

Talenta Capital Diversified Overview

For Information
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Agenda

- Talenta Overview
- Talenta Investment Strategy

Executive Summary

- Trading system contracts: Tudor (2005-8), TT International (2010-12)
- Rigorous research, systems development, testing, execution over 9 years
- Key client credentials: **Tudor, TT International**
- Talenta Diversified Fund:
 - Capital allocated to systematic, liquid CTA and momentum strategies
 - Performance aims: **10-15% CAGR, 10%-15% volatility**
 - Attractive S&P500 correlation and drawdown attributes
 - Traded universes: diverse futures instruments, including S&P500 sectors
 - Proprietary risk management: strategy, portfolio, instrument levels
- This pack provides a summary of the Diversified Fund trading strategy and investor benefits arising from proven and differentiated capabilities

Talenta Capital: Key Principals

Dr David Bryant

- 2008 - Present: Talenta CIO
- 2005 - 2008: Tudor trading systems
- 2001-2004: Private funds manager
- 1999-2001: Forecasting consultant
- PhD: Imperial college
- Ran all system trades relating to Tudor and an Established UK Institutional Fund Manager
- Expert in Equity and Futures trading strategies, including mean reversion and break out
- Core capabilities: design, test and execution of capital allocation, risk management, trade execution, operations and financial reconciliation

Mark Bryant

- 2009 - Present: Talenta Managing Partner
- 1985 - 2008: Managing Director at Accenture. Responsible for UK and Europe/Latin American business (\$1 billion) and two largest clients globally (\$1 billion)
- Expert in business growth, operational excellence, transformation change, IT systems and commercial deal making
- Core capabilities: board relationship development, global sales and marketing, deal making, compliance and anti-money laundering
- FCA Registered for CF10, CF11, CF30, CF4
- Executed deal with an Established UK Institutional Fund Manager

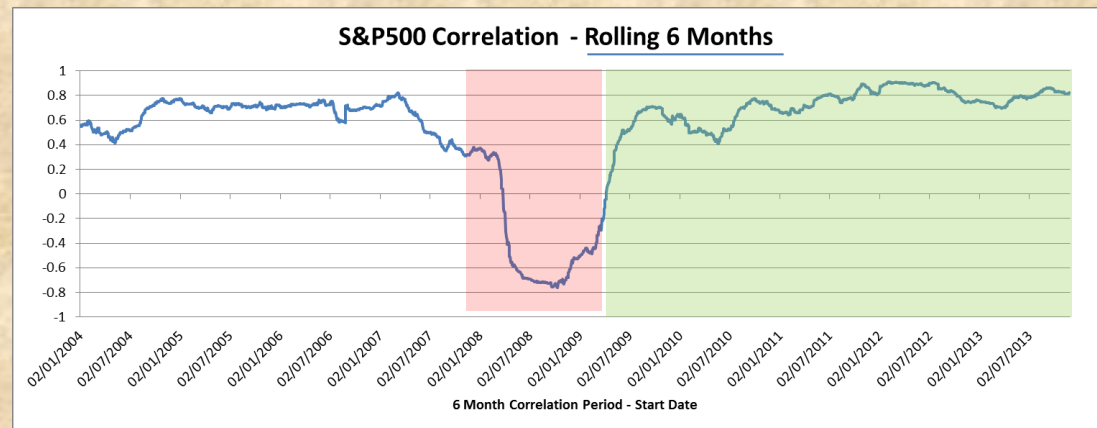
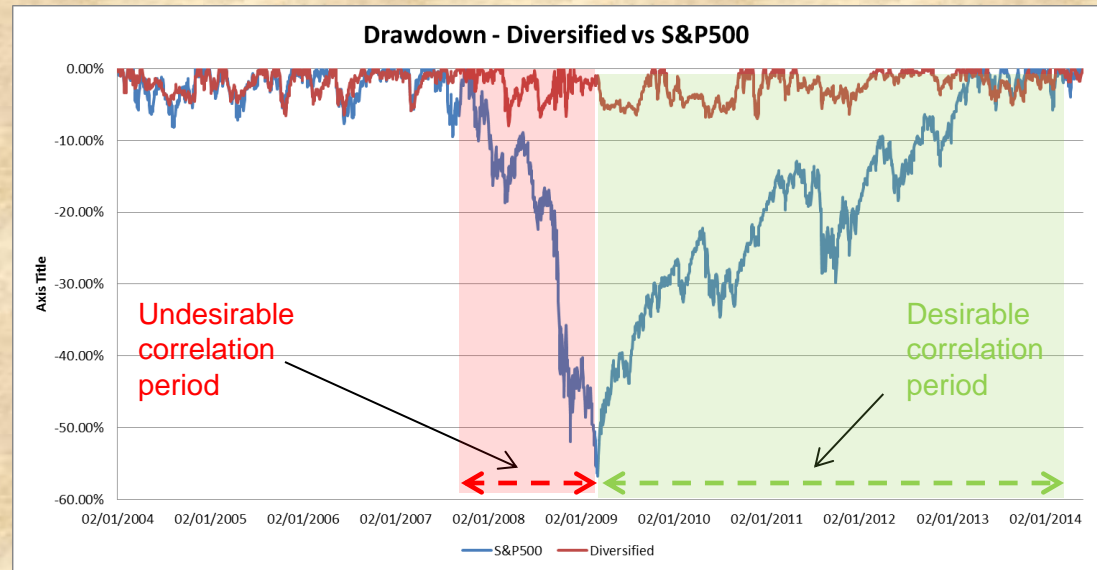
Track Record

