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1. PLATFORM FEATURES

Developed by traders for traders, the automated trading platform was developed to overcome most pitfalls that both Forex traders and investors face every day in the markets. The software is designed to help its traders overcome barriers such as emotion, fatigue and the common mistake of overleveraging ones account.

Trading on the Forex System Selector will grant you access to over 40 automated trading systems from signal and system providers all over the world. You will be able to automate trade execution and management, customize your own portfolio strategies, and view a backtested-based performance of your portfolio.

A. POSITIONS TAB

Once you log in to the platform you will see the following screen:

Symbol	Bid	Ask
AUDCAD	0.8580	0.8587
AUDCHF	1.0059	1.0065
AUDJPY	98.6350	98.6850
AUDNZD	1.1810	1.1818
AUDUSD	0.8941	0.8944
CADJPY	114.9140	114.9640
CHFJPY	98.0230	98.0630
EURAUD	1.6336	1.6343
EURCAD	1.4023	1.4028
EURCHF	1.6440	1.6442
EURGBP	0.7046	0.7049
EURJPY	161.1600	161.1990
EURNZD	1.9301	1.9307
EURUSD	1.4610	1.4613
GBPAUD	2.3185	2.3196
GBPCHF	2.3328	2.3335
GBPJPY	228.7400	228.8100
GBPUSD	2.0735	2.0739
NZDJPY	83.4800	83.5350

Ticket	System	Subsystem	Symbol	Type	Lots	Price	S/L	T/P	Pips	Profit	Last Price
7093346	SniperFX		AUDUSD	Buy_Limit	10	0.8916	0.8876	0.898	0	0	0.8941
7093343	SniperFX		AUDUSD	Buy_Limit	10	0.8916	0.8876	0.898	0	0	0.8941
7093334	SniperFX		AUDUSD	Buy_Limit	10	0.8916	0.8876	0.898	0	0	0.8941
7093212	SniperFX		AUDUSD	Buy_Limit	10	0.8916	0.8876	0.898	0	0	0.8941
7092606	GFS-Zenden	19262	GBPUSD	Sell_Limit	10	2.0764	2.0964	2.0524	0	0	2.074
7092603	GFS-Zenden	19262	GBPUSD	Sell_Limit	10	2.0764	2.0964	2.0524	0	0	2.074
7091820	SniperFX		AUDUSD	Sell_Limit	10	0.898	0.902	0.886	0	0	0.8945
7091794	SniperFX		AUDUSD	Sell_Limit	10	0.898	0.902	0.886	0	0	0.8945
7091791	SniperFX		AUDUSD	Sell_Limit	10	0.898	0.902	0.886	0	0	0.8945
7091788	SniperFX		AUDUSD	Sell_Limit	10	0.898	0.902	0.886	0	0	0.8945
7091065	CornerStone-Z...		GBPCHF	Buy	10	2.3309	2.3009	0	19	16.89	2.3328
7091063	CornerStone-Z...		GBPCHF	Buy	10	2.3309	2.3009	0	19	16.89	2.3328
7088831	CornerStone-Z...		GBPJPY	Buy	10	226.883	223.87	0	186	168.36	228.74
7082779	CornerStone-Z...		GBPCHF	Buy	10	2.3204	2.2904	0	124	110.22	2.3328
7081941	GFS-Zenden	19187	GBPUSD	Sell	10	2.0562	2.0854	2.0138	-178	-178	2.074

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Total Positions	Total Lots	Total Profit	Total Pips
19	190	1,303.86	1392

The positions tab of the platform allows you to see open positions, account balance, margin levels and any other information pertaining to the status of your account. The status of each trade/signal is color-coded for easy identification of profit, loss or pending trade.

RED Trade is Open, but in loss.

GREEN Trade is Open, but in Profit.

BLACK Pending Stop/Limit Order, not yet active.

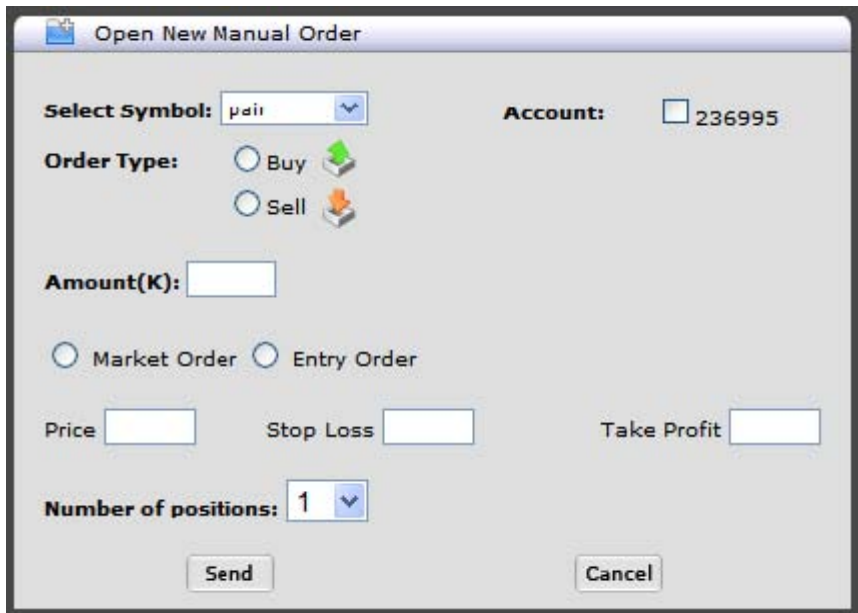
The platform auto updates the positions and live rates every few seconds, clients can use the <F5> function to manually refresh positions. The currency exchange rates are displayed on the left hand side of the positions tab.

Opening a Manual Trade (Feature only available in live accounts):

To open a manual trade, click on the “New Manual trade” line just below the positions tab.



A new box will appear that will allow you to enter the trade parameters for your manual trade. If you do not wish to have a stop loss or take profit you can leave the boxes blank. Opening a manual trade will not affect any trading signals as the platform will hedge accordingly to maintain all the open positions.



** This platform is not intended for self trading purposes. If you anticipate a large volume of manual trades, we recommended our FXCM Trading Station II platform.

Closing or Modifying a Trade Signal (Feature only available in live accounts).

It is possible to modify the limit, stop, or close a trade signal on the open positions tab of the platform by clicking on the line of the trade. This will open up more information on the trade, when it opened and so on.



Please note that if the signal provider sends an update to change the stop loss or take profit AFTER your changes, the signal provider's stop loss will override your level. If you close a position early and the signal provider sends an order to close, it will have no effect. It will not open a new trade in the opposite direction, the platform identifies orders to open and close differently.

Multi Change Function

This allows you to modify or close/delete all your trades or a group of trades in one click. For example, if all your GBPUSD positions are doing well and you decide that you want to close them all out early, you will use the boxes to check the 3 GBPUSD trades and then click "Multi-Change" button on the top left to enable the closure of all the trades that are checked.



Columns and Navigation

Ticket	System	Subsystem	Symbol	Type	Lots	Price	S/L	T/P	Pips	Profit	Last Price
<input checked="" type="checkbox"/> 6856179	ATRChannel	ATRChannel	GBPUSD	Sell	10	2.0429	2.0538	1.9393	-68	-68	2.0497
<input type="checkbox"/> 6856309	Tecnofinanzas	Tecnofinanzas	EURUSD	Sell	10	1.4231	1.4531	0	1	1	1.423
<input type="checkbox"/> 6853028	Quants-MiniMac	Quants-MiniMac	GBPJPY	Buy	10	235.33	232.329	0	-83	-72.8	234.497
<input checked="" type="checkbox"/> 6846860	ATRChannel	ATRChannel	GBPUSD	Buy	10	2.04407	2.0421	2.0933	53	53	2.0494
<input checked="" type="checkbox"/> 6846600	ATRChannel	ATRChannel	GBPUSD	Buy	10	2.042	2.0421	2.0903	74	74	2.0494
<input type="checkbox"/> 6838981	(M)-demo19	(M)-demo19	EURJPY	Sell	10	161.626	164.62	0	-121	-106.1	162.84
<input type="checkbox"/> 6838847	(M)-demo19	(M)-demo19	EURJPY	Buy	10	161.854	158.86	0	95	82.77	162.801
<input type="checkbox"/> 6477381	(M)-demo19	(M)-demo19	EURJPY	Buy	10	157.55	153	0	525	458.94	162.801
<input type="checkbox"/> 6282386	(M)-demo19	(M)-demo19	EURUSD	Buy	10	1.3773	0	10	454	454	1.4227

Page 1 of 1 (9 items)

Total Positions: 9 Total Lots: 90 Total Profit: 876.81 Total Pips: 930

Ticket: Refers to the trade ticket number. If you need assistance it allows for identification of the trade.

System/Subsystem: Which system or signal provider dispatched the trade.

Symbol: Currency Pair the trade relates to.

Type / Lots: Whether the trade is Long (buy) or Short (sell) and the size of the trade in lots. For example, "10" in the Lots column will equal one, 10K lot size.

Price: The open price of the signal.

S/L (Stop Loss): The current stop value of your position

* A 300 pip stop loss will be added if a stop is not provided by the system provider. However, the provider can override the 300 pip stop at any time.

T/P (take profit or limit): The current Take Profit of positions.

Pips and Profits: Current position marked to market price in pips and \$ terms.

Last Price: Latest market price.

PLAY BUTTON: If you have >10 open positions the platform will divide the positions into 2 pages, the play button will navigate you into page 2 of your open positions.

PLAYBAR BUTTON: Will navigate you to the last page of your open positions, i.e. page 5, if you have 50 open trades.

B. PORTFOLIO TAB

Adding a New System

To add a new system you can click on the link on the top left near the portfolio tab to access all available systems on the platform.



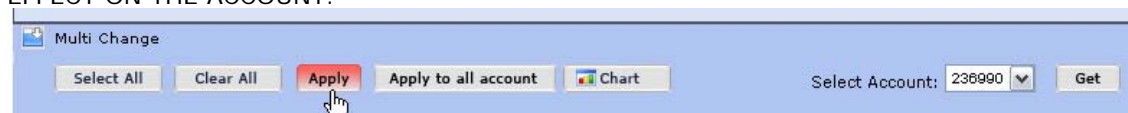
After clicking <Add New System>, the user will be faced with a list of available systems to choose from along with the historical performance of the systems.

