stock Index Program.

Autumn Gold: Can you share with our readers as to why?

Andreas: For the most part, since I have been trading the Stock Index Program the VIX has been way below its average. The historical average for the VIX is around 20. It was as low as 8.56 in 2017 and for the past 10 years ending 2017 averaged only 11.25. A high VIX may not be good for stocks, but as an option writer I want a high VIX so I can write richly priced options further away from the market. The first Quarter of 2018 saw an 81% rise in the VIX which was the largest on record.

I believe stocks are overvalued in an overage bull market near its end. Add to this the uncertainties surrounding the Federal Reserve just starting to raise interest rates and geopolitical problems abounding. I believe all of this will lead to the stock market being much more volatile than in previous years causing a much higher VIX than existed for most of the years in my performance record. A higher VIX will generally allow me to write options further away from the market with much higher premiums than previous years, which I believe can potentially lead to some of my best years of returns!



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