



DEVET CAPITAL

A MACRO SYSTEMATIC HOUSE



Table of contents

1. Important information, Risk Warning and Statutory Disclosure
2. Devet Capital Absolute Return Strategy
3. Program and investment characteristics
4. Markets traded
5. Research process (1)
6. Research process (2)
7. Portfolio construction
8. Risk management (1)
9. Risk management (2)
10. Monthly performance breakdown
11. Back-testing
12. Correlations with other asset classes
13. Devet Capital Absolute Return Strategy sample trade
14. Organizational chart
15. Biographies
16. Contact



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Risk Warning (continued)

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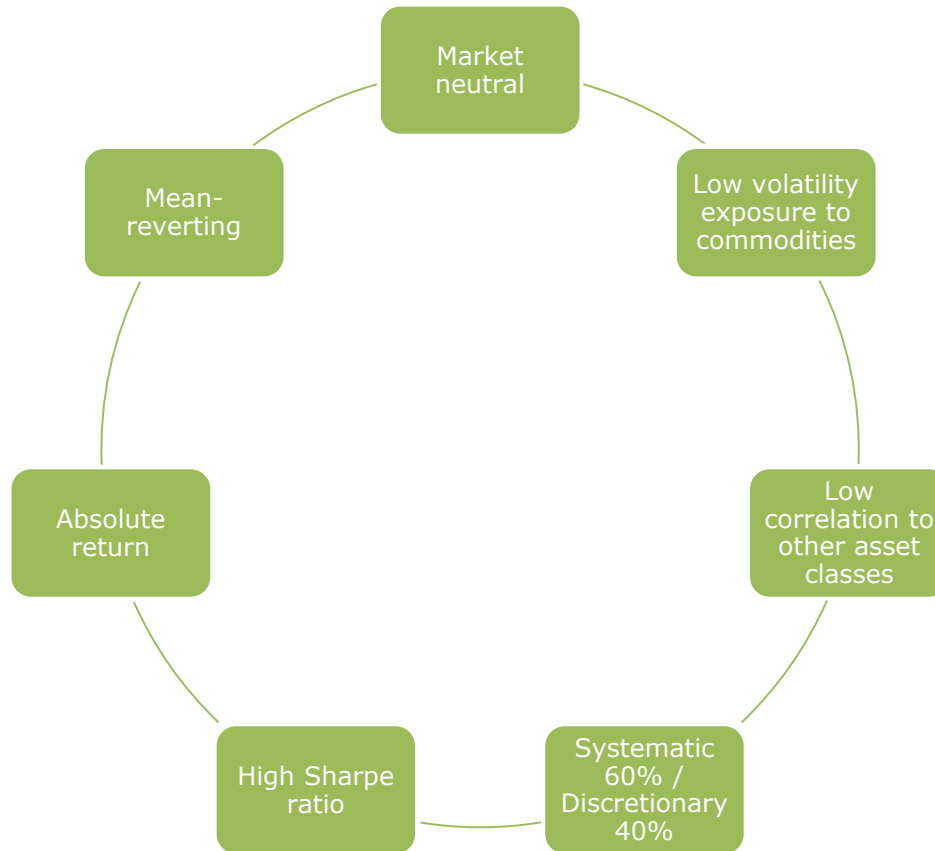
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Devet Capital Absolute Return Strategy

- Devet Capital Investments is an **absolute return macro** trading company, utilising **systematic, market-neutral** strategies on **commodities**
- Devet Capital Absolute Return Strategy searches for statistically-defined anomalies in the shape of commodity curves that recur over time, seeking to produce **consistent returns** across different market regimes
- Devet Capital Absolute Return Strategy focuses research on, and trades only in, **liquid**, commodity-market futures and forwards
- Our statistically-based approach seeks to achieve stable positive returns with **low volatility** and **low correlation** with the returns from macro hedge funds and commodity market benchmarks
- Our annualized realized **volatility** is below **5%** and our **Sharpe ratio** is above **1.5** (based on both back-tested and live trading data)



Program and investment characteristics



Markets traded

Devet Capital Absolute Return Strategy trades in **liquid** futures and forwards contracts only:

- Chicago Mercantile Exchange Group, CME: Brent, WTI, NY Harbor ULSD, RBOB Gasoline, Henry Hub Natural Gas, Soybean, Soybean Oil, Corn and Wheat
- Intercontinental Exchange, ICE: Brent, WTI, Low Sulphur Gasoil, Coffee, Sugar, Cocoa and Cotton
- London Metal Exchange, LME: Copper, Aluminium, Zinc, Lead and Nickel



Research process (1)

Our portfolio currently consists of 4 different non-correlated, market-neutral and mean reverting algorithms that have been implemented on different base metals, oil and agriculture assets. For illustration purposes, we call those algorithms 1, 2, 3 and 4 as shown in the next slide

We have conducted extensive research on a diverse range of alpha generating models since 2008



Research process (2)

Q1-Q2 2012

- Implementation with back and live testing of algorithm 1
- Back-testing on oil, base metals and agriculture products; live testing on base metals

Q3-Q4 2012

- Implementation with back and live testing of algorithms 2 and 1
- Back-testing on oil, base metals and agriculture products; live testing on base metals

Q1-Q2 2013

- Implementation with back and live testing of algorithms 3, 2 and 1
- Back-testing on oil, base metals and agriculture products; live testing on base metals

Q3-Q4 2013

- Implementation with back-testing of algorithm 4
- Back-testing on oil, base metals and agriculture products

Q1 – Q2 2014

- Implementation of the Devet Capital Absolute Return Strategy using proprietary optimization tools

21st July 2014

- Devet Capital Absolute Return Strategy went live



Portfolio construction

SYSTEMATIC – 60% TRADE IDENTIFICATION

The 4 different mean reverting algorithms have been carefully selected based on strict criteria of:

- expected return
- volatility
- correlation
- market neutrality
- maximum drawdown

All the algorithms within the portfolio are updated and analyzed on a daily basis, looking for entry and exit triggers based on statistically significant signals

DISCRETIONARY – 40% RISK MANAGEMENT

Once a signal is triggered, the identified trades are analyzed to assess how they fit into the existing portfolio in terms of correlation, volatility and market neutrality



Risk management (1)

Correlation analysis

Back-testing and live trading data show that the typical level of correlation among algorithms rarely exceeds 30%. Should correlation increase materially above this threshold, a comprehensive assessment of the algorithms is conducted and some of them might be removed or modified to ensure future risk is sufficiently diversified

Volatility and drawdown analysis

The algorithms have been selected to ensure that, on a historical basis, volatility does not materially exceed 5% and a daily loss of more than 1% occurs in less than 0.5% of the daily observations, over the back-testing time horizon of 15 years (March 1999 – June 2014)



Risk management (2)

Stop loss procedure for individual trades

Individual trades are flagged if they cause a loss of 25 bps of the entire portfolio; a trade is analyzed to assess if the loss occurred due to:

- a temporary anomaly in the prices of the relevant commodity, in which case the trade is likely to be kept
- a potential structural change in the behavior of the relevant commodity, in which case the trade is likely to be stopped out

In case of a loss of 50 bps of the entire portfolio, the trade is likely to be stopped out and reassessed.

Stop loss procedure for the overall portfolio

- a loss of more than 3% would lead to a comprehensive reassessment of the portfolio
- a loss of more than 5% is very likely to lead to a complete close out of the portfolio and a comprehensive reassessment of the program as a whole



Monthly performance breakdown

Date	Devet Capital Energy	Devet Capital Base Metals	Devet Capital Soft & Grains	Devet Capital Absolute Return Strategy
Jan 16	+0.06%	0.00%	+0.02%	+0.08%
Dec 15	+0.68%	0.00%	-0.19%	+0.49%
Nov 15	-0.60%	0.00%	+0.06%	-0.54%
Oct 15	-0.57%	0.00%	+0.01%	-0.56%
Sep 15	0.00%	+0.26%	+0.18%	+0.44%
Aug 15	+0.27%	-0.13%	-0.05%	+0.09%
Jul 15	+0.30%	+0.30%	+0.24%	+0.84%
Jun 15	+0.41%	-0.38%	+0.14%	+0.17%
May 15	+0.16%	+0.23%	-0.02%	+0.37%
Apr 15	-0.20%	-0.01%	+0.10%	-0.11%
Mar 15	+0.65%	+0.49%		+1.12%
Feb 15	+0.47%	+0.41%		+0.88%
Jan 15	+0.88%	+0.57%		+1.45%



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1- Jul / Aug 14 return include performance since 21st July 2014.