- Talenta Capital traded \$500,000 original equity since March 2009 on short and medium term CTA strategies, until overtaken by track record jointly owned by Talenta Capital and TT International which ran from October 2010 to May 2012
- Assets traded started at \$10m and peaked at \$25m. A verifiable track record is available for investors wishing to undertake due diligence.
- Talenta Capital is continuing to supply data from its systems to TT International for TT International's information but not for its use*
- The track record clearly evidences that the P&L track record prices and slippage were consistently more favourable than those used in the model, reflecting both testing rigour and robust model assumptions.
- Talenta has developed a Momentum strategy offering investors non-correlation and performance benefits that complement CTA Trend-only performance
- Both strategies are actively traded live as part of the Talenta Portfolio.

* TT International is able to verify to investors conducting due diligence only that the data has been received from Talenta Capital on a daily basis since 2010, and has not been altered or manipulated by TT. Talenta Capital will verify that the data provided includes all daily orders from the CTA medium term strategy since 2010 to the present day.

Diversified Fund – Correlation and Drawdown

- Investor demand for low drawdown, rapid recovery
- Diversified Fund: “desirable correlation” to S&P500
- Rolling 6 month correlation over 10 years shows:
 - Lower drawdown
 - Faster recovery
 - Benefit of proprietary capital allocation and risk management approach
- “Desirable alternative” to equities for investors



Talenta Capital: Differentiation

Good Capability

- Good track record
- Strong CVs
- Tier 1 eco-system
- High liquidity proposition
- Scalable offering
- High transparency
- Innovative fee structures
- Operational resilience
- Accessible investor funds



Differentiated Capability

- Trading algorithms and filters with few free parameters and low Akaike are more robust & responsive
- “Desirable correlation” to equities
- Medium term trade horizon with low slippage penalties
- Tudor and TT International heritage
- Rapid roadmap execution (Matlab)

Differentiated Performance

- Favourable performance in both trend following and range-bound markets
- Market-beating Sharpe, MAR, CAGR, Max. Drawdown and Calmar Ratios
- Attractive fund propositions ... with a compelling future roadmap

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Investment Strategy Introduction

- Diversified Fund reflects two core trading strategies - Momentum and CTA
- Strategies structurally uncorrelated and executed independently
- Capital allocation approach reflects deep capital preservation philosophy
- Exposure to diverse range of highly liquid instruments
- Risk management edge born of academic and empirical research
- “Desirable correlation” with S&P500
- The following slides set out the overall Diversified Fund rationale and trading architecture followed by a description of each core investment strategy :
 - Momentum
 - CTA Trend

