

# Quant Trading, LLC

## Options Quant - Conservative Program Disclosure Document

June 1, 2008

THE CFTC HAS NOT PASSED UPON THE MERITS OF PARTICIPATING IN ANY OF MANAGED ACCOUNTS PROGRAMS NOR ON THE ADEQUACY OR ACCURACY OF ANY OF THESE DISCLOSURE DOCUMENTS. OTHER DISCLOSURE STATEMENTS MAY BE PROVIDED TO YOU BEFORE A FUTURES/OPTIONS TRADING ACCOUNT MAY BE OPENED FOR YOU.

### 1. RISK DISCLOSURE STATEMENT

THE RISK OF LOSS IN TRADING COMMODITIES CAN BE SUBSTANTIAL. YOU SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. IN CONSIDERING WHETHER TO TRADE OR TO AUTHORIZE SOMEONE ELSE TO TRADE FOR YOU, YOU SHOULD BE AWARE OF THE FOLLOWING: IF YOU PURCHASE A COMMODITY OPTION YOU MAY SUSTAIN A TOTAL LOSS OF THE PREMIUM AND OF ALL TRANSACTION COSTS. IF YOU PURCHASE OR SELL A COMMODITY FUTURE OR SELL A COMMODITY OPTION YOU MAY SUSTAIN A TOTAL LOSS OF THE INITIAL MARGIN FUNDS AND ANY ADDITIONAL FUNDS THAT YOU DEPOSIT WITH YOUR BROKER TO ESTABLISH OR MAINTAIN YOUR POSITION. IF THE MARKET MOVES AGAINST YOUR POSITION, YOU MAY BE CALLED UPON BY YOUR BROKER TO DEPOSIT A SUBSTANTIAL AMOUNT OF ADDITIONAL MARGIN FUNDS, ON SHORT NOTICE, IN ORDER TO MAINTAIN YOUR POSITION. IF YOU DO NOT PROVIDE THE REQUESTED FUNDS WITHIN THE PRESCRIBED TIME, YOUR POSITION MAY BE LIQUIDATED AT A LOSS, AND YOU WILL BE LIABLE FOR ANY RESULTING DEFICIT IN YOUR ACCOUNT. UNDER CERTAIN MARKET CONDITIONS, YOU MAY FIND IT DIFFICULT OR IMPOSSIBLE TO LIQUIDATE A POSITION. THIS CAN OCCUR, FOR EXAMPLE, WHEN THE MARKET MAKES A "LIMIT MOVE". THE PLACEMENT OF CONTINGENT ORDERS BY YOU OR YOUR TRADING ADVISOR, SUCH AS A "STOP-LOSS" OR "STOP-LIMIT" ORDER, WILL NOT NECESSARILY LIMIT YOUR LOSSES TO THE INTENDED AMOUNTS, SINCE MARKET CONDITIONS MAY MAKE IT IMPOSSIBLE TO EXECUTE SUCH ORDERS. A "SPREAD" POSITION MAY NOT BE LESS RISKY THAN A SIMPLE "LONG" OR "SHORT" POSITION. THE HIGH DEGREE OF LEVERAGE THAT IS OFTEN OBTAINABLE IN COMMODITY TRADING CAN WORK AGAINST YOU AS WELL AS FOR YOU. THE USE OF LEVERAGE CAN LEAD TO LARGE LOSSES AS WELL AS GAINS. IN SOME CASES, MANAGED COMMODITY ACCOUNTS ARE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT AND ADVISORY FEES. IT MAY BE NECESSARY FOR THOSE ACCOUNTS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. THIS DISCLOSURE DOCUMENT CONTAINS, IN SECTION #7, A COMPLETE DESCRIPTION OF EACH FEE TO BE CHARGED TO YOUR ACCOUNT BY THE COMMODITY TRADING ADVISOR. THIS BRIEF STATEMENT CANNOT DISCLOSE ALL THE RISKS AND OTHER SIGNIFICANT ASPECTS OF THE COMMODITY MARKETS. YOU SHOULD THEREFORE CAREFULLY STUDY THIS DISCLOSURE DOCUMENT AND COMMODITY TRADING BEFORE YOU TRADE, INCLUDING THE DESCRIPTION OF THE PRINCIPAL RISK FACTORS OF THIS INVESTMENT, AS DESCRIBED IN SECTIONS #8 AND 9 OF THIS DISCLOSURE DOCUMENT.