Back-testing^{1,2}

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual/ YtD
1999			-0.40%	0.09%	0.26%	0.02%	-0.48%	0.32%	0.53%	-0.37%	-0.36%	1.66%	1.27%
2000	0.61%	0.47%	0.92%	0.75%	0.50%	-0.10%	0.09%	1.04%	-0.26%	0.60%	1.20%	1.49%	7.30%
2001	0.75%	0.54%	-0.49%	0.40%	0.47%	0.70%	-0.15%	0.91%	-0.11%	0.61%	-0.26%	0.51%	3.88%
2002	-0.47%	-0.26%	-0.12%	-0.12%	0.22%	0.45%	-0.59%	-0.04%	0.34%	-0.30%	0.39%	-0.35%	-0.83%
2003	0.66%	1.06%	-0.09%	0.52%	-0.50%	0.98%	1.61%	0.51%	0.16%	-0.55%	-0.11%	0.13%	4.39%
2004	0.14%	0.07%	1.08%	-0.97%	-0.33%	1.68%	0.25%	0.96%	0.28%	0.44%	1.00%	2.04%	6.64%
2005	0.49%	0.15%	1.44%	0.83%	-0.59%	0.40%	0.78%	0.63%	-0.35%	0.21%	-0.28%	0.48%	4.19%
2006	1.11%	-0.26%	1.35%	-0.39%	0.35%	4.39%	0.38%	1.94%	0.00%	0.40%	4.20%	0.72%	14.19%
2007	-2.59%	1.72%	1.22%	0.38%	3.60%	5.04%	2.02%	1.49%	-0.04%	2.49%	1.90%	2.26%	19.48%
2008	1.63%	1.36%	0.84%	0.51%	-0.28%	0.85%	-0.59%	1.28%	1.13%	1.94%	5.15%	0.59%	14.41%
2009	2.12%	0.27%	-0.54%	0.77%	1.78%	0.40%	0.36%	0.14%	0.11%	-0.04%	-0.19%	0.33%	5.49%
2010	0.50%	0.87%	-0.48%	1.39%	0.18%	-0.03%	-0.19%	0.97%	0.47%	0.35%	1.94%	0.21%	6.19%
2011	0.76%	1.70%	2.16%	0.23%	0.79%	0.96%	0.59%	0.38%	-0.18%	0.18%	0.95%	0.93%	9.44%
2012	0.14%	-0.07%	1.07%	0.77%	1.16%	1.18%	1.01%	0.77%	0.78%	-0.14%	1.56%	0.19%	8.41%
2013	1.65%	0.00%	0.41%	0.34%	0.55%	0.77%	1.46%	1.19%	1.83%	1.19%	0.63%	0.51%	10.53%
2014	2.48%	1.10%	2.36%	1.56%	1.21%	0.88%	0.43% ¹	0.89%¹	1.06%	-1.07%	0.18%	0.97%	12.04%
2015	1.45%	0.88%	1.12%	-0.11%	0.37%	0.17%	0.84%	0.09%	0.44%	-0.56%	-0.54%	0.49%	4.72%
2016	0.08%												0.08%

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

These results are based on simulated or hypothetical performance results that have certain inherent limitations. Unlike the results shown in an actual performance record, these results do not represent actual trading. Also, because these trades have not actually been executed, these results may have under- or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity. Simulated or hypothetical trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve profits or losses similar to these being shown.



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1- July 2014 return includes performance up until 20th July 2014; August 2014 return includes performance since 21st July 2014.

2- Live returns since Aug 2014 (inclusive); all the previous returns are from back-testing.

