

An old investment model is making a comeback

Trading system shopping

By Daniel P. Collins

In the early days of technical futures trading systems, it was common for retail investors to purchase trade signals for technical systems. You didn't need to invest in a mutual fund, commodity pool or commodity trading advisor; you could respond to an ad for a packaged technical system with a profitable track record and simply receive the signals and have your broker trade those signals.

These systems were widespread and often offered sometimes questionable return statistics; so much so that John Hill created Future Truth Magazine in 1985 to test the myriad of available technical trading systems to make sure they produced what they promised. Hill questioned some return claims, so he backtested the systems himself and provided third-party statistics on the validity of those systems' performances.

Ten years later, Striker Securities followed that model, but went one better. They would serve as a broker and only present actual trading results of the systems instead of just hypothetical backtested results.

"There is no other firm in the industry that shows only actual performance of third-party trading systems," says Striker

Securities President William Gallwas. "Hypotheticals are potentially misleading. You have seen so many hypotheticals that don't live up to performance. Nothing we show on our website is hypothetical, it is only actual [returns], and that makes it unique."

While packaged futures trading systems were more popular and available 20 years ago, Gallwas says that they are experiencing a rebirth.

"The reason it is expanding is the client gets a daily result, daily information and keeps 100% of the profit; [they] just pay commission," Gallwas says. "They pay a higher commission — this is not \$3 to \$4 a roundturn — but that is why the [introducing brokers] need this. There is a healthy commission for the IB to market this."

He describes it as a win-win-win. "Investors in the product make money, the IBs make a decent commission and from a compliance standpoint it's all actual performance so regulators like it. When you have a business model that is a win-win, it grows."

The structure is relatively simple. Striker lists about 200 systems, 150 of which are open to the general public. The

FEATURED SYSTEMS

Below are five trading systems Striker recently featured. Investors can view their subscription and commission fees along with their performance (net of fees) since Striker began tracking them.

Source: Striker Securities

System/ Launch date *	Vista IIB (June 19, 2013)	MeanSwing II (Oct. 4, 2012)	Pegas 1 CL (Oct. 22, 2015)	Gator KC (Jan. 4, 2017)	Full Boat (Aug. 30, 2017)
One unit investment	\$21,500	\$15,000	\$5,000	\$12,000	\$30,000
Monthly subscription	\$96	\$100	\$100	\$80	\$300
Roundturn commission	\$15	\$40	\$15	\$20	\$30
Profit/loss (total)	\$19,875.29	\$42,429.37	\$12,680.25	\$15,320.82	\$8,229.62
Average annual profit/loss	\$4,042.43	\$7,599.29	\$4,908.49	\$11,490.61	N/A
Total # trades	486	62	367	22	105
Winning Trades	227	50	203	17	43
Average winners	\$596.97	\$1,443.90	\$318.91	\$1,268.01	\$940.84
Average losers	(\$406.37)	(2,081.30)	(\$275)	(\$1,004.75)	(\$453.96)
Max monthly drawdown	(\$5,968.63)	(\$10,665.45)	(\$4,728.31)	(\$2,472.01)	(\$5,505.50)

* Date Striker began tracking program

"Institutional guys have figured out we are showing valuable information. Some of these developers are being bought out by the big boys."

--William Gallwas

systems are available through Striker's IB and white-labeled and available through 30 participating IBs. Striker publishes the results of each system net of fees based on a minimum investment for one contract (investment unit). The investor pays a monthly subscription fee based on trading one investment unit and a commission, which varies depending on the system (see "Featured systems," left).

"Striker was born for compliance. The reason Striker shows performance is to show transparency to the client. We are showing performance; we are not promoting the systems, the promoting came secondary," Gallwas says.

All the results listed are net of fees and all the fees are transparent.

"The client provides a letter of direction to the clearing firm and the IB, [that says] trade only X system," Gallwas says. "Letter of direction business has been around for [more than] 20 years, but it is expanding," he adds.

"The developers have trading code that we load on our servers and Striker does all the executions. Developers come to Striker from all over the world and know that if they are live at Striker they are live at 30 other brokerage firms."

While they can load the systems at Striker, system developers can send the signals so they are not giving up their proprietary strategies.

"They can keep their secret sauce," he says. "Under our policies there is no employee, house or owner trading. There are no house systems. Striker therefore has no conflicts of interest with

developers. [That] is a big deal. There is no trading here, so developers look at us and say 'I can trust you with my algorithms.'"

Developers gain money, exposure and discovery. "Exposure means more people going to their websites, finding them and seeing other products they may offer. Discovery is when a large fish with a lot of money discovers them and partners with them or buys them out," he says.

That is happening more frequently, according to Gallwas, as more institutional focused developers choose to seek exposure. Quite a few of the systems on Striker are also CTAs. "They look at Striker and [know] they will appear on 30 broker sights. A lot of CTAs are working with Striker, realizing it will create positive cash flow," he says. "Institutional guys have figured out we are showing valuable information. Some of these developers are being bought out by the big boys. Institutional people have figured out we are putting up good statistics. We also are gaining more institutional accounts, but we are basically offering a retail product."

Furthermore, Striker has no financial relationships with any third-party developer. "I don't co-own [any of the systems], I don't get any kickbacks, there is no money between Striker and [and the systems we track]," he says. Therefore, there is no bias at Striker; we don't care [what system] you like, we're just the firm that executes and reports the results of the [firm's system] on the website."

It is this simplicity that Gallwas cites as the reason for recent growth. The model harkens back to the early days of managed futures but is alive and well.

"Striker is the little plant that never went out. We are doing exactly the same things. One of the reasons we survived is because of the transparency," Gallwas says. "We're kind of like neutral cheerleaders: we hope they all do well, but we don't have our own money in it. When we arrive at work every day, we are like air traffic control: we make sure all the planes take off and land, and everybody is safe and goes home and come back the next day. That is Striker in 1997 and that is Striker in 2018." ▲

"We're kind of like neutral cheerleaders: we hope they all do well but we don't have our own money in it."