THIS COMMODITY TRADING ADVISOR IS PROHIBITED BY LAW FROM ACCEPTING FUNDS IN THE TRADING ADVISOR'S NAME FROM A CLIENT FOR TRADING COMMODITY INTERESTS. YOU MUST PLACE ALL FUNDS FOR TRADING IN THIS TRADING PROGRAM DIRECTLY WITH A FUTURES COMMISSION MERCHANT.

### 2. Legal Notice and Terms and Conditions - Please Read Carefully

This site is not intended for distribution, or use by, any person in any country where such distribution or use would be contrary to local law or regulation. None of the services or investments referred to in this web site are available to persons residing in any country where the provision of such services or investments would be contrary to local law or regulation. It is the responsibility of visitors to this website to ascertain the terms of and comply with any local law or regulation to which they are subject.

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By ordering our services the client acknowledges that he was not solicited in any way by Quant Trading, LLC in contravention of the rules or regulations in the jurisdiction in which he resides.

### 3. Representation of Quant Trading, LLC

Quant Trading, LLC, a Delaware registered limited liability company, is not currently registered as a Commodity Trading Advisor (CTA) and operates pursuant to an exemption from the Commodity Exchange Act (CEA) and Investment Advisers Act of 1940 as amended and pursuant to the regulations there under. Pursuant to **CFTC Rule 4.14.(a)(9)(i),(ii)** (page 29), Quant Trading, LLC does not engage in (i) directing clients accounts or (ii) providing commodity trading advice based on, or tailored to, the commodity interest or cash market positions or other circumstances or characteristics of particular clients. Further, pursuant to the **Investment Advisers Act of 1940, Sec. 202.(11)(B)** (page 4, Title II - Investment Advisers), any lawyer, accountant, *engineer, or teacher* whose performance of such (advising) services is solely incidental to the practice of his profession is not deemed as a securities investment adviser and is exempt from registration. As a trading system developer, exempt from registration, Quant Trading, LLC is not required to prepare a disclosure document, but has voluntarily prepared this document to disclose to prospective clients the risks inherent to options trading.

Web site address: <http://www.options-quant.com>

E-mail address: [signals@options-quant.com](mailto:signals@options-quant.com)

Mailing address: Quant Trading, LLC, Hristo Botev 27, 7000 Bitola, Macedonia.

Phone: 1-347-487-3216 FAX: 1-206-600-6150

### 4. Employment History of the Trading Program Developer

Details on the educational and professional background and employment history of Dejan Trajkovski, the trading program developer can be found in the **Developer** section of the web site (<http://www.options-quant.com/Developer.htm>).

### 5. Performance History

The most recent performance history of the trading program can be found in the **Performance** section of our web site (<http://www.options-quant.com/Performance.htm>).

### 6. Trading Program Description

Description of the trading program can be found in the **Strategy** and **Trading Signals** section of Quant Trading, LLC's web site (<http://www.options-quant.com/Strategy.htm> and <http://www.options-quant.com/TradingSignals.htm>).

### 7. Fees

Self-directed traders and traders on auto trading program (with a Series 3 futures broker) pay a trading signals fee, which vary from \$50/month to \$500/year. More details on the **Subscription** page of Quant Trading, LLC's web site (<http://www.options-quant.com/Subscribe.htm>).

### 8. Risk and liability

Your investment will be traded by a broker of your choice from your account (under Letter of Direction - LOD - authorization), on the electronic futures and options market. Profits in this program are approximately 23% per year. **The expected yearly return is for orientation only. It is based on strategy back testing and is not guaranteed in any way.** Results vary from month to month.

Low risk exposure is extremely important to our clients. Although risk is assumed with all forms of trading in financial markets, our strict management of this aspect of our clients investments is detailed below.

Quant Trading, LLC accepts no liability or responsibility for any losses incurred from the client's investment. It is understood that leveraged trading in the futures and options markets has high risks and no guarantee of return. This statement of intent is not binding on either the client or Quant Trading, LLC in any way and any agreements made

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may be cancelled without notice at any time. All investors and traders participate in our program expressly at their own risk, and the placement of funds into the program implies that the risk and liability are fully understood and agreed upon without reservation.

With any program, clients expect to achieve above average returns. Clients should carefully consider the reasons for trading options, and understand the risk and returns expected. We aim to achieve somewhere between 15% and 30% per year, but this does not come without an associated risk. Any similar service which claims otherwise is simply not providing the full picture. Clients who are willing to accept lower returns and lower risk should consider investing in a fixed interest rate bank account or a bond related investment fund instead of options.