Correlations with other asset classes¹

	Devet Capital Absolute Strategy	SPX Index	Bloomberg Commodity Index ²	DXY Index	BARCSYST Index	HFRIFWI Index
Devet Capital Absolute Strategy	100.00%	-12.00%	-7.89%	2.10%	6.04%	-8.13%
SPX Index	-12.00%	100.00%	38.63%	-33.51%	-18.29%	75.55%
Bloomberg Commodity Index ²	-7.89%	38.63%	100.00%	-51.01%	24.87%	54.50%
DXY Index	2.10%	-33.51%	-51.01%	100.00%	-22.18%	-35.78%
BARCSYST Index	6.04%	-18.29%	24.87%	-22.18%	100.00%	6.94%
HFRIFWI Index	-8.13%	75.55%	54.50%	-35.78%	6.94%	100.00%



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1- Based on back-tested monthly returns since March 1999 to June 2014.

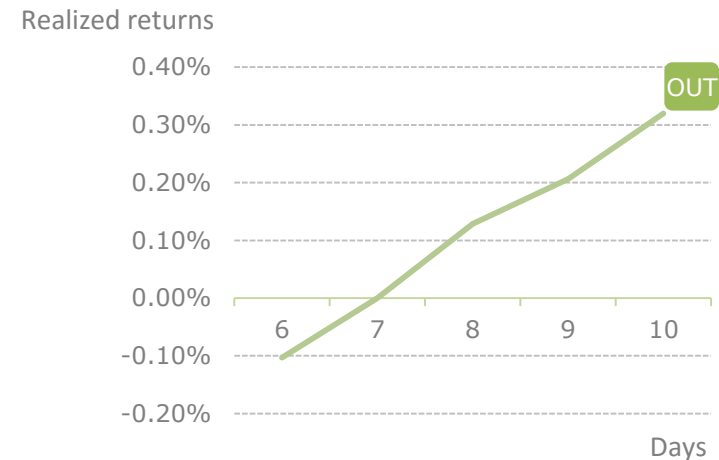
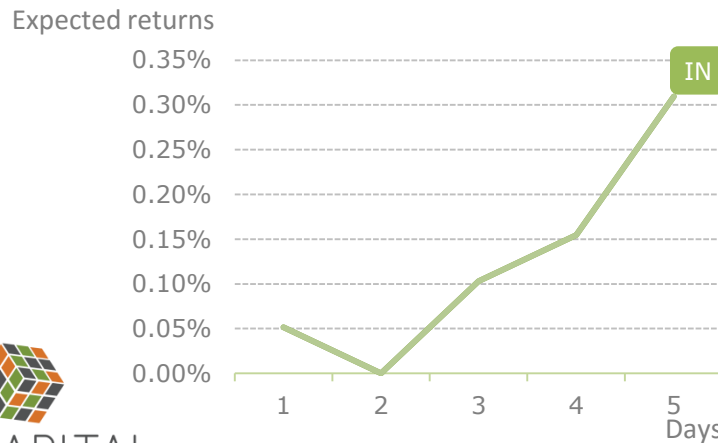
2- Formerly known as Dow Jones UBS Commodity Index (DJUBS).

Devet Capital Absolute Return Strategy sample trade

Statistical pattern with a single input parameter: price. From historical analysis, we calculate expected return and statistical-significance.

IN SIGNAL		
Days	Expected return	Standard deviation ¹
1	0.05%	1.16
2	0.00%	1.00
3	0.10%	1.33
4	0.15%	1.50
5	0.31%	2.00