Diversified Strategy - Benefits

Our Diversified Fund combines managed futures with equities to offer potential higher returns at reduced risk:

- Low correlation of many managed futures to equities enables structural diversification
- The ability for long and short trades mean critical events can be profitable, where equities often decline
- Systematic trading with stop-losses can reduce drawdowns, speed recovery and avoid behavioural trades

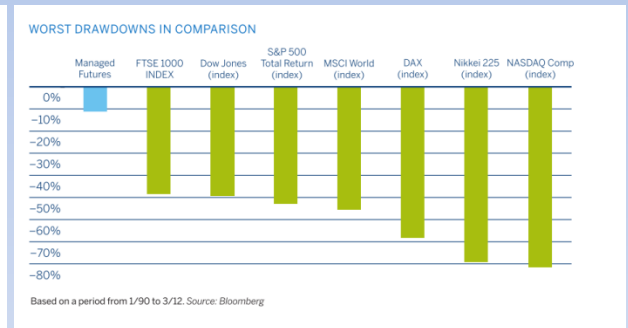
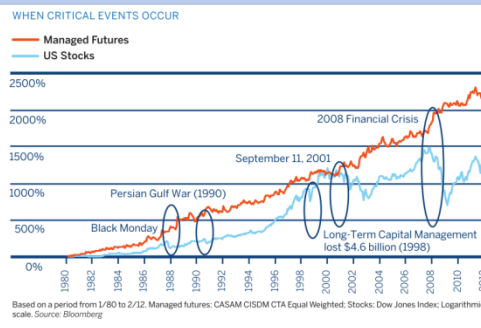
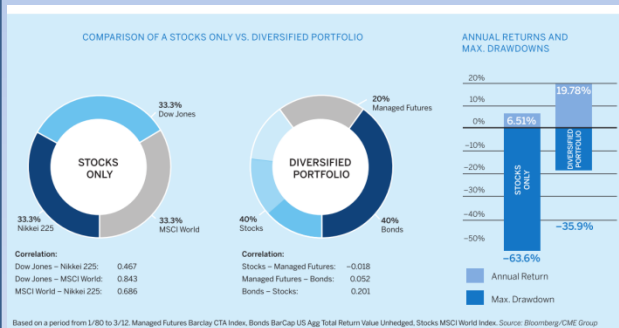
Higher gains
at lower risk



