



Polar Futures Group Guarded Opportunity

The Process

This managed program seeks to identify and capitalize upon trading opportunities in exchange traded futures and options markets. Each trading opportunity moves through a process before execution. Our process begins with macro analysis to identify investment themes. If these themes yield specific trading ideas then the process turns to executing a trade using “**guarded**” risk management strategies.

Investment Themes: The process starts with a fundamental overview to identify current “themes” that are influencing the markets. This picture is created from fiscal policy, monetary policy, geopolitical relationships, and economic indicators/data. Themes are generated from the “complete picture”, not just within a single country, but from different countries relative to one another. These themes become the overarching support of each trade idea, with each idea aligning within the theme. By definition, trading is “**opportunistic**” which requires waiting for the time when the themes are being realized before implementing a trade.

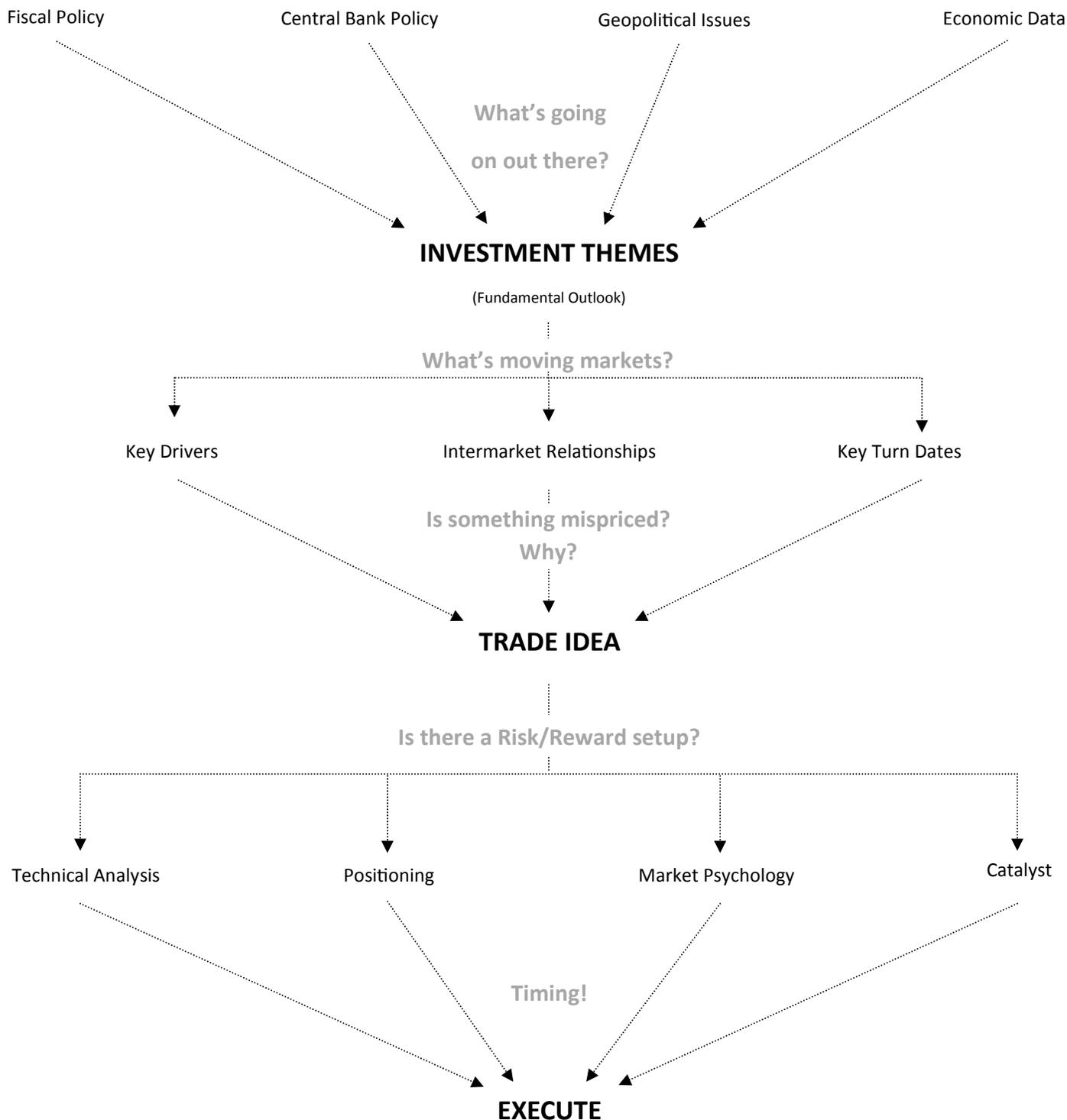
Trade Ideas: With a theme in place, the question becomes, “what is moving individual markets?” This requires looking at intermarket relationships, specific market drivers, and key turn dates. A key turn date occurs when many different markets turn at the same time, usually given a specific event. Given that all markets don’t move in unison, we try and find what looks to be a mispriced market and figure out why it may be mispriced. If the perceived mispricing is working against our themes and drivers it becomes the basis for a Trade Idea.

Once an idea is generated, it needs to be evaluated in term of its risk / reward ratio. This part of the process involves an analysis of technical patterns, market positioning, market psychology and other catalysts to determine the merits of the trade idea. It is not a matter of any one of things confirming the trade idea, but a confluence of factors that create a solid trading opportunity. The analysis of these factors also determines the best time to execute the trade.

Risk management: Every trade is structured to limit risk to less than 2.5% of capital. Futures and options are a very efficient and effective way to capitalize on a trade idea but they carry a large amount of leverage that needs to be managed properly. We understand that “anything can happen” in the markets, no matter how well researched or executed a trade is. As such we structure the trading program so that no individual trade will create a large setback. As traders know, “there are old traders, and there are bold traders, but there are no old bold traders!”

We watch the market, gather inputs, form themes and evaluate opportunities to come up with well-timed opportunities to take positions in the futures and options market. With the right trade structure, each trade is given its best chance to succeed in an evaluated risk/reward scenario.

A visualization of the process is outlined on the next page.



PI Financial Corp. is a Member of the Canadian Investor Protection Fund. The risk of loss in trading commodity interests 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 the 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 futures contract or sell a commodity option or engage in off-exchange foreign currency trading you may sustain a total loss of the initial margin funds or security deposit and any additional fund that you deposit with your broker to establish or maintain 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 prescribe 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 to impossible to liquidate a position. This is intended for distribution in those jurisdictions where PI Financial Corp. is registered as an advisor or a dealer in securities and/or futures and options. Any distribution or dissemination of this in any other jurisdiction is strictly prohibited. Past performance is not necessarily indicative of future results.