System	Pair	Profit (\$)	Pips	#Trds	Max DD	Profit F	Pips/Trad	Date	Avg Tra	Risk Adj	Win%
CornerStone-Zeus	GBPJPY	40147.1	4646	35	-1087	2.35	132.74	30/07/2007 ...	77.43	4.27	65.71
CornerStone-Zeus	EURJPY	38224.9	4596	32	-1435	2.85	143.63	30/07/2007 ...	226.78	3.2	71.88
SniperFX	AUDU...	22935	2307	429	-808	1.51	5.38	07/06/2007 ...	7.17	2.86	66.67
Team-Aphid	GBPUSD	20536.2	2054	203	-1125	1.52	10.12	29/05/2007 ...	15.86	1.83	38.92
GFS-Zenden	GBPUSD	20034	1998	304	-1609	1.33	6.57	10/01/2007 ...	36.35	1.24	63.16
CornerStone-Zeus	GBPCHF	18379.8	1970	22	-1324	2.31	89.55	30/07/2007 ...	185.91	1.49	68.18
Quants-MiniMac	GBPJPY	17052	1394	171	-2794	1.15	8.15	25/08/2006 ...	64.71	0.5	40.94
PipboxerV2	GBPJPY	16813.5	1891	12	-856	3.18	157.58	12/06/2007 ...	197.75	2.21	75

System	Pair	Profit (\$)	Pips	#Trds	Max DD	Profit F	Pips/Trad	Date	Avg Tra	Risk Adj	Win%
Quants-Carnival	GBPJPY	16506.1	1813	102	-1940	1.24	17.77	04/09/2006 ...	82.99	0.9	38.24
TradingForex	GBPUSD	15088.5	1532	44	-622	2.62	34.82	09/10/2006 ...	73.45	2.46	77.27
Team-Aphid	EURUSD	13580.6	1378	118	-408	1.98	11.68	29/05/2007 ...	14.34	3.38	51.69
Quants-VIP	NZDUSD	13487	1279	34	-205	2.22	37.62	20/12/2006 ...	104.24	6.24	64.71
Cyclone_System	EURJPY	13222.9	1408	38	-501	2.14	37.05	18/05/2007 ...	46.87	2.81	47.37
Ubertrading.com	EURUSD	12964.2	1350	176	-574	1.9	7.67	12/10/2006 ...	19.09	2.35	56.25
Quants-VIP	AUDU...	12122.6	1203	26	-112	3.75	46.27	04/01/2007 ...	170.46	10.74	80.77
Currency-Specialist	GBPJPY	11334.5	2062	632	-3647	1.06	3.26	13/12/2006 ...	10.59	0.57	46.84
Quants-MP40	AUDJPY	11072.3	1038	37	-851	1.62	28.05	15/01/2007 ...	127.08	1.22	70.27
EURCHF-Mover	EURCHF	10689.4	1290	81	-439	1.88	15.93	05/12/2006 ...	123.79	2.94	86.42
Izaklab	AUDJPY	10260.8	1114	136	-604	1.31	8.19	08/01/2007 ...	28.57	1.84	55.15
Tecnofinanzas	EURUSD	9809.7	977	261	-342	1.38	3.74	24/04/2007 ...	6	2.86	54.41

By clicking on the line of the signal provider, the platform will open out which allows the user to set money management for a new system, clicking on the ADD button places the new system in the clients' portfolio.

** PLEASE NOTE USERS NEED TO HIT THE APPLY BUTTON FOR NEW SETTINGS TO TAKE EFFECT ON THE ACCOUNT:



C. MONEY MANAGEMENT SETTINGS

By pressing the edit button on the right side the client can change the money management parameters of that system.

Provider	Pair	Mode	CurrentLots	Options
<input type="checkbox"/> ATRChannel	GBPUSD	Fixed Ratio	10	Edit Delete
Fixed Lots <input checked="" type="radio"/> * Fixed Ratio <input type="radio"/> % Fix Fractional <input type="radio"/>				
k: <input type="text" value="30"/>				
k-Fixed Ratio Base: <input type="text" value="10"/>				
Fixed Ratio Delta (\$): <input type="text" value="1000"/>				
%: <input type="text" value="1"/>				
Pips: <input type="text" value="200"/>				
Account Balance: <input type="text" value="2344.89"/>				
<input type="button" value="Set"/> <input type="button" value="Cancel"/>				
<input type="checkbox"/> Quants-Carnival	EURAUD	Fixed Ratio	10	Edit Delete

Fixed Lot

With the fixed lot method you basically set how many lots you want to trade for a particular system. No matter how much the account grows or shrinks you will keep trading this position size. This is fairly straight forward. As discussed earlier, we strongly recommend that you should be very careful using excessive leverage in your portfolio.* A basic example of this method is saying I have a \$10,000 account and I will trade 2 mini lots on every trade. It's that simple.

* Without proper risk management, a high degree of leverage can lead to large losses as well as gains.

Pros: Easy to set-up and understand, client has consistent lot size.

Cons: Does not provide ability to maintain a constant leverage as account balance increases/decrease.

Fixed Ratio

With this method you predetermine how many lots you will trade for every x amount in your account. In other words the system increases the lot size accordingly as that SYSTEM (not the portfolio) accumulates profit or shows loss, hence rewarding the higher performer with more lots and vice versa.

For example a client has \$10,000 and wishes to increase the lot size by 10K every time a system shows a \$2000 profit. So when the profit of that system reaches \$2,000 the lot size changes to 0.2 (20K) and so forth.

Pros: Excellent for a large account trading multiple and complex strategies whereby the account is prone to adverse and volatile balance swings.

Cons: Not suitable for smaller accounts trading a small number of pairs. Such a client can manage positions and leverage more efficiently through Fixed Lot method.

Fixed Fractional

This setting allocates a % risk of the account balance to the trade based on a stop loss level. VERY IMPORTANT: The stop loss of the trade needs to be predetermined for the software to calculate the lot size to apply to the trade. E.g. An aggressive trader wishes to allocate 5% risk to a system, knowing the signal provider uses an 80 pip stop loss. They insert risk: 5%, stop loss: 80 pips, the software will make the lot size calculation accordingly. The stop loss will not override the stop loss of the signal provider, it is for lot size calculation only.

Pros: Excellent method to manage risk per trade.

Cons: The trader will need the system's proprietary information regarding the average Stop Loss prior to set-up.

D. REVERSE TRADE FUNCTION

This tool allows the users to take the opposite side to a trading signal. For example, Signal provider A sends a signal in the following format:

EUR/USD Buy Market SL: 1.3400 TP: 1.4200

The system will reverse all the commands with the following trade being placed on your account:

EUR/USD Sell Market SL: 1.4200 TP: 1.3400

The trade will be displayed in the positions tab of your account with the system name and (R) beside it to denote a reversal trade.

The reversal trade function is particularly useful for a number of reasons:

- 1) The client is trading 2 systems that are similar in strategy, thus it can be deployed to "hedge" one strategy against the other if market conditions are not optimal for that strategy.
- 2) The client can use reversal trades in systems that have performed poorly in current market conditions. i.e. a System that trades in ranges when the market is in breakout, etc.
- 3) Can be used as a hedging tool against client's own manual trading.

It is important to note that if a system loses 100 pips in a EURUSD trade and you have the reversal trade your account will only show 97 pips profit (assuming 3pip spread), due to the fact that your entry is paying the spread to open:

Signal Provider Sends Signal: **Buy Market EURUSD SL: 1.3400 TP: 1.3500**

EURUSD is currently trading at 1.3450/1.3453

The primary trade will have this in place:

Long EURUSD (ask) 1.3453, SL: 1.3400 TP: 1.3500. If the trade is stopped out the client and performance record loses 53 pips. (1.3453-1.3400).

The reversal trade will look like this:

Short EURUSD (bid) 1.3450 SL: 1.3500 TP: 1.3400.

Another very important factor to note is the trade may be stopped out on the primary trade but TP not filled on the reversal as the bid might hit the Stop Loss, but the ask may not touch the Take Profit Level.

For example, in the above case if the EurUsd low was 1.3399/1.3402, then the Stop loss

would be hit on the primary trade but the reversal would remain open, as the ask price (the quote on the right) did not touch the TP (Take Profit) level.

Making Changes to an Existing Portfolio

To make changes to an existing system you can use the edit link to make your money management changes. Simply click on <SET> then <APPLY>. Once you have completed these steps the next rules will take place on the next signal received.



Using Multi Change Function

This function allows you to change all the parameters of your portfolio in one click, e.g. if you wish to make all active systems trade 20K per signal, just click all the boxes on left side followed by multi change and SET, APPLY:

^ Fixed Lots
 * Fixed Ratio:
 %Fix Fractional

k:
 k-Fixed Ratio Base:
 %:

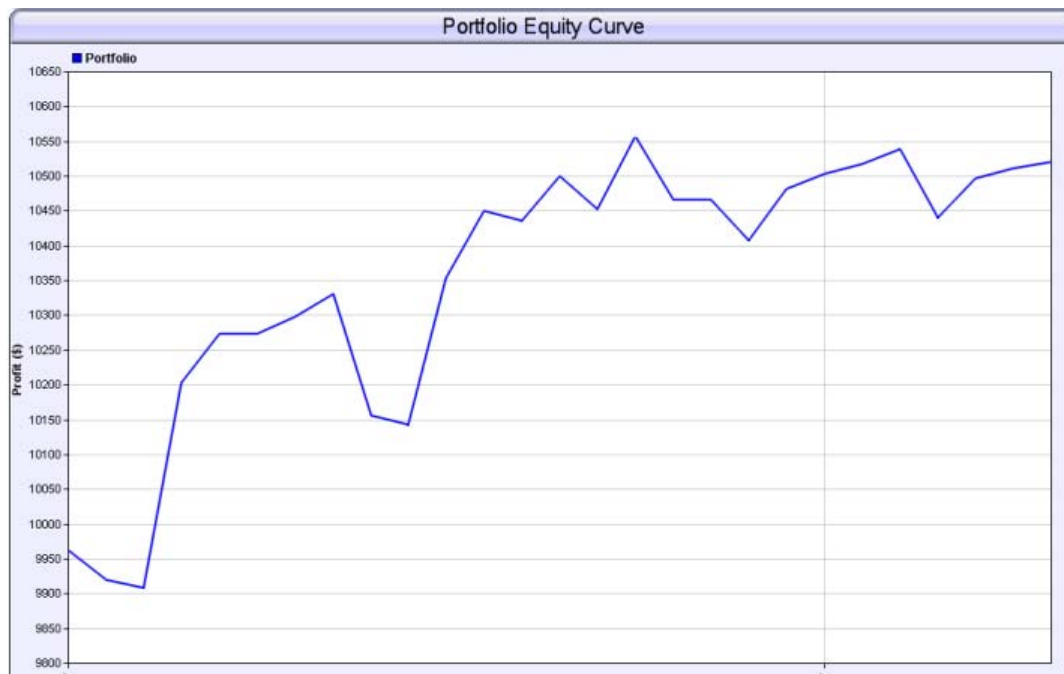
Fixed Ratio Delta (\$):
 Pips:

Account Balance:

Provider	Pair	Mode	CurrentLots	Options
<input checked="" type="checkbox"/> ATRChannel	GBPUSD	Fixed Lot	30	Edit Delete
<input checked="" type="checkbox"/> Quants-Carnival	EURAUD	Fixed Ratio	10	Edit Delete
<input checked="" type="checkbox"/> Quants-VIP	NZDUSD	Fixed Ratio	10	Edit Delete
<input checked="" type="checkbox"/> Tecnofinanzas	EURUSD	Fixed Lot	10	Edit Delete
<input checked="" type="checkbox"/> Quants-MiniMac	GBPJPY	Fixed Lot	20	Edit Delete

E. PORTFOLIO EQUITY CURVE

The PE curve button allows users to test their portfolio with real history over a period of time given the initial balance and money management settings of the portfolio. This may be done prior to applying a portfolio to easily back-test historical performance.