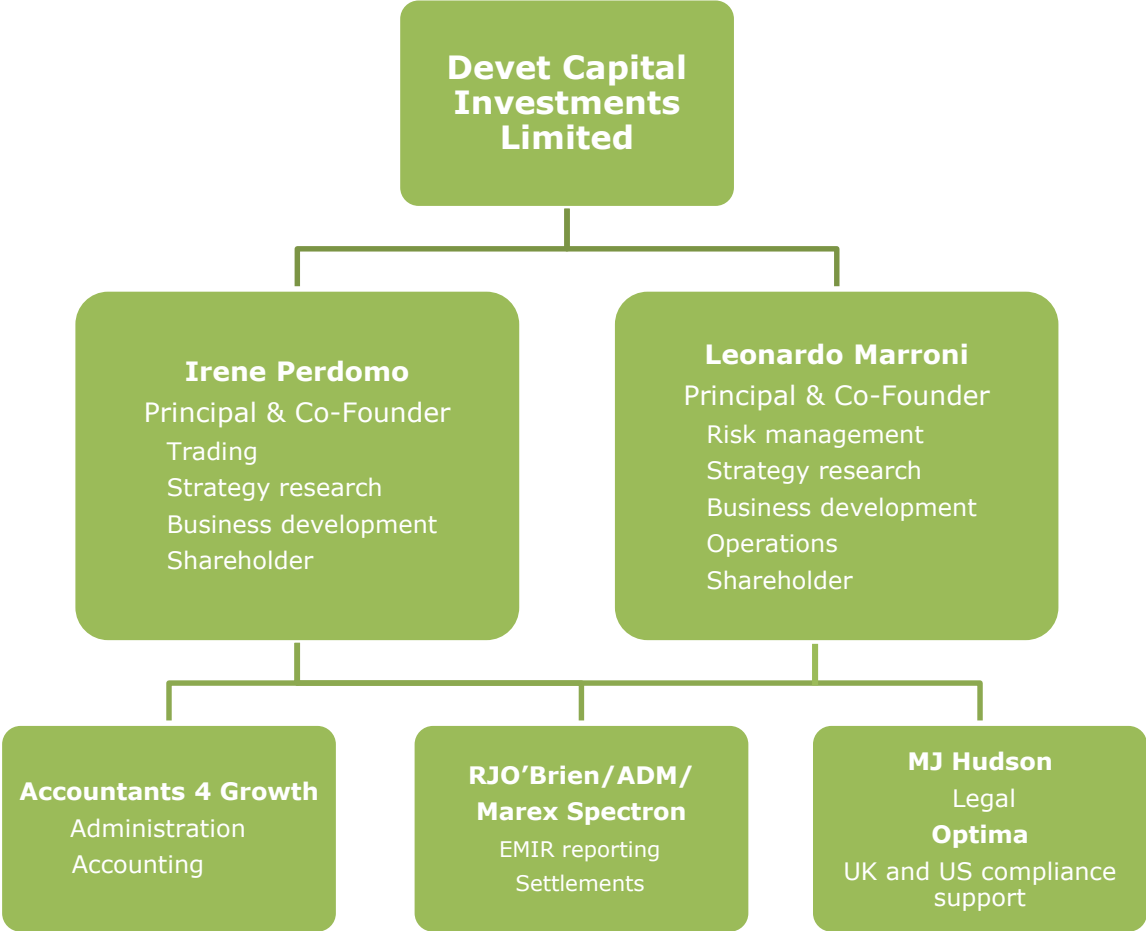
OUT SIGNAL		
Days	Realized return	Standard deviation ¹
6	-0.10%	2.33
7	0.00%	2.00
8	0.13%	1.58
9	0.21%	1.33
10	0.32%	0.97



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1- Standard deviations greater than 2.0 are considered statistically significant

Organizational chart



Biographies



Irene Perdomo is a co-founder and principal of Devet Capital and Devet Capital Investments. Prior to founding these firms, she traded base metals at Noble Resources in Singapore and, before that, she worked in the Commodity Investor Structuring team of Barclays in London, co-responsible for product development of commodity investment derivatives.

She co-authored "Pricing and hedging financial derivatives: a guide for practitioners", published by Wiley in December 2013. She has been a guest lecturer since 2011 at Queen Mary University of London presenting on structured products to Masters students.

Irene has an MBA from IESE Business School in Barcelona, Spain. She also studied finance at the University of Chicago Booth School of Business and has a degree in Computer Science Engineering from Uruguay. She worked for six years in the IT industry in South America and India.



Leonardo Marroni is a co-founder and principal of Devet Capital and Devet Capital Investments. Prior to co-founding these firms, he was an asset manager with the Emerging Markets team at GLG Partners in London. He joined in January 2010 from Barclays where he was working as a structurer in the commodities division. Before joining Barclays, Leonardo worked in the equity structured products trading team at Banca Caboto in London where he was responsible for structuring and trading algorithmic products. Prior to this, Leonardo was part of the interest rates derivatives trading team at Banca Caboto.

He co-authored "Pricing and hedging financial derivatives: a guide for practitioners", published by Wiley in December 2013. He has been a guest lecturer since 2011 at Queen Mary University of London presenting on structured products to Masters students. He graduated in Economics from Bocconi University in Milan.



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