Profit from
critical events



Reduce drawdowns
recovery faster

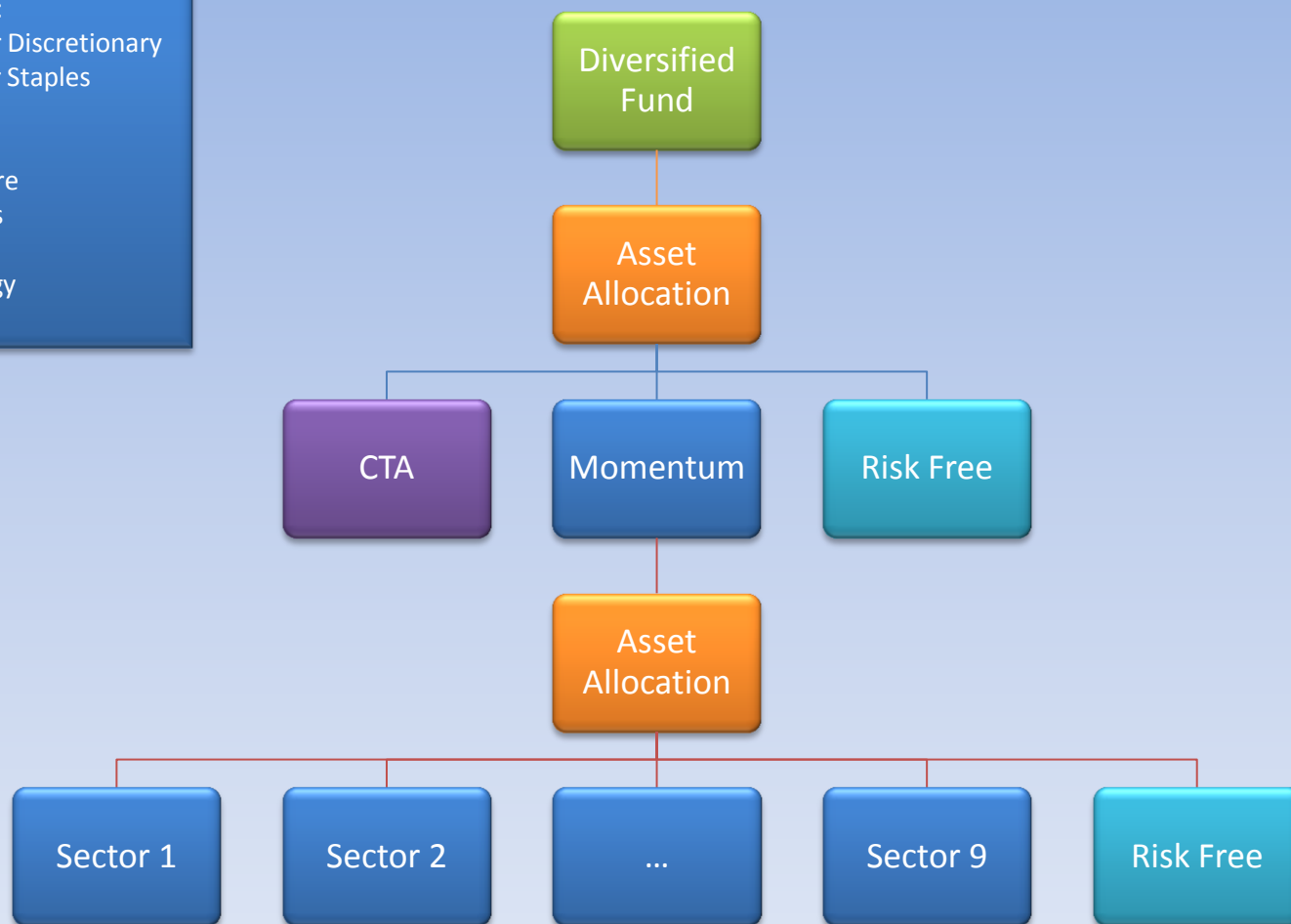


The Diversified Fund exploits these structural advantages to offer an attractive investment proposition

Diversified Fund Trading Architecture

S&P500 Sectors:

1. Consumer Discretionary
2. Consumer Staples
3. Energy
4. Financials
5. Health Care
6. Industrials
7. Materials
8. Technology
9. Utilities



Momentum Strategy - Overview

- Trades S&P 500 sector ETFs.
- Sectors ranked.
- System takes long position in top 5 sectors.
- Absolute momentum - sector must outperform risk free rate to be considered.
- Unallocated capital invested in risk free assets.
- Portfolio re-balanced monthly according to latest best performing sectors.
- Risk parity position sizing. Balanced risk exposure.
- Reflects economic activity (defensive v cyclical).

CTA Strategy - Overview

- Trades medium term trends (Long & Short) in futures markets.
- Price pattern information is used to derive break-out levels (no use of lagged indicators).
- Proprietary filter restricts trading activity to situations with high likelihood of sustained trend developing.
- Filter is conditional, having no tuneable parameters, “plug & play”.
- Markets in portfolio are ranked daily by relative volatility. Most volatile markets are excluded from trading, avoiding “Flash in Pan”.
- Correlation control prevents instruments with highly correlated returns from taking positions in the same direction.
- Portfolio risk is controlled on a daily basis. Portfolio Heat is limited to a fixed % per position.

