



WHITE RIVER GROUP

Commodity Trading Advisor

An Autumn Gold Interview with Andreas Diessbacher of the White River Group

The Dynamic S&P Options Writing Program

Program Highlights

The Dynamic S&P Options Writing Program uses a discretionary approach to trade US equity index futures and options on their futures contracts. The Program primarily trades uncovered or naked options and is designed to capture the decay of option premiums.

From its inception in November 2014 through December 2016, White River Group's ("WRG") Dynamic S&P Program has been profitable more than 95% of the time, earning gains in 26 out of the 27 months it has traded.

Education

Autumn Gold: Andreas, could you share with our readers your educational background and career leading to you becoming a CTA?

Andreas: Math was always my best subject. Throughout high school and college, I excelled in mathematics receiving A's in most of my courses. I attended Germany's Fachhochschule University, where I was one of 30 applicants accepted into the program out of 2,000 applicants. I graduated at the top of my class. My college education focused on statistics, probability theory, and the global financial markets.

After college I moved to the United Kingdom where I furthered my studies at Coventry University. There I studied under Keith Redhead, who is noted for writing financial books used for in-house training for major financial institutions in London. At Coventry University, I received my B.A. in *Business Studies*, and graduated with honors. My honors project was "An Evaluation of Option Pricing Models".

Early Career

Autumn Gold: When did you start your career in the futures industry?

Andreas: In 1998 I began my professional career in the futures industry as a broker. I used my educational training in the markets and began to hone my options and futures trading skills. A good part of my learning experience occurred at Refco, a large FCM, where I oversaw over 1,000 accounts. I carefully observed how traders made, lost, and preserved money. Assimilating my observations from the best traders and avoiding the mistakes of the worst traders, I formulated a proprietary option writing trading strategy. I used this strategy as a broker when advising my clients' trading.

In 2007, after approximately 8 years working as a broker and in other capacities in the futures industry, I felt I had finally perfected my trading strategy and was ready to start my CTA.

The risk of loss in futures and options trading is substantial no matter who is managing money. There is unlimited risk of loss in selling options. Past performance is not necessarily indicative of future results. An investor must read and understand the CTA's current disclosure document before investing.

Program Highlights

The program's largest loss was in August 2015. This occurred during the period of time that the S&P VIX experienced its biggest spike in history. ⁽¹⁾

From September 2015 through January 2017, the Dynamic S&P Program was up a total of 34.17%, 56% more than the S&P's ⁽²⁾ performance of 19.10%

From November 2014 through January 2017, the Dynamic S&P Program's return was 65% more than the S&P's (28.54% vs. 18.48%)

The program has a similar trading strategy to White River Group's consistently top Ranked Stock Index Option Writing Program ⁽³⁾ (which is the past eight years produced a cumulative return of 154.48% (Nov 2008 – January 2017).

Trading Strategy

Autumn Gold: You started trading your Stock Index Option Writing Strategy during the Financial Crisis in November 2008. Over the past 8 years, Autumn Gold has ranked the Stock Index Option Writing Program in the Top Ten Option Traders for 6 out of the last 8 years and the Top Twenty Option Traders for each of the 8 years you have been trading. ⁽⁴⁾ What is your program's trading strategy?

Andreas: My Stock Index Option Writing Strategy is proprietary and 100% discretionary. My trading approach and strategy is based on what I have learned and discovered over the past 20 years in the futures industry, and utilizes advanced mathematics and statistical probability models. I generally sell far out of the money options on E-mini S&P 500 futures contracts. Instead of trying to hit "home runs" by writing options with strike prices close to the market, I write options much further away from the market, thus attempting to hit a larger number of "singles" which can add up to attractive returns.

I attempt to sell options with what I believe have the highest probability of expiring worthless based on my analysis. When placing trades, I compute "what if scenarios" of potential moves against my positions. Then using volatility numbers and standard deviation I figure the mathematical probability of an adverse move happening. I select positions that I deem statistically to have a high probability of being successful. The program has averaged approximately 80% winning trades since its inception in 2008.

Why the Dynamic S&P Options Writing Program?

Autumn Gold: Why did you start the Dynamic S&P Options Program, and how does it differ from your Stock Index Option Writing Program?

Andreas: The Dynamic program has virtually the same trading strategy as in the Stock Index Program, but it has one main difference. The Program writes options that are much further away from the market with much less time until expiration. Trying to predict a market range over a shorter period of time is easier. When the market does experience a spike in volatility, the program's existing positions are often very close to expiration. I am then able to sell strike prices even further away from the market with the elevated VIX for the next week's trades. I believe this increases the probability of success in the trade even more.

