Management Commentary & Discussion

TRIDENT Hypothetical Performance January 2022 – September 2024

The composite TRIDENT algorithm was launched in January 2022 and has been in continuous operation since. Prior to launch, extensive back testing on the algorithm over 10+ years and 20+ instruments provided the motivation to initiate a "walk forward" testing of the algorithm. Our intention is to study the "walk forward" results rigorously and harden the algorithm against exposed weaknesses.

Since the launch in January 2022, the algorithm has had several regular updates, with the most recent update in July 2024. Observing the peaks and troughs in account balance evidence the learning curve and the investor experience during the period. Management would like to highlight two key findings from this period. A) Throughout the full history of the reported signals and trades, the TRIDENT signal algorithm has remained unchanged. This assures us that the original back test R&D results held true on an "out of time/out of sample" basis. B) However, the TRIDENT trade and risk management algorithm has undergone several updates to incorporate lessons from the 'walk forward' testing. Although, we apply the label 'hypothetical' to these reported trades, we have maintained an audit trail of every reported trade either through email or broker communications. In cases where multiple brokers reported different fills on the same trade the most conservative or the median price was used to record the trade price. Performance has been further hardened with conservative "all-in" trade costs and monthly subscription fees. Management's intent is to keep a historical record of signal performance as close to "live audited performance" as possible.

The trade management strategy has had such a significant evolution that it merits additional commentary. At launch of the algorithm, the trade management strategy directed the use of 2 contracts for each signal – a "workhorse" and a "racehorse". The market experience of this strategy highlighted two key areas of weakness in our trade management algorithm A) Lack of definitive market direction i.e. unequivocal LONG or unequivocal SHORT B) Premature exits with conservative risk stops. With B), the experience of losing both the "workhorse" and "racehorse" on both sides of the trade – a 4x loss event, pummel the account balance into deep prolonged drawdown. Management would also like to draw attention to additional constraints such as adhering to broker operations & controls, retail account size, and retail risk appetite. These were all useful learnings for the algorithm which could not conceivably have been back tested otherwise.

After nearly 650+ trades, the trade management algorithm has stabilized and matured with improvements that mitigate the observed weaknesses[1]. Trade size has been consolidated into 1 lot. The algorithm now generates a definitive trade direction, and a risk management algorithm is run overnight on every open position to generate a trade management instruction. The overnight results of the risk management algorithm are reviewed by management for any breaks or exceptions before final deployment. Management will continue to monitor performance and issue incremental improvements.

Date: October 2024.

---

[1] Refer to "Product Sample – Summary RGL, WIN/LOSS table" for a summary of performance since Feb. 2024