F. HISTORY TAB

The history tab allows users to view past performance of their trades and can be grouped by any parameter by dragging the column to the dark grey row. This allows the user to arrange the history by their desired criteria. The user can select a start date and end date for the history.

Example 1: Grouped By System

Positions Portfolio History Accounts Performance Wizard Help												
Start Date		2007-09-24	End Date		2007-10-24	Get						
Group by: System ▲												
Ticket	Account	System	SubSystem	Symbol	P.Type	Lots	Open Price	Open Tin	Close Price	Close Tin	Profit	Pips
System : ATRChannel												
6654626	236990	ATRChannel	GBPUSD_S1	GBPUSD	Buy	10	2.00829	20/09/...	2.0206	24/09/...	123.1	123
6654719	236990	ATRChannel	GBPUSD_S2	GBPUSD	Buy	10	2.00756	20/09/...	2.0222	24/09/...	146.4	146
System : Quants-MiniMac												
6667522	236990	Quants-Mini...	mini-mac5	GBPJPY	Buy	10	233.2489...	23/09/...	232.308	24/09/...	-81...	-94
6667527	236990	Quants-Mini...	mini-mac6	GBPJPY	Buy	10	233.2469...	23/09/...	232.1030...	24/09/...	-99...	-114
System : ATRChannel												
6669929	236990	ATRChannel	GBPUSD_S2	GBPUSD	Buy	10	2.03098	24/09/...	2.0238	24/09/...	-67.8	-68
System : Tecnofinanzas												
6670103	236990	Tecnofinanzas		EURUSD	Sell	10	1.41183	24/09/...	1.41208	24/09/...	-2.5	-3
6671330	236990	Tecnofinanzas		EURUSD	Buy	10	1.41218	24/09/...	1.4086	24/09/...	-35.8	-36
System : Quants-MiniMac												
6674763	236990	Quants-Mini...	mini-mac5	GBPJPY	Sell	10	232.334	24/09/...	231.752	26/09/...	50.54	58
<div style="display: flex; justify-content: space-between; align-items: center;"> ⏪ ⏩ ⏴ ⏵ </div>												
Tickets		Volume		Commission		Swap		Profit		Pips		
112		1120		0		70.85999		215.1499		309		

Example 2: Grouped By Currency Pair

Group by: Symbol ▲												
Ticket	Account	System	SubSystem	Symbol	P.Type	Lots	Open Price	Open Tin	Close Price	Close Tin	Profit	Pips
Symbol : EURAUD												
6675225	236990	Quants-Car...	Carnival	EURAUD	Sell	10	1.6289	25/09/...	1.63648	25/09/...	-65.3	-76
6680167	236990	Quants-Car...	Carnival	EURAUD	Sell	10	1.6314	25/09/...	1.60788	27/09/...	206...	235
6731088	236990	Quants-Car...	Carnival	EURAUD	Sell	10	1.5994	04/10/...	1.57701	05/10/...	199...	224
6764917	236990	Quants-Car...	Carnival	EURAUD	Sell	10	1.57343	10/10/...	1.58218	12/10/...	-78...	-87
Symbol : EURUSD												
6670103	236990	Tecnofinanzas		EURUSD	Sell	10	1.41183	24/09/...	1.41208	24/09/...	-2.5	-3
6671330	236990	Tecnofinanzas		EURUSD	Buy	10	1.41218	24/09/...	1.4086	24/09/...	-35.8	-36
6677771	236990	Tecnofinanzas		EURUSD	Sell	10	1.40692	25/09/...	1.40939	25/09/...	-24.7	-25
6678902	236990	Tecnofinanzas		EURUSD	Buy	10	1.40949	25/09/...	1.41425	25/09/...	47.6	48
6685549	236990	Tecnofinanzas		EURUSD	Sell	10	1.4126	26/09/...	1.41348	26/09/...	-8.8	-9
6687018	236990	Tecnofinanzas		EURUSD	Buy	10	1.4136	26/09/...	1.4133	26/09/...	-3	-3

G. ACCOUNTS TAB

The accounts tab allows the user to see a summary of the accounts under that user login. Clients are able to manage more than one account from a single login, allowing them to apply the same portfolio and money management across all accounts.

FOREX CAPITAL MARKETS							
Positions	Portfolio	History	Accounts	Performance	Wizard	Help	
Accounts	Balance	Used Margin	Margin Call	Total Open Trades	Total Pips	Total Profit	Status
232085	56323.7	2700	N	20	172	215.19	Up
236982	1177.38	250	N	9	166	172.12	Up
236996	2453.37	250	N	9	166	172.12	Up
246538	1719.65	250	N	9	166	172.12	Up
546061	49462	0	N	0	0	0	Up
Total Accounts	Total Balance	Total Used Margin		Total Open Trades	Total Pips	Total Profit	
5	111136.09937	3450		47	670	731.55	

H. PERFORMANCE TAB

The performance tab provides a list of the updated performance for each system in the platform. Similar to history tab, the user can drag a column to the grey area to group by it.

Positions	Portfolio	History	Accounts	Performance	Wizard	Help						
Time Frame: <input type="text" value="Last 12 Months"/> <input type="button" value="Get"/>												
Drag a column to this area to group by it.												
System	Pair	Profit (\$)	Pips	#Trds	Max DD	Profit F	Pips/Trad	Date	Avg Tra	Max po:	Risk Adj	Win%
CornerStone-Zeus	GBPJPY	64246.4	7393	44	-1087	2.83	168.02	07.30.2007	88.86	12	6.8	68.18
Tecnofinanzas_II	EURUSD	31072.2	3102	314	-764	2.03	9.88	10.08.2007	5.42	4	4.06	64.33
CornerStone-Zeus	EURJPY	29814.5	3681	41	-1435	1.97	89.78	07.30.2007	198.98	12	2.57	63.41
Team-Aphid	GBPUSD	28357.8	2833	231	-1125	1.64	12.26	05.29.2007	15.08	4	2.52	40.26
CornerStone-Zeus	GBPCHF	26113.6	2714	42	-2792	1.68	64.62	07.30.2007	153.55	12	0.97	59.52
Tecnofinanzas_II	GBPUSD	19532	1952	316	-798	1.3	6.18	10.08.2007	6.03	4	2.45	45.57
Quants-Carnival	EURJPY	17216.3	1914	65	-1010	1.56	29.45	08.29.2006	103.51	1	1.9	64.62
Tecnofinanzas	EURUSD	17018.7	1694	317	-342	1.57	5.34	04.24.2007	5.88	1	4.95	56.78
PipboxerV2	GBPJPY	16529.5	1898	18	-856	1.91	105.44	06.12.2007	107.61	6	2.22	61.11
Tecnofinanzas_II	USDCHF	14940.2	1659	316	-775	1.49	5.25	10.08.2007	6.17	4	2.14	58.86
Quants-MiniMac	EURJPY	13913.7	1458	66	-1047	1.47	22.09	08.24.2006	98.74	1	1.39	63.64
Tecnofinanzas	GBPUSD	13796.3	1378	319	-653	1.25	4.32	04.24.2007	5.62	1	2.11	52.35
FXSignaler	EURJPY	13450.6	1616	27	-203	5.32	59.85	06.22.2007	53.81	4	7.96	77.78
Currency-Specialist	GBPJPY	12783	2308	747	-3647	1.06	3.09	12.13.2006	9.9	2	0.63	45.65
Izaklab	GBPJPY	12708.4	1363	184	-1479	1.19	7.41	01.08.2007	18.51	1	0.92	50.54
Quants-VIP	NZDUSD	12559.6	1178	41	-295	1.84	28.73	12.20.2006	93.68	1	3.99	60.98
Team-Aphid	EURUSD	12491.9	1270	157	-512	1.61	8.09	05.29.2007	12.22	4	2.48	47.13

Once you have navigated successfully to the performance tab you will see a list of systems which by default is ranked from the top by the system that has generated the most profit in the given timeframe. Please note the system with the largest profit in pips may not be the most suitable as other factors need to be taken into consideration when selecting a trading system for your portfolio.

Along the top row you will see each system identified along with the currency pair, the profit generated by the system including the swap values, the pip count, the number of trades the system has executed, the maximum drawdown in pips, the profit factor, pips per trade, the date the system went into live trading, the average trade time in hours, the maximum number of positions the system can hold simultaneously, risk adjusted factor and the win/loss ratio. You can also analyze the performance in shorter time frames by using the drop down menu provided. Again the systems will be sorted by the highest profit score from the top downwards.

The screenshot shows a user interface for selecting a time frame. A dropdown menu is open, showing options: Last 12 Months, Last 6 Months, Last 3 Months, Last Month, Last Week, This Month, and This Week. Below the menu is a table with columns: System, Pips, #Trds, and Max DD. The table contains three rows of data.

System	Pips	#Trds	Max DD
CornerStone-Zeu	7393	44	-1087
Tecnofinanzas_I	3102	314	-764
CornerStone-Zeu	3681	41	-1435

Now we will determine what each of these statistics is and what to look out for. The profit column represents the total profit achieved in the period using \$100k contracts, if you are using 10K lots, just divide the figure by 10 to calculate the profit.

Columns

SYSTEM: Allows the user to alphabetically list all the systems. This enables the trader to access the complete set of pairs of a certain signal provider

PAIRS: Allows alphabetical listing of all the currency pairs by system.

PROFIT (in Dollars): Profit or loss generated by a particular system using 100k trading lot sizes, including the carry cost.

PIPS: The number of pips generated by a system.

#TRADES: Number of trades generated by a system during that timeframe.

Statistically speaking, the greater number of trades a system has under its belt the better, as the system would have encountered numerous market conditions and was able to withstand slow or volatile markets alike. Many traders look for at least 30 trades before considering a system to boost end user confidence.

MAX DRAWDOWN (IN PIPS NOT DOLLARS): A maximum drawdown is the largest drop from the net equity peak to the net equity drop.

The maximum drawdown is closed drawdown only and does not consider open drawdown during the time the trades remained open. This can reveal key issues about your trading strategy and system and is important in evaluating actual results. Clients need to consider carefully the drawdown of a system when identifying candidates for their portfolio. For example a drawdown of -764pips on EURUSD on 10k lots is -\$764, using 20k lot it is -\$1528 and so on.

