



Helping CTAs blossom in today's competitive environment

Nell Sloane, founding partner of Capital Trading Group (CTG), talks to *CTA Intelligence* about her firm's services and how they can benefit a CTA business model

Capital Trading Group was created by industry veterans Nell Sloane and Patrick Lafferty with one clear goal in mind: to become an alternative investment hub specialised in derivatives and managed futures, catering mainly to institutional players.

CTG provides global execution and account management for today's leading CTAs by efficiently co-ordinating all aspects of a professionally managed fund or trading program.

The firm strives to harness technology to uniquely position its platform as one of the most complete service providers in the managed futures industry.

CTA Intelligence (CTAI): What elements led you to focus on supporting CTAs?

Nell Sloane (NS): In the financial services industry, strategic thinking is extremely important.

Patrick and I had a strong background in commodities, futures and options, and it was understood that such experience could be leveraged in the new investment paradigm. We foresaw an increased need by the investing audience for structured alternative products that would improve traditional portfolios' efficient frontiers. Managed futures and CTAs were a natural answer to that rising need.

CTAI: How do you specifically help CTAs successfully develop their business plans?

NS: We focus on three areas: execution, administration and allocation services.

These are naturally key areas for any CTA that wants to strengthen his/her business.

However, while there are different available solutions in the market place, we felt no one was really addressing the issues that growing CTAs were likely to face in an environment that was changing and modernising.

For instance, technology is an element that in our sector can stir love and hate emotions. Futures and options careers were built on sweat and blood in the pits of the Chicago exchanges.

When electronic trading and all of its ancillary components swept the industry, the first reaction was negative.

At CTG, we believe technology should be embraced and harnessed. We developed a user-friendly platform that provides global execution and simplifies account management for emerging and established CTAs.

Ultimately the biggest complaint you will hear from a CTA, whether emerging or already on track to a successful career, is the distraction operations and back-office bring to their trading. They are traders, financial warriors if you will, not operations specialists.

We relieve them from that burden in a cost efficient way by leveraging our experience and embracing technology.

CTAI: Are your services and your platform customisable to the diverse needs of different CTAs?

NS: Absolutely. Customisable services are the only way you can really help a trader.

Again, technology helps you customise client solutions in a way that was just not possible years ago. We can configure our operations to the trader's contingency. For example, we can help a CTA set up electronic (or pit) executions and establish a single block trading account that will enable NFA required APS pricing across all FCMs.

We will make sure every one of the CTA accounts across any and all FCMs will receive their respective trades. We then reconcile accounts for accuracy in elements such as positions, equity, margins and fees.

Most importantly, we customise position and equity reports to the specs required by the CTA.

Our reports, which are updated in real-time, will reflect only the information the trader wants to see. It's a great effort but it's a huge advantage to any CTA. We also provide customisable access through our online portal.

If you have an Internet connection, you will have the ability to create multiple views and access a wealth of information related to your trading. For example, you can view positions and P&L by individual account, commodity, FCM, and even by market sector.



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Additionally, a CTA can access trading performance for each account; returns can be displayed by different intervals such as daily, monthly and YTD.

There is a lot more that our platform can do but the leading theme is “customisable efficiency”.

CTAI: It is undeniable that trading has become more 'noisy' over the years. Access to strategic information is more valuable than ever. Is CTG active in this space?

NS: Information is the lifeblood of successful trading.

Information takes many forms: price discovery, risk management, fundamental analysis of supply and demand, and of course, nowadays, quantification of behavioural biases.

Interestingly, the problem today does not seem to be lack of information or lack of access but rather efficient processing of such information. We strive to increase informational efficiency with our portal, not only from a back-office standpoint but we also strive to be research centred.

We leverage our experience and contacts in order to establish a web of relevant third party research providers in an effort to mitigate the problem we referred to earlier about information noise.

CTG is also very active in producing original research on different topics that we understand are very relevant to traders.

We recurrently put out white papers independent in their findings. Intellectual integrity is key for us as we have a long-term plan.

CTAI: Is CTG engaged in marketing support as well?

NS: In a selective fashion, yes. And by that I mean, if we think there is an opportunity to leverage a CTA's niche and our experience in an effort to fill a market need, yes we will step in.

In other words, we look for synergies between our investors' base and our philosophical approach and a CTA's approach and if we think the result of our combined actions will result in a superior market solution, we will act.

We utilise a database which includes most CTAs and that allows an investor to run different statistics and run portfolio simulations but we think we provide a superior solution in our vetting of traders and then building a stronger relationship with the chosen ones.

CTAI: In conclusion, what's your view of the managed futures industry today and what advice would you give an emerging CTA?

NS: Managed futures is at a very interesting historical juncture.

After the glory of 2008 when as an asset class they reported positive returns by significantly outperforming collapsing equities, they had a hard time keeping up the pace with the momentum of the stock market rebound.

However, today, volatility is on the rise in traditional asset classes and a stronger managed futures industry has emerged from the difficulties of the last period. In my opinion, this combination of factors can contribute to superior performance going forward. No assurance that this is the case.

CTAs, emerging and established, should seize the moment and strengthen their operations, leverage their value proposition and aggressively execute on their business plan.

In other words, increase the efficiency of what you can control so that when the stars align – and we may very well be close to such an alignment – you can be ready. ■



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Founding partner, Capital Trading Group