The strategy differences between my two programs in distance in strike prices and duration has also led to the programs being uncorrelated as one can see from examining each program's performance record.

The risk of loss in futures and options trading is substantial no matter who is managing money. There is unlimited risk of loss in selling options. Past performance is not necessarily indicative of future results. An investor must read and understand the CTA's current disclosure document before investing.

Main Features of the Dynamic S&P Options Writing Program

Autumn Gold: What are some of the main features of the Dynamic S&P Options Writing Program?

Andreas: The program seeks to exploit and to capitalize on multibillion-dollar stock funds and institutions buying puts very far away from the market to protect them in case of a stock market meltdown. Using statistical analysis, option strike prices are selected that I believe have an extremely high statistical probability of expiring worthless typically within one week to 10 days.

In developing the program, I conducted a comprehensive study of the market dating back to 1987 in which I analyzed 7-day market drops. A copy of this research is available upon request. The options I am selling in this program are generally outside the ranges of the S&P during its worst declines during the Financial Crash of 2008. While the substantial risk of loss will always exist, I believe this helps increase the probability of the success of the program.

Generally speaking, the Program is predicting that the S&P will not drop in 7 to 10 days approximately the equivalent of 1800 Dow points in low volatility and as much as 4500 points in high volatility. When the S&P is above its 200 day moving average, put options are written ideally at least 200 S&P points away from the market. That is the equivalent of the Dow dropping around 1800 points in a week to 10 days. In high volatility periods when the S&P is below its 200 day moving average, put options are written as much as 500 S&P points away from the market which is the equivalent of approximately 4500 Dow points. I also will write calls at my discretion to balance puts.



“Since the inception of the Dynamic Program in November 2014 it has been profitable 99% of the time...”

Performance Since Inception

Autumn Gold: How do you feel about the way the Dynamic Program has performed since inception of the program?

Andreas: I believe the Dynamic Program has passed the proverbial “test of fire” through market extremes, and thus far it has produced consistent performance with attractive risk adjusted returns: This is my goal of the program. My only losing month thus far was in August 2015 when the market experienced one of its largest volatility spikes in history. During that month, the program composite experienced a loss of 10.81%. Keep in mind that many blue chip stocks and other CTA programs experienced drawdowns over double the size in that same month.

The program recovered from the drawdown to make new highs in equity, and it has been profitable every month since August 2015. In this period, we have experienced very challenging markets for S&P option writers. This includes June 2016, which had the biggest plunge in the volatility index (“VIX”) since its inception in 1990.

Some of the most challenging and difficult trading environments for an option seller are sharp volatility spikes and very low VIX levels. Option writers collect much lower premiums in a low VIX environment, thus limiting returns. Since the program’s inception we have experienced a huge range of market conditions, from extremely low levels in the VIX to some of the quickest and most severe volatility spikes in market history. Thus far, the program has been able to navigate these turbulent market conditions well and return attractive risk-adjusted returns to clients.

The risk of loss in futures and options trading is substantial no matter who is managing money. There is unlimited risk of loss in selling options. Past performance is not necessarily indicative of future results. An investor must read and understand the CTA’s current disclosure document before investing.

2017 Outlook

Autumn Gold: What are your thoughts on the Dynamic Program for 2017?

Andreas: I am excited about the prospects for the program to continue to do well in the coming year. I believe uncertainty surrounding the implementation and effectiveness of new economic policies instituted by the new administration in the White House will create heightened market volatility. A higher average VIX for the year may be an even more ideal market condition for the program than the previous two years. I should also note that I believe in the strategy very much. As such, I have a significant amount of my personal net worth that is traded exactly as all managed accounts in the program.

***Thank you Andreas for the interview.
It has been very interesting and quite informative.
We wish you continued success!***

Footnotes

1. On August 24th the VIX spiked to a high of 53.29, which was 90.12% increase from its previous day's close of 28.03.
2. The S&P performance is based on the S&P 500 Total Return Index.
3. The Dynamic S&P Program sells options with a shorter time period until expiration.
4. PLEASE NOTE THAT THE RANKINGS APPLY ONLY TO THOSE CTAs WHO SUBMIT THEIR TRADING RESULTS. THE RANKINGS IN NO WAY PURPORT TO BE REPRESENTATIVE OF THE ENTIRE UNIVERSE OF COMMODITY TRADING ADVISORS.



<http://www.autumngold.com>

whiteriver@autumngold.com

The risk of loss in futures and options trading is substantial no matter who is managing money. There is unlimited risk of loss in selling options. Past performance is not necessarily indicative of future results. An investor must read and understand the CTA's current disclosure document before investing.