MAX POSITIONS: The number of positions a system can hold in that system pair simultaneously.

Although some systems may never open the stipulated amount, the client still needs to allow for this during the screening process. For example, Cornerstone Zeus has the potential to open a maximum of 13 positions according to performance pages, if the client allocates 10K on this pair, in theory they can hold 10K X 13 positions or 130K. This means that the client needs to allow more margin over a system that only opens one position at a time. A client with a smaller account is much more suited to a system opening one or 2 positions as it keeps their leverage under control as it magnifies both gains and losses. A small account may not be able to withstand the drawdown or sustain the margin levels on a system with a high number of multiple positions.

PIPS PER TRADE: This is a straight forward calculation of the number of pips divided by the number of trades. It would indicate the type of trading that the system is specializing in. Low pips per trade demonstrates short holding periods and vice versa. This measurement would be strongly correlated with the average trade time and used in conjunction with trade time. This will also allow the user to identify daily systems, intraday, or swing trading systems on the performance pages.

PROFIT FACTOR: Profit Factor is a very useful piece of data when measuring system performance. This value is derived from the profit generated by profitable trades divided by the losses generated by losing trades. A value of 3 would indicate that the system winning trades are 3 times higher than losing trades. For example winning trades average 180 pips whilst losing trades are 60 pips on average. Higher values typically indicate less risk.

AVG TRADE TIME: The average time each trade has been held open in terms of hours.

RISK ADJUSTED: The risk adjusted value is also very important when assessing a system performance. Risk Adjusted is a direct measure of return in pips / maximum drawdown. On the outset a system with high number of pips may be appealing, but when you check out the risk adjusted value it is very low. Let us take an example, which system would you prefer; one that makes 1000 pips a month with 250 pips drawdown or one that makes 2000 pips a month with 1000 pips drawdown. The first system is the better system overall as the risk to the client is better for the returns. A system with a 1000 pip return and a 250 pip drawdown is quoted with risk adjusted figure of 4. There is not much point having a system that makes 2000 pips but loses 1000 pips during the process.

WIN %: This column represents the % of winning trades divided by losing trades. It is not representative of a winning or losing system, as a very good system can have more losers than winners as long as the winning trades are larger than the losing trades. It can be used to determine the probability of having a winning or losing trade.

Conclusion

To summarize, it is not a matter of using one definitive measure to assess a system, but by identifying which factors are important to you and then targeting systems that fit your requirements. Are you a conservative trader that likes to use low leverage? If so then a system with low max positions is more suitable. An aggressive trader on the other hand can use systems with a higher number of max positions. A trader who likes holding trades for days can target a system with long holding periods and so on. Many traders look at reward before risk but it is an important mindset to put risk before reward, and by using the maximum drawdown data, the client has the ability to assess previous losses the system has encountered and allow for these losses when planning their portfolio.

2. CASE STUDIES

A. BUILDING AND TESTING A PORTFOLIO

In this lesson we are going to show you how to use the tools and information available in the portfolio builder section of the platform to create and test portfolios. Once you login to the platform please proceed to the portfolio tab on the top row of the trading platform.



If this is your first logging in to your account there will be no systems showing under the portfolio tab. Earlier we looked at the performance tab and making sense of the key statistics available to the trader. If the trader now has identified which systems they would like to have in their portfolio they are now ready to begin the design and testing phase of building their portfolio.

For the purposes of demonstration we are going to use two traders with different goals and sentiment for their account.

B. TRADER A

Trader A is very risk conscious as he has a small account balance of \$2K. His primary concern is capital preservation. He does not mind lower returns as long as capital is well guarded. After studying the performance tab, he feels that he should not be using leverage higher than 5:1, so he is looking for a system that only opens one position at a time, therefore limiting his positions to \$10,000. He scrolls through performance searching for a system with a low drawdown and only one max position. He has identified 3 possible candidates for his portfolio. Tecnofinanzas EURUSD, Quants VIP NZDUSD, and ProSignal EURJPY - all with a drawdown below 400 pips and only one max position.

Time Frame: Last 12 Months

Drag a column to this area to group by it.

System	Pair	Profit (\$)	Pips	#Trds	Max DD	Profit F	Pips/Trad	Date	Avg Tra	Max po	Risk Ad	Win%
CornerStone-Zeus	GBPJPY	64246.4	7393	44	-1067	2.83	168.02	07.30.2007	88.86	12	6.8	68.18
Tecnofinanzas_II	EURUSD	31072.2	3102	314	-764	2.03	9.88	10.08.2007	5.42	4	4.06	64.33
CornerStone-Zeus	EURJPY	29814.5	3681	41	-1435	1.97	89.78	07.30.2007	198.98	12	2.57	63.41
Team-Aphid	GBPUSD	28357.8	2833	231	-1125	1.64	12.26	05.29.2007	15.08	4	2.52	40.26
CornerStone-Zeus	GBPCHF	26113.6	2714	42	-2792	1.68	64.62	07.30.2007	153.55	12	0.97	59.52
Tecnofinanzas_II	GBPUSD	19532	1952	316	-798	1.3	6.18	10.08.2007	6.03	4	2.45	45.57
Quants-Carnival	EURJPY	17216.3	1914	65	-1010	1.56	29.45	08.29.2006	103.51	1	1.9	64.62
Tecnofinanzas	EURUSD	17018.7	1694	317	-342	1.57	5.34	04.24.2007	5.88	1	2.22	50.70
PipboxerV2	GBPJPY	16529.5	1898	18	-856	1.91	105.44	06.12.2007	107.61	6	2.22	61.11
Tecnofinanzas_II	USDCHF	14940.2	1659	316	-775	1.49	5.25	10.08.2007	6.17	4	2.14	58.86
Quants-MiniMac	EURJPY	13913.7	1458	66	-1047	1.47	22.09	08.24.2006	98.74	1	1.39	63.64
Tecnofinanzas	GBPUSD	13796.3	1378	319	-653	1.25	4.32	04.24.2007	5.62	1	2.11	52.35
FXSignalr	EURJPY	13450.6	1616	27	-203	5.32	59.85	06.22.2007	53.81	4	7.96	77.78
Currency-Specialist	GBPJPY	12783	2308	747	-3647	1.06	3.09	12.13.2006	9.9	2	0.63	45.65
Izaklab	GBPJPY	12708.4	1363	184	-1479	1.19	7.41	01.08.2007	18.51	1	0.92	50.54
Quants-VIP	NZDUSD	12559.6	1178	41	-295	1.84	28.73	12.20.2006	93.68	1	2.48	64.26
Team-Aphid	EURUSD	12491.9	1270	157	-512	1.61	8.09	05.29.2007	12.22	4	2.48	47.13
Quants-VIP	AUDU...	11757.3	1167	29	-112	3.13	40.24	01.04.2007	153.86	2	10.42	79.31
Cyclone_System	EURJPY	10566.9	1075	53	-600	1.59	20.28	05.18.2007	47.15	2	1.79	43.4
Izaklab	AUDJPY	10117.8	1088	165	-604	1.24	6.59	01.08.2007	25.71	1	1.8	53.94
Quants-MP40	GBPUSD	8769.6	880	66	-735	1.26	13.33	01.15.2007	102.27	4	1.2	69.7
Ubertrading.com	EURUSD	8470.64	864	168	-574	1.6	5.14	10.12.2006	13.37	6	1.51	61.31
ProSignal-ShortT...	EURJPY	8451.09	956	52	-375	1.77	18.38	08.21.2007	15.88	1	2.48	64.26

Trader A now decides to test these systems in the portfolio builder section of the platform, to see what his equity curve would have looked like over that past number of months and help him decide which system might be best for him.

Trader A selects candidate one, Tecnofinanzas EURUSD from the add new system (fig.i) tab in portfolio screen and sets his money management to 10K for this pair (fig ii). He adds the system to his account and pulls up the equity curve from the start of the year (fig iv). Trader A now sees that if he had started trading this system from the start his \$2000 would have grown to \$3700 without reinvestment. From the graph he can also deduce that the worst drawdown period he would have lost -342 pips or \$342, representing a 17% loss on his account.