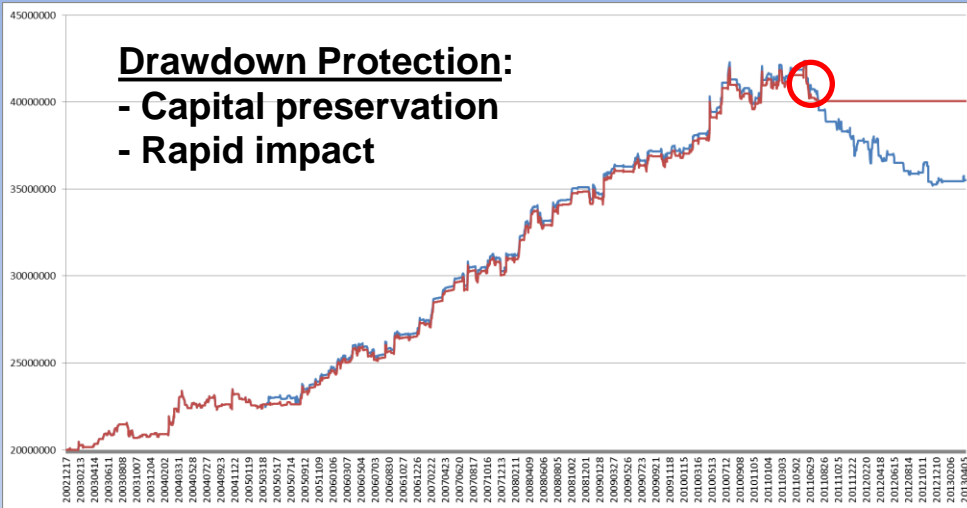
Asset Allocation

- All systems periodically allocated capital based on risk adjusted returns
- Max capital allocation:
 - Strategy 50%
 - Sector 20% of strategy capital
- Min allocation per strategy = 0
- Unallocated capital invested in risk free assets
- Reduces allocation to a system in period of drawdown whilst improvements implemented
- Enhances capital preservation

Asset Allocation Impact

Drawdown Protection:

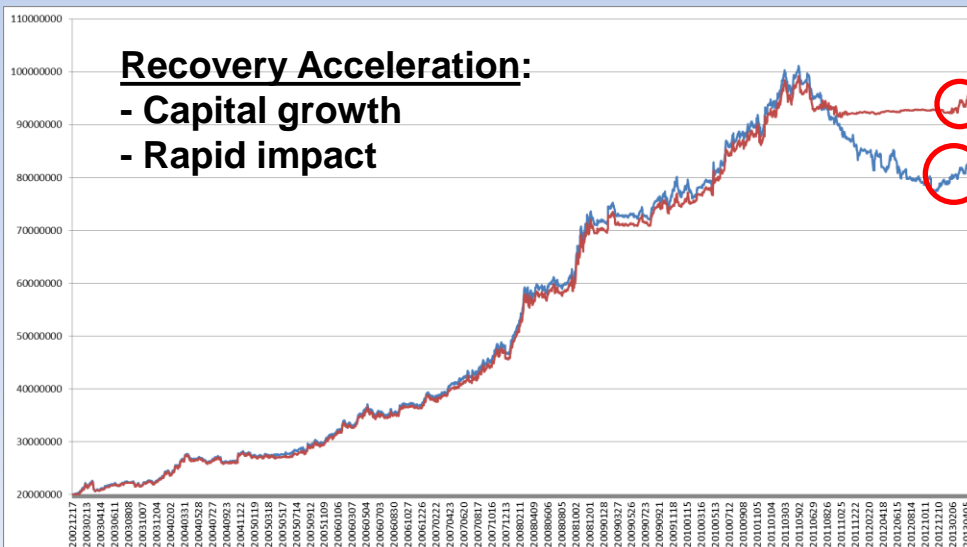
- Capital preservation
- Rapid impact



- Capital Preserved
- Low latency
- Drawdown, CAGR benefits

Recovery Acceleration:

- Capital growth
- Rapid impact



- Gains captured
- Low latency
- Drawdown, CAGR benefits

	Portfolio (gross)		
	Original	With Asset Allocation	Impact
Sharpe	1.39	1.64	17.9%
MaxDD	23.8%	7.8%	-67.1%
CAGR	14.2%	15.8%	10.9%
MAR	0.60	2.02	236.9%

Further Information

For further information, please contact:

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