Our statistical models (for both the Options Quant Aggressive and Conservative Program) show that a 20% drawdown is the maximum one should reasonably expect during periods of sustained trends or sharp movements in the S&P 500 index or ES e-mini futures. We must emphasize that these are rare events, but may happen several times during a year. In order to minimize chances of complete capital loss, we carefully selected the leverage used. Either Options Quant Aggressive Program or Conservative Program can be traded in account which size is 1/5 of the ES e-mini futures nominal contract value.

**Disclaimer:**

Despite our best efforts to minimize risk (outlined above), trading options carries a high level of risk, and may not be suitable for all investors. Before deciding to trade yourself or invest in the Auto Trading Program you should carefully consider your investment objectives and risk appetite. The possibility exists that you could sustain a loss of some or all of your initial investment and therefore you should not invest money that you cannot afford to lose. You should be aware of all the risks associated with leveraged futures and options trading, and seek advice from an independent financial advisor if you have any doubts. Furthermore, Quant Trading, LLC and its representatives or agents will not be held legally or morally liable or responsible for any losses incurred through trading, whether through trades taken within the risk parameters outlined above or not. All investors participate in the program expressly at their own risk, and the placement of funds into the auto traded account implies that the risk and liability clauses in this paragraph are fully understood and agreed upon without reservation.

**9. CFTC RISK DISCLOSURE STATEMENT:** THE RISK OF LOSS IN TRADING FUTURES AND OPTIONS CAN BE SUBSTANTIAL. YOU SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. THE MONEY MANAGER DOES NOT CONTROL, AND CANNOT ENDORSE OR VOUCH FOR THE ACCURACY OR COMPLETENESS OF ANY INFORMATION OR ADVICE YOU MAY HAVE RECEIVED OR MAY RECEIVE IN THE FUTURE FROM ANY OTHER PERSON NOT EMPLOYED BY THE TRADING ADVISOR REGARDING FUTURES AND OPTIONS TRADING OR ANY MANAGED ACCOUNT INFORMATION. THE FACTUAL INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM SOURCES BELIEVED TO BE RELIABLE BUT IS NOT NECESSARILY ALL INCLUSIVE AND IS NOT GUARANTEED TO BE 100% ACCURATE. THE CONTENT HEREIN IS PROVIDED IN ON A BEST EFFORTS BASIS AND IS BELIEVED TO BE UP-TO-DATE AND ACCURATE; HOWEVER, THERE ARE NO EXPLICIT OR IMPLICIT WARRANTIES OF ACCURACY OR TIMELINESS MADE BY THE TRADING ADVISOR OR AFFILIATES.

FUTURES AND OPTIONS TRADING INVOLVES SUBSTANTIAL RISK AND IS NOT FOR ALL INVESTORS. INVESTMENT IN THE FUTURES AND OPTIONS TRADING IS HIGHLY SPECULATIVE AND SHOULD ONLY BE DONE WITH RISK CAPITAL. THE HIGH DEGREE OF LEVERAGE THAT IS OFTEN OBTAINABLE IN FUTURES AND OPTIONS TRADING CAN WORK FOR YOU AS WELL AS AGAINST YOU. THE USE OF LEVERAGE CAN LEAD TO LARGE LOSSES AS WELL AS GAINS. MANAGED FUTURES AND OPTIONS ACCOUNTS CAN BE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT AND MONEY MANAGEMENT FEES, AND WITH SOME CASES (INTRODUCING BROKERS) COMMISSIONS OR MARK-UPS THAT ARE ABOVE AND BEYOND THE ORDINARY SPREAD GENERALLY PROVIDED ON A CLEARING FIRM'S TRADE EXECUTION PLATFORM. IT MAY BE NECESSARY FOR THOSE ACCOUNTS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. PERFORMANCE RESULTS MAY VARY DUE TO ACCOUNT SIZE, STARTING OR CLOSING DATE, THE NUMBER OF POSITIONS AND/OR MARKETS TRADED AND/OR OTHER FACTORS.

THE REGULATIONS OF THE COMMODITY FUTURES TRADING COMMISSION (CFTC) REQUIRE THAT PROSPECTIVE CUSTOMERS OF A FUTURES COMMISSION MERCHANT RECEIVE A DISCLOSURE DOCUMENT WHEN THEY ARE SOLICITED. THESE DISCLOSURES ARE INCORPORATED INTO THE

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MANAGED ACCOUNT AGREEMENT AND THE LIMITED POWER OF ATTORNEY (LPOA) OR LETTER OF DIRECTION (LOD).

THIS BRIEF STATEMENT CANNOT DISCLOSE ALL OF THE RISKS AND OTHER SIGNIFICANT ASPECTS OF THE FUTURES AND OPTIONS MARKETS. THEREFORE, YOU SHOULD CAREFULLY REVIEW THE DISCLOSURES CONTAINED IN THIS DOCUMENT TO DETERMINE WHETHER SUCH TRADING IS APPROPRIATE FOR YOU IN LIGHT OF YOUR PARTICULAR FINANCIAL CONDITION. THERE ARE ALSO RISKS ASSOCIATED WITH UTILIZING AN INTERNET-BASED DEAL EXECUTION SOFTWARE APPLICATION, AND COMPUTERIZED TRADING AND MONEY MANAGEMENT TOOLS INCLUDING, BUT NOT LIMITED, TO THE FAILURE OF HARDWARE AND SOFTWARE. PAST PERFORMANCE DOES NOT NECESSARILY GUARANTEE FUTURE RESULTS, NOR DOES IT GUARANTEE FREEDOM FROM LOSSES.

THE INFORMATION CONTAINED HEREIN SHOULD NOT BE CONSTRUED AS AN OFFER TO BUY OR SELL COMMODITIES, FUTURES OR ANY SECURITY TYPE INVESTMENT. THE MONEY MANAGER HIGHLY RECOMMENDS THAT BEFORE MAKING A DECISION, THE READER COLLECTS SEVERAL OPINIONS RELATED TO THE DECISION AND VERIFIES FACTS FROM AT LEAST SEVERAL INDEPENDENT SOURCES.

THIS TRADING ADVISOR IS PROHIBITED BY LAW FROM ACCEPTING FUNDS IN THE TRADING ADVISOR'S NAME FROM A CLIENT FOR TRADING COMMODITY INTERESTS. YOU MUST PLACE ALL FUNDS FOR TRADING IN THIS TRADING PROGRAM DIRECTLY WITH A FUTURES COMMISSION MERCHANT (CLEARING FIRM).

#### **10. Options Disclaimer**

This site discusses exchange-traded options issued by The Options Clearing Corporation. No statement on this site is to be construed as a recommendation to purchase or sell a security, or to provide investment advice. Options involve risk and are not suitable for every investor. Because they are cash-settled, investors should be aware of the special risks associated with index options and should consult a tax advisor. Prior to buying or selling options, a person must receive a copy of Characteristics and Risks of Standardized Options and should thoroughly understand the risks involved in any use of options. Copies may be obtained from The Options Clearing Corporation, 440 S. LaSalle Street, Chicago, IL 60605, or can be downloaded from [this link](#) (PDF, 8 Mb).

#### **11. Hypothetical Performance Disclaimer**

**CFTC RULE 4.41** - HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN; IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK OF ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL WHICH CAN ADVERSELY AFFECT TRADING RESULTS.

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.** There is risk of loss when investing in futures and options, and as such, these investments are NOT suitable for everyone. Quant Trading, LLC suggests that you seek professional advice from an experienced financial advisor familiar with alternative investments before committing your capital to any of our programs, products or services.

NOTE: United States governmental financial market regulatory agencies such as the CFTC, NFA and SEC and are in the process of establishing additional laws, rules and guidelines pertaining to futures and options trading firms and futures and options investments. The rules being enacted by the regulatory agencies are in the developmental

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stages and are evolving. That being the case, there seems to be some level of disagreement as to what the rules actually mean, and for whom, how and where the rules and regulations apply.

Thus, while Quant Trading, LLC has made a conscious effort to abide by all existing rules and regulations, it is possible that Quant Trading, LLC may not be completely up to date with the latest regulation pertaining to the industry, or this document. However, if any material items are discovered by Quant Trading, LLC, or new regulation are developed that our clients must know about, then Quant Trading, LLC will attempt to notify the client and/or make the information available on Quant Trading, LLC's website. It is possible that changes in regulations could require Quant Trading, LLC amended the website and its Disclosure Document.

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**This is acknowledgement that I have received, read and understood this Disclosure Document and request more information on Quant Trading, LLC's Auto Trading Program.**

AGREED AND AUTHORIZED THIS \_\_\_\_ DAY OF \_\_\_\_\_ 200\_\_

Client signature \_\_\_\_\_

Print name \_\_\_\_\_

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