fig.i

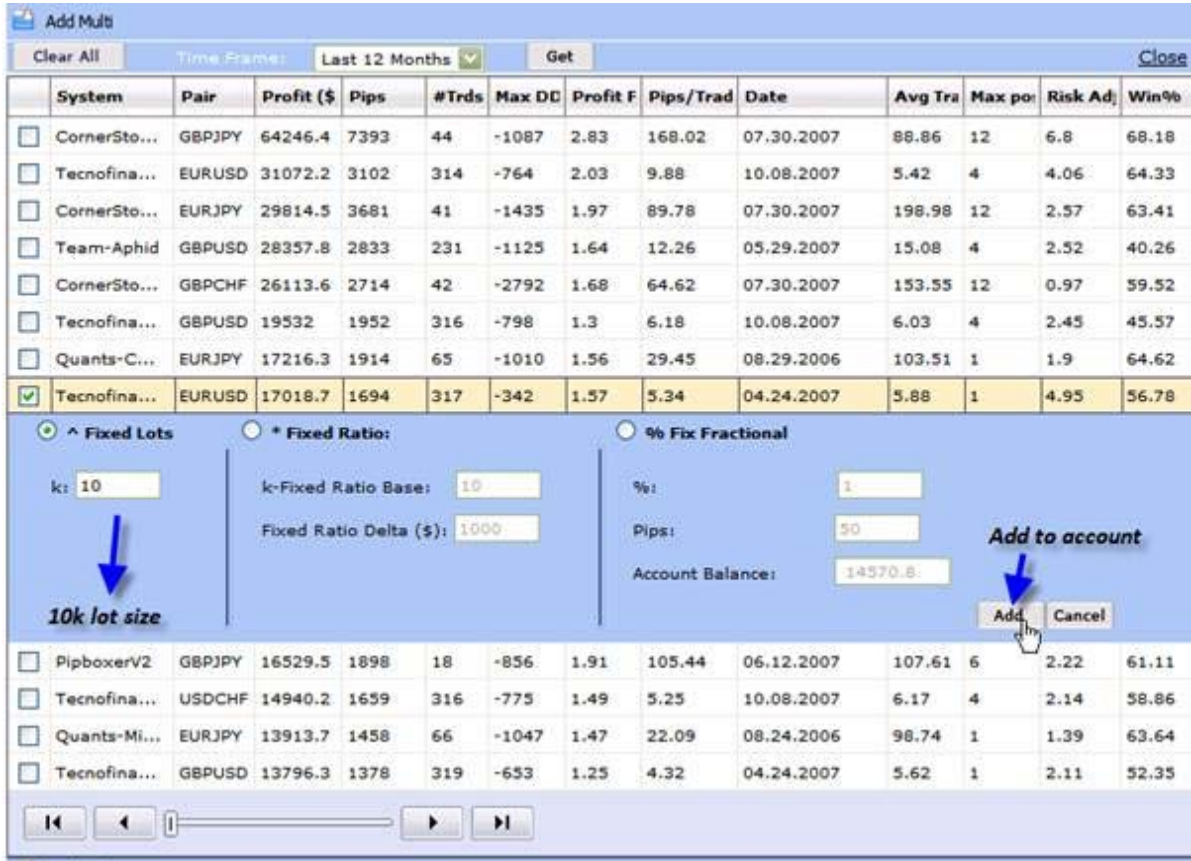


fig. ii



fig.iii

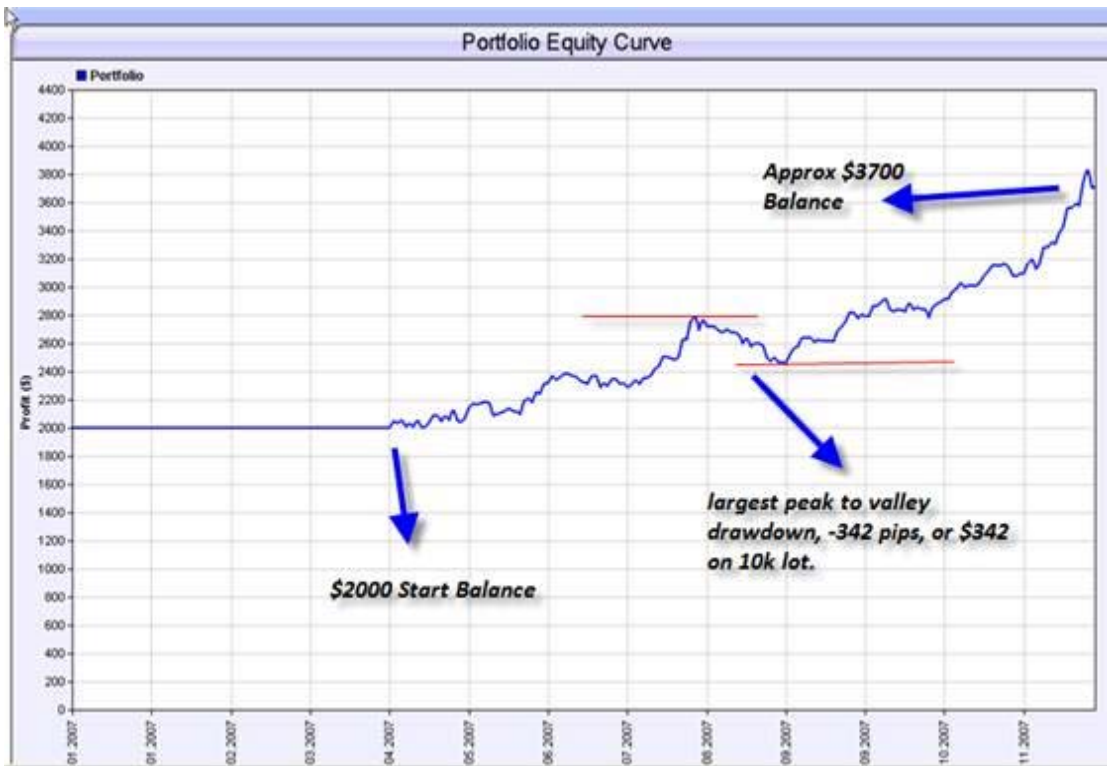
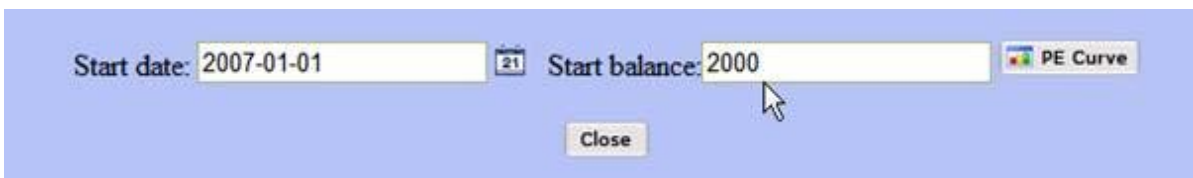
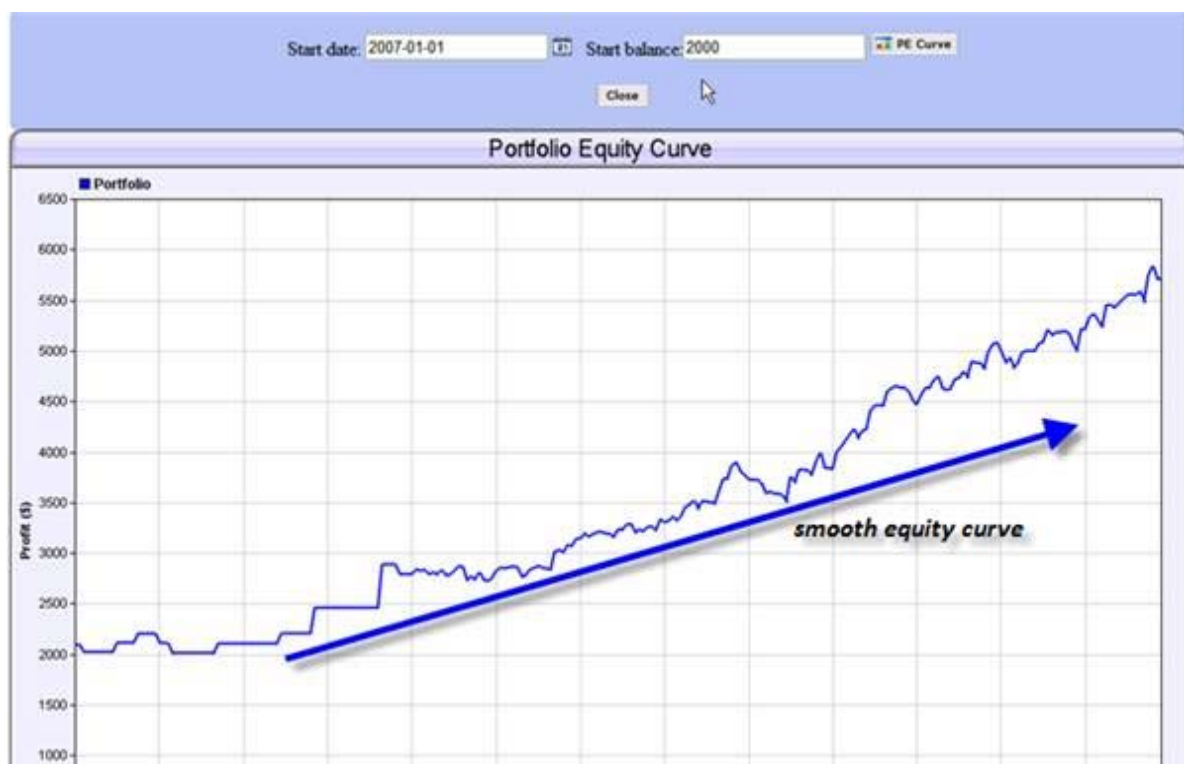


Fig. iv

The client can modify and redraw the chart by changing the balance and press the redraw (PE Curve) button:

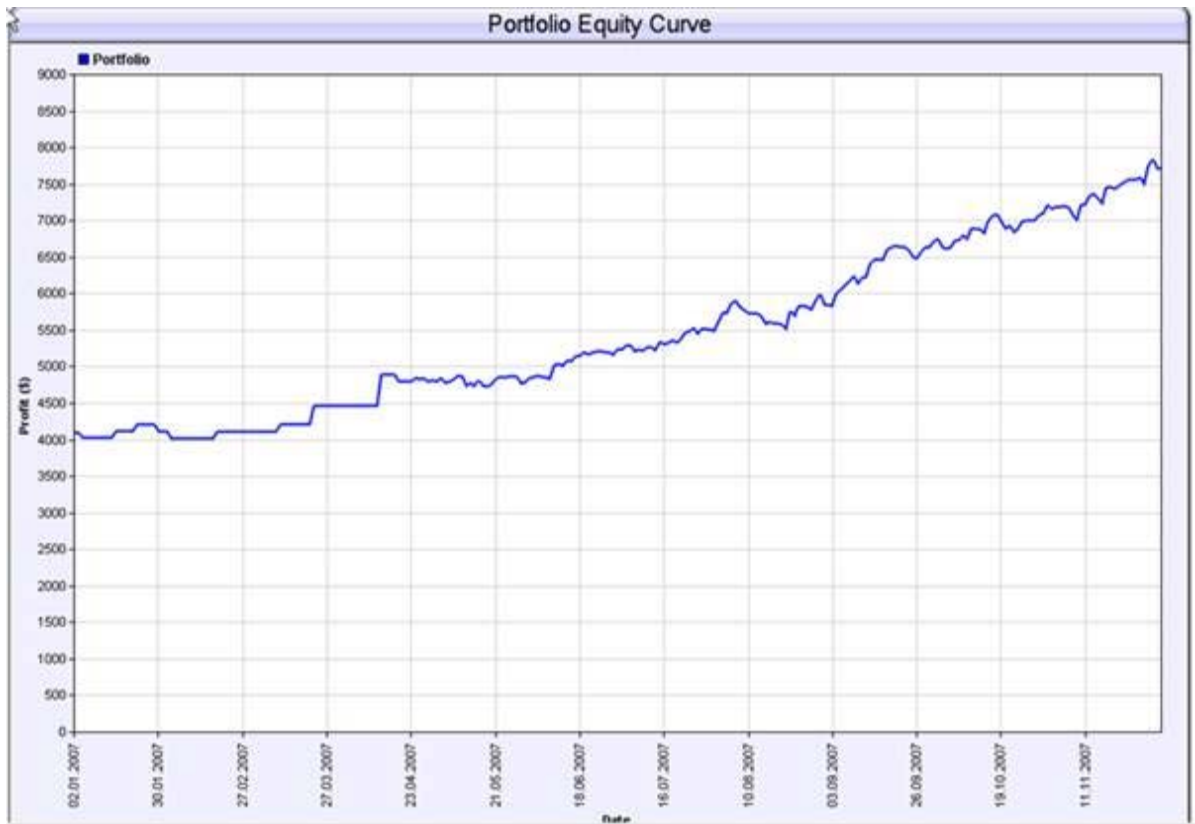


He now proceeds to plot each of the other two candidates in the same manner and decides that the three systems have great potential. To see how they would perform together he plots all three systems in the same graph to see the effect on a \$2000 account.



The combination of the systems has increased the \$2000 account to approx \$5800 with a smoother equity curve along the way. However, Trader A is unsure about allocating 30k to his \$2000 account, as this would increase his leverage to 15:1 ($\$30,000/\$2,000$), due to the fact that if all 3 systems had a drawdown at the same time he could be facing loses greater >1000pips, or over 50% of his account.

Trader A decides that he would feel more comfortable with 3 systems for diversification, but uncomfortable with 50% loss a potential risk. He decides in the end to keep all 3 systems but increase his balance to \$4000, reducing leverage to 7.5:1 and reducing the potential drawdown to 25% of his balance, so he redraws with \$4000 start point.



C. TRADER B

Trader B is an aggressive trader with \$14.5k who wishes to maximize his returns. He feels he can risk >50% loss of his account to satisfy his demanding returns. Effectively, he is seeking high returns for higher risk. He heads straight to the performance page to see what is available. He is seeking the best performing systems irrespective of downside risk and decides to trade the top 5 systems by performance. He does not take into consideration the number of maximum positions, the risk adjusted, or maximum drawdown.

System	Pair	Profit (\$)	Pips	#Trds	Max DD	Profit F	Pips/Trad	Date	Avg Tra	Max pos	Risk Adj	Win%
CornerStone-Zeus	GBPJPY	64246.4	7393	44	-1007	2.65	88.02	07.30.2007	88.84	12	6.8	68.18
Tecnofinanzas_II	EURUSD	31072.2	3102	914	-764	2.65	2.68			4	4.06	64.33
CornerStone-Zeus	EURJPY	29814.5	3681	41	-1435	1.97	78.78				2.57	63.41
Team-Aphid	GBPUSD	28357.8	2833	291	-1125	1.64	18.26			4	2.52	40.26
CornerStone-Zeus	GBPCHF	26113.6	2714	42	-2792	1.66	62				0.97	59.52
Tecnofinanzas_II	GBPUSD	19532	1952	316	-798	1.3	6.18	10.08.2007	6.03	4	2.45	45.57
Quants-Carnival	EURJPY	17216.3	1914	65	-1010	1.56	29.45	08.29.2006	103.51	1	1.9	64.62
Tecnofinanzas	EURUSD	17018.7	1694	317	-342	1.57	5.34	04.24.2007	5.88	1	4.95	56.78
PipboxerV2	GBPJPY	16529.5	1898	18	-856	1.91	105.44	06.12.2007	107.61	6	2.22	61.11
Tecnofinanzas_II	USOCHF	14940.2	1659	316	-775	1.49	5.25	10.08.2007	6.17	4	2.14	58.86

He settles on the top 5 systems and decides to test them on an account with a balance of \$14,500 with 50K fixed lots per system as the money management setting. The software calculates that on his \$14.5K account his chosen portfolio would have leverage of 138:1 if all positions were to be open at the same time. He proceeds to plot the graph of his chosen portfolio.



The reason his leverage is 138:1 on 5 systems is calculated as follows:

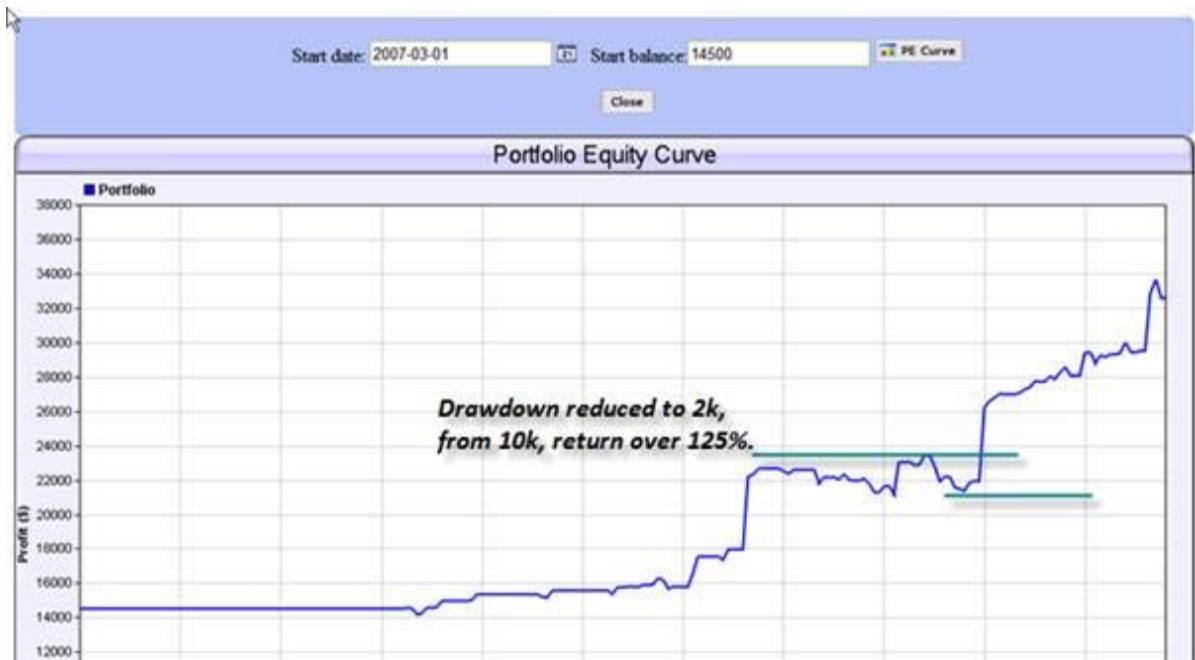
SYSTEM	MAX POSITIONS	LOT SIZE	MAXIMUM EXPOSURE
Zeus GBPJPY	12	50K	\$600K
Zeus EURJPY	12	50K	\$600K
Tecno II	4	50K	\$200K
Team-Aphid	4	50K	\$200K
Zeus GBPCHF	12	50K	\$600K

Leverage = Maximum Exposure/Balance*	$\$2200K / \$15K \text{ balance} = 146$ The software calculation of 138:1 is slightly lower as some pairs in the portfolio have pip value of <1.
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*Please keep in mind that high degree of leverage can lead to large losses as well as gains.



Trader B is concerned, his portfolio has rocketed in value to over \$100K in less than 6 months but two draw downs of almost 10K would have seriously damaged his account to a point he would not have the required margin to open trades for his portfolio settings. In addition to this, he faces an additional problem that if all signals were open on his account he would be using margin of \$11K, ($\$2.2M / 200:1 = \$11K$). This only allows trader B a small amount of room to breathe as it would take little to trigger a margin call on the account and all positions would be liquidated. He realizes he is dangerously overleveraged and rethinks his decision. He decides to reduce the portfolio to 10K per system and redraws the graph.



Now the software tells him that his maximum leverage is down to 27:1 and drawdown potential risk has been significantly reduced.

D. CONCLUSION

These two traders represent the difference in looking at building your portfolio based on your risk level first, or by building your portfolio based on your performance goals. Trader A took the time to investigate low risk systems and built a portfolio with three strategies and a smooth equity curve. Trader B on the other hand targeted high performance systems with disregard to risk.

If trader B would have identified systems with a higher risk adjusted reward, in effect he would have created a portfolio with lower downside risk.

Take for example if trader B had applied more thought to the process and decided to trade only systems with a risk adjusted reward of 3.5 or higher, but still wanted five systems for diversification, he would have decided on these systems instead. Putting them into his portfolio and running a test based on 10K lots size, this has dropped his leverage substantially to 14:1 from 27:1 for better returns. This now gives the trader the choice to keep the portfolio at lower leverage or increase the portfolio to maximize his potential returns on his account.

Drag a column to this area to group by it.

System	Pair	Profit (\$)	Pips	#Trds	Max DD	Profit F	Pips/Trad	Date	Avg Tra	Max por	Risk Ad	Win%
CornerStone-Zeus	GBPJPY	64246.4	7393	44	-1087	2.83	168.02	07.30.2007	88.86	12	6.8	68.18
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Team-Aphid	GBPUSD	28357.8	2833	231	-1125	1.64	12.26	05.29.2007	15.08	4	2.52	40.26
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Quants-Carnival	EURJPY	17216.3	1914	65	-1010	1.56	29.45	08.29.2006	103.51	1	1.9	64.62
Tecnofinanzas	EURUSD	17018.7	1694	317	-342	1.57	5.34	04.24.2007	5.88	1	4.95	56.78
PipboxerV2	GBPJPY	16529.5	1898	18	-856	1.91	105.44	06.12.2007	107.61	6	2.22	61.11
Tecnofinanzas_II	USDCHF	14940.2	1659	316	-775	1.49	5.25	10.08.2007	6.17	4	2.14	58.86
Quants-MiniMac	EURJPY	13913.7	1458	66	-1047	1.47	22.09	08.24.2006	98.74	1	1.39	63.64
Tecnofinanzas	GBPUSD	13796.3	1378	319	-653	1.25	4.32	04.24.2007	5.62	1	2.11	52.35
FXSignaler	EURJPY	13450.6	1616	27	-203	5.32	59.85	06.22.2007	53.81	4	7.96	77.78
Currency-Specialist	GBPJPY	12783	2308	747	-3647	1.06	3.09	12.13.2006	9.9	2	0.63	45.65
Izaklab	GBPJPY	12708.4	1363	184	-1479	1.19	7.41	01.08.2007	18.51	1	0.92	50.54
Quants-VIP	NZDUSD	12559.6	1178	41	-295	1.84	28.73	12.20.2006	93.68	1	3.99	60.98
Team-Aphid	EURUSD	12491.9	1270	157	-512	1.61	8.09	05.29.2007	12.22	4	1.48	47.13
Quants-VIP	AUDU...	11757.3	1167	29	-112	3.13	40.24	01.04.2007	153.86	2	10.42	79.31
Cyclone_System	EURJPY	10566.9	1075	53	-600	1.39	20.28	05.18.2007	47.15	2	1.79	43.4
Izaklab	AUDJPY	10117.8	1088	165	-604	1.24	6.59	01.08.2007	25.71	1	1.8	53.94
ProSignal-ShortT...	EURJPY	8960.47	1014	53	-375	1.82	19.13	08.21.2007	16.6	1	2.7	73.58
Quants-MP40	GBPUSD	8769.6	880	66	-735	1.26	13.33	01.15.2007	102.27	4	1.2	69.7
Ubertrading.com	EURUSD	8470.64	864	168	-574	1.6	5.14	10.12.2006	13.37	6	1.51	61.31

Back to portfolio tab and put in the five systems:

Multi Change

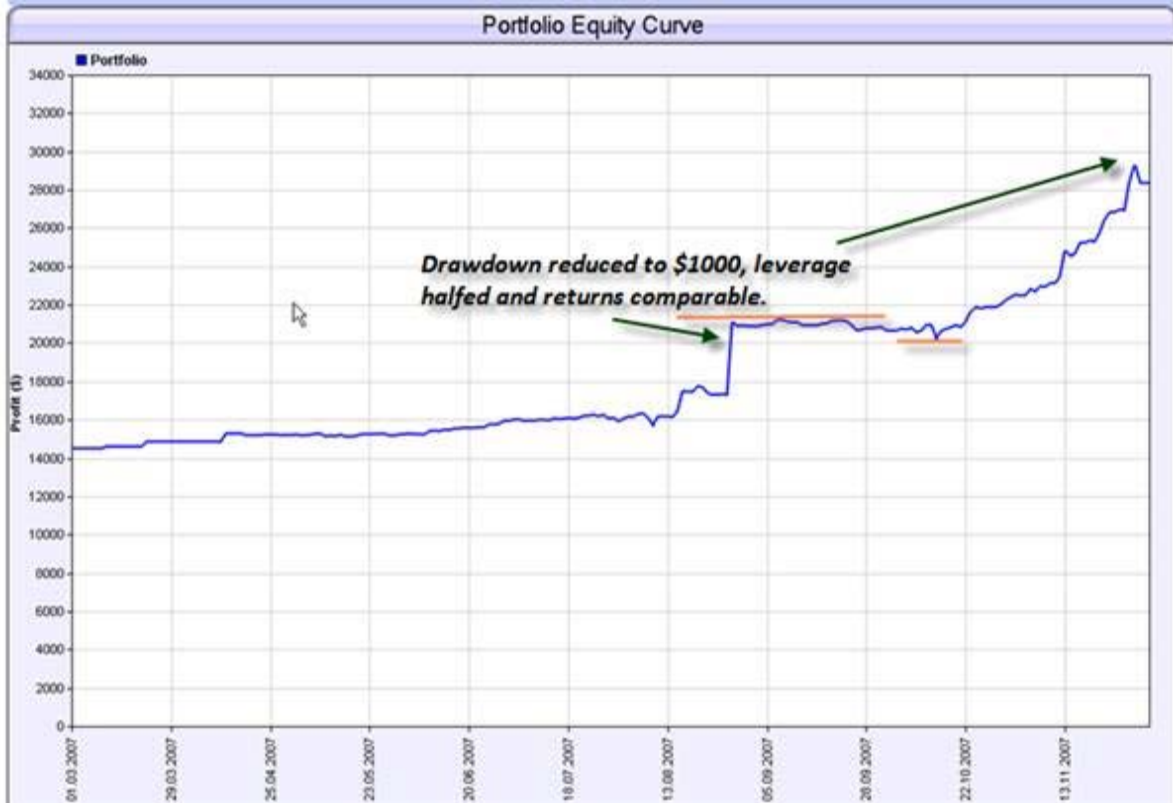
Select All Clear All Apply Apply to all account PE Curve Select Account: 230980 Get

leverage halved from 28 to 14:1 → Leverage=1:14.04

System	Pair	Mode	Current Lots	Options
<input type="checkbox"/> CornerStone-Zeus	GBPJPY	Fixed Lot	10	Edit Delete
<input type="checkbox"/> Tecnofinanzas_II	EURUSD	Fixed Lot	10	Edit Delete
<input type="checkbox"/> Tecnofinanzas	EURUSD	Fixed Lot	10	Edit Delete
<input type="checkbox"/> FXSignaler	EURJPY	Fixed Lot	10	Edit Delete
<input type="checkbox"/> Quants-VIP	NZDUSD	Fixed Lot	10	Edit Delete

Page 1 of 1 (5 items)

Plotting the Graph:



In effect Trader B has created a portfolio with lower leverage, lower downside risk with similar returns using the risk adjusted ratio effectively.

The portfolio curve plotting function allows traders to design and test numerous portfolios to suit their requirements. We hope we have demonstrated that outright performance is not the complete yardstick to measure the effectiveness of a system, but taking other key statistics into consideration will allow you to construct a portfolio based on real trade history. This flexibility allows the client to continue testing until they have designed a portfolio that fulfils all their investment goals.

3. BALANCED PORTFOLIO

With the Forex System Selector you can add multiple systems to your portfolio. While this can increase your potential profits, it can also increase your potential losses at any given time. However, if you create a balanced portfolio you can potentially limit such losses in your account. For example, if you have 3 systems that are moving against you at the same time, you will most likely get frustrated with your portfolio. If however you have one system that is in your favor, one that is moving against you and the other that is flat, you will probably be more comfortable with the overall performance.

In this section you will learn how to best balance a portfolio.

A. CORRELATIONS

Once you have narrowed your list down to a select few systems that you are comfortable with, you will then need to verify that none of the systems in your final portfolio have similar strategies. The first step will be to split your list into two groups: systems that are trend following and systems that are range bound. The easiest way to acquire this information is to go to the Forex System Selector Homepage and select Performance Results.

<http://www.fxcm.com/forex-system-selector.jsp>

If you select "Systems" you will find the website and contact information for the system provider. Here you will find what information the provider is willing to disclose including: pairs, average stop/limit, average profit, the frequency of trades, and most importantly the underlying strategy.

Performance ResultsFree TrialOpen Account

The Forex System Selector platform enables traders to build and create a portfolio using pairs from back tested systems with signals automatically executed on your account. A verified trading history and no signal costs* ensure traders are receiving some of the best price execution with complete transparency.

*\$1 roundturn commission per mini lot (in addition to the bid/ask spread compensation to FXCM)

System Information

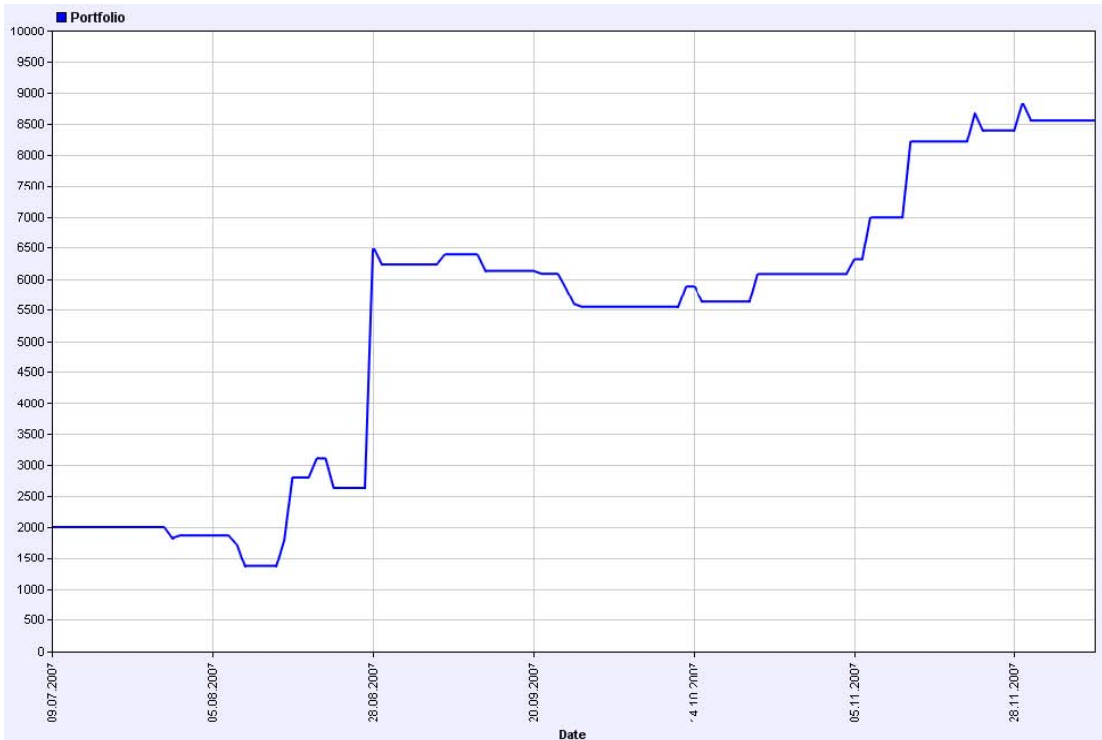
System Name: CornerStone-Zeus
System Provider: FXCM Systems Desk
Pairs In System: 13 PAIRS
Average SL: Vary
Average TP: Vary
Signal Generation: Tradestation
Date On System: 30.06.2007
Trade Frequency: 5-6 p/w
Provider Contact:
Provider Website: www.fxcm.com/forex-system-selector.jsp

System Information: The Cornerstone system profits from periods of increased volatility by taking advantage of trend reversals while at the same time looking to be active on pairs that are trending. The combination of both range and trend strategies will lend itself to long periods of small gains when the trend and range strategies are working against each other until either one of the systems has outsized gains. Those outsized gains are what will make the strategy profitable in the long run and allow the system to profit from outsized periods of volatility. The Cornerstone system is best run as a portfolio and not on an individual currency basis in order to limit the influence or potential risk of any one system. The individual currency strategies were designed to complement each other in order to reduce risk and improve overall gains.

[BACK TO SYSTEMS LIST](#)

If you would like more information, you can always contact the system provider directly. Another way to get an idea of when the system performed best is by simply pulling up a graph of the system. If a system performed well in August 2007, you can then pull up a graph to see what the price action was like during that time.

For example, this GBPJPY system had very impressive gains in August of 2007. Please keep in mind that past performance is not indicative of future results.



If you pull up a graph you will see that the GBPJPY sold off dramatically falling nearly 5,000 pips in one week during this time frame. So it may be safe to say that this particular GBPJPY system does well in trending and/or volatile conditions.



While you may want to include this system in your portfolio, it would be a good idea to match it with another system that has historically done well during range bound market conditions. What you definitely want to avoid is having two systems with a similar premise on the same currency pair. For example, adding two GBPJPY trending systems may lead to substantial profits, but it could also lead to large losses.

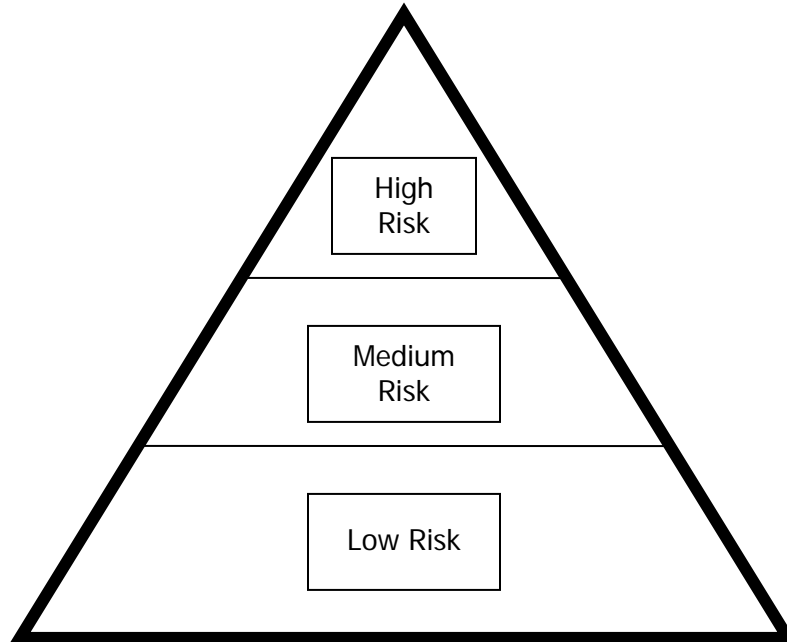
Once you have grouped your systems, you should then eliminate currency pair duplicates. For example, if you have two trending systems on the EURUSD, simply pick the better one. You should also take into account the correlations between currency pairs. DailyFX.com offers a weekly report on currency correlations that you can read. As you can see, the EURUSD has a very high negative correlation with the USDCHF. Therefore, adding two trending pairs on the EURUSD and the USDCHF would be similar to putting all of your eggs in one basket.

EUR/USD	AUD/USD	USD/JPY	GBP/USD	NZD/USD	USD/CHF	USD/CAD
1 Month	0.57	0.07	0.74	0.58	-0.81	-0.59
3 Month	0.57	-0.11	0.71	0.49	-0.83	-0.59
6 Month	0.54	0.03	0.72	0.48	-0.80	-0.51
1 Year	0.56	-0.09	0.70	0.47	-0.82	-0.44

B. ACCOUNT BREAKDOWN

Selecting the systems in your portfolio is only half the battle. You must also consider the account breakdown. If you are starting with a modest balance, you will only want to allocate the minimum to each system. If however you have room to allocate more than 10K per system, you may want to consider a pyramid strategy.

The knee jerk reaction is usually to allocate most of your resources to the best performing system to maximize profits. However, often the best performing systems also come with larger draw downs. To create a balanced portfolio you will actually want to allocate the better part of your system to the lower risk systems, and a small portion of your account to the higher risk systems. This pyramid strategy for your account breakdown is typically a good method for capital preservation.



1. The first step is to rank all of your systems by their maximum drawdown so that you can evaluate the risk.
2. Then you will determine your account size and the maximum draw down you will be willing to accept per system in dollar and percentage terms.
3. You can then divide the maximum dollar loss that you are willing to take by the max pip draw down to obtain your ideal position size per system.

For example, imagine that you have a starting balance of \$50,000 and are only willing to take a 5% draw down on one of the more volatile systems; the max dollar draw down would be set at \$2,500. Now assume that the maximum draw down on this system has been 300 pips. This would put your maximum position size at 8 10K lots (80K) $(2,500/300)$.

Keep in mind however that the system already specifies the maximum positions that it will open at any given time. To calculate the final position size you will need to divide the number you derived from the formula by the maximum amount of positions that your system can take on. For example, if the system allows a maximum of 4 positions at a time, you will then put in 2 mini lots (20K) for this high volatility system $(8/4) = 2$.

4. MONITORING YOUR PORTFOLIO

Once you have built a portfolio, you will need to set up some rules as to how to maintain it. The System Selector should be thought of as an investment that you do not necessarily want to modify every few days. You want to avoid a reactionary response to negative returns that you may see on your portfolio. After all, if you are trading a trend based system, it is only natural that it will have draw downs while the market is moving sideways (and vice versa). A proactive approach would be to only make small changes to your portfolio that are not necessarily influenced by the system's recent performance.

A. SYSTEM CUT OFF POINT

Typically it is recommended that you do not modify your system by adding your own stops and limits. These actions will inevitably change the system's performance and nullify what you have spent so much time back testing. Nevertheless, systems typically do have a life cycle, where after a period of time they become ineffective and obsolete. To prevent yourself from becoming a victim of this, some traders will put manual stops that are 2 or 3x the historical maximum draw down. This protects them in the event of a worse case scenario failure of the system.

B. PORTFOLIO REEVALUATION

Before you go live with your portfolio, you may want to commit to a reevaluation calendar. While you do not want to tamper with your system too much, it is a good idea to reevaluate it once a month or once a quarter. Markets go through trending and consolidating phases, and you will want to take this into account by making sure that you have systems that are best able to take advantage of the move.

For example, if you anticipate that for the first quarter of the year the UK will be in a tightening cycle, you may want to choose trending GBP system that is best able to take advantage of these moves. If you think that the interest rates will be held steady for an extended period of time, you could opt to refocus the portfolio on the range bound systems. You can easily form an opinion of the markets by visiting the currency rooms on www.dailyfx.com.

C. TAKING PROFITS

At a certain point, you will want to withdraw profits from a profitable system. This is after all the motivation for investing. Before you do so however you will want to consider the impact that such a withdrawal will have on your portfolio. Whenever you withdraw funds you should consider 3 things:

Overleveraging

Withdrawing funds can lead to overleveraging an existing portfolio. For example, imagine that you have a starting balance of \$5,000 and are trading 10K fixed lots on two systems that specify 4 maximum positions. This would put your exposure at 80K. Therefore your leverage would be 16:1 ($80,000/5,000$). By withdrawing just \$1000 from your account, you would be raising your leverage to 20:1 ($80,000/4,000$).

Consecutive Losing Trades

Now imagine that you were merely withdrawing profits from your account. You have a balance of \$5,000 and are trading a system with a 50% win record. Let's imagine that in your first

week of trading, you have 20 consecutive winning trades that yield a profit of \$2,000. You decide to withdraw these profits, which will put you back at your starting balance of \$5,000. On the surface you would not think that you are putting your account at any greater risk than when you started. However, because your system had a 50% win record, you might be putting yourself at risk for 20 consecutive losing trades to follow! 20 losing trades could cause an equivalent loss of \$2,000, which would reduce your balance to \$3,000. A \$3,000 balance on 80K of exposure would result in a highly overleveraged account 26:1. This could ultimately put you at risk for a margin call. In other words, avoid withdrawing profits after experiencing a brief winning streak.

5. TRADING PSYCHOLOGY

One of the benefits to trading with a system is that it removes much of the emotion involved with choosing your trades. You do not have to worry about deciding your entry and exit points, and whether or not the strategy you created is working. Rather, you can leave these elements up to the system provider. That said, there is still a significant amount of emotion that comes into play when maintaining your portfolio.

The best way to remove emotion from trading is to plan as much as possible in advance prior to going live with your portfolio. Many traders unfortunately focus their energy on what happens AFTER they have started trading their portfolio. Rather, the majority of your energy should go into controlling your leverage, diversifying your portfolio, and creating a balanced account breakdown BEFORE the systems go live.

A. WORST CASE SCENARIO

Before you go live with a portfolio, you should fully understand the potential losses of your system. Imagine that you have 3 systems in your portfolio, one with a -500 Max Drawdown, the other with a -300 Max Drawdown and the third with a -600 Max Drawdown. Though unlikely, you should not be too shocked if your system has a -1400 drawdown at one point in time. Furthermore, a conservative trader will always expect that the worst drawdown is ahead of them. So if your system with a Max Drawdown of -600 goes to -700, it should not be entirely unexpected.

It is also a good idea to look into the maximum consecutive losses that your system has endured. If your system has a Win % of 50% and typically opens 12 positions at a time, then you should not be shocked if the first 6 trades that the system generates are losing trades. To get a better idea of what to expect, you can log onto FXPerformance website and sort through the most recent trades placed by the system. Here you will actually see what the previous trades have been. If you see that in the past month there was a period of 4 consecutive losing trades, you can mentally prepare yourself for a similar occurrence.

You can prepare yourself for the worst case scenario by always reminding yourself that the worst drawdown could very well be ahead of you. By mentally preparing yourself for these potential losses, you are far more likely to weather a drawdown without manipulating the trades or immediately changing the systems in your portfolio.

B. STEPPING BACK

As a general rule of thumb, anytime you feel like your emotions are getting the better of you, take a step back from your trading to try and prevent making rash decisions like closing a trade prematurely. When you do find yourself getting frustrated with the results of your system, it is helpful to take a look back at why they were unsuccessful. Did you select a range bound system on the EURGBP right around when the pair started to break out? Is the GBPJPY trending system you selected performing badly because the market is moving sideways? Once you have identified logical reasons for the portfolio's drawdown, you should then ask yourself whether or not you believe that these market conditions will persist.

All too often traders will remove funds from a system after a drawdown, only to miss the rebound. The key here is to avoid chasing the market. Markets are naturally cyclical. Your system may be designed to perform well when the market is breaking out. If you add such a system, you will have to keep in mind that 80% of the year the market is going to be range bound.

C. GREED

If there is one emotion above all others that can quickly hurt a trader, it is greed. As soon as greed enters the equation, you can find yourself making poor trading decisions. A few good trades can raise your confidence and can lead to carelessness. For example, if you see that one system in your portfolio has been outperforming the others, you may be tempted to remove some of the underperforming systems and/or allocate a higher percentage of your account to the more profitable (and often more volatile) system. It is important to remember however why you chose the Account Breakdown that you did.

Trading is an emotional roller coaster. You go from the highs when you are profiting big, to the lows when you are down. It is always best to do yourself and your account balance a favor and control these emotions.

6. QUIZ CENTER

1. Client A has \$5000 account balance and wishes to trade at a leverage of 8. How many mini-lots would they require to have open?
 - a. 4
 - b. 8
 - c. 2
2. What would be the maximum position exposure trading a 12 position system with 20K lot allocation?
 - a. \$180,000
 - b. \$120,000
 - c. \$240,000
3. Which key statistic measures the performance of a system based on pip drawdown versus pip returns?
 - a. Risk Adjusted Factor
 - b. Pips Per Trade
 - c. Number of Trades
4. Which key statistic is a measure of the average profitable trade divided by the average losing trade?
 - a. Profit Factor
 - b. Average Trade Time
 - c. Win %
5. Client A chooses one system with 12 maximum open positions, client B chooses 3 systems with a maximum of 4 positions per system. Who will have the most open positions at any one time?
 - a. Same
 - b. Client B
 - c. Client A
6. Client A chooses one system with a historical drawdown of -800 pips. Client B chooses 2 systems, one with a -500 pip drawdown and the other with a -450 pip drawdown. Assuming they are trading the same lot size, in theory which portfolio carries less risk?
 - a. Client A's
 - b. Client B's
 - c. Cannot Tell
7. Which mode of money management allows the client to allocate a lot size based on a % risk to the client account?
 - a. Fixed Ratio
 - b. Fixed Lot
 - c. Fixed Fractional
8. Client A has \$5000 in their account and client B has \$2000 in their account. They choose the same system. Client A allocates 20K per trade for the system and client B allocates 10K to the system. Which client is assuming more risk as a % of their account?
 - a. Client B
 - b. Client A
 - c. Same Risk

9. What feature is not available in Demo mode?
- Ability to close and modify