



# WHITE RIVER GROUP

## Commodity Trading Advisor

CTA Spotlight: The Stock Index Program

January 2024

## *The Stock Index Program*

### *Compelling Performance*

One of the oldest and positive 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 15 years. \* Please be advised that past performance is not necessarily indicative of future results.

The program finished 2023 with a net return of 12.89% with 100% of all months profitable. The program has been profitable 80% of all months since inception of the program delivering consistent attractive returns achieved through prudent money management. Be advised that past performance is not necessarily indicative of future results. Trading futures and options involves substantial risk of loss and is not suitable for all investors.

Since its inception 15 years ago in November 2008 ending December 2023, the program has experienced only three losing years (in 2016) of 1.49%, 8.26% (in 2018) and 12% (in 2020), returning an average compounded annualized return of 9.14% and cumulative return of 276.83%. Be advised that past performance is not necessarily indicative of future results.

The worst drawdown experienced was 18.73% in August 2011.

**Like many S&P option writers, WRG's biggest drawdowns have occurred during volatility spikes. However, after the volatility spike in February 2020, WRG developed some proprietary indicators which are more selective in initiating trades and in turn which WRG believes provide a higher probability of success.**

**Looking at the Stock Index Program's performance after February 2020, one can see the enhancements have worked. Even though 2022 experienced sharp volatility spikes which in the past primarily caused WRG's largest drawdowns, the program was up 4.51% while the S&P Price Index was down -19.44%. Furthermore, since March 2020 when the risk reduction enhancements were implemented, WRG's compounded cumulative return is 58% with a maximum drawdown of 5.08%, ending December 2023.**

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. Transactions in options carry a high degree of risk.

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

## **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.

## **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.

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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. Keep in mind that past performance is not necessarily indicative of future results.

**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 a 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. Past performance is not necessarily indicative of future results.

***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:** I believe we are in the worst Geo-political environment since WW11, along with the uncertainty of the lingering effects of high interest rates, particularly on commercial real estate. I also believe taming inflation will not be as easy as many predict. Additionally, investors, emboldened by the Fed's policy pivot, have all but priced out any risk of recession, while market exuberance has left equities overbought and quite expensive. All this should lead to increased volatility and a higher VIX, allowing me to write options further away from the market with higher premiums than previous years, which I believe can potentially lead to attractive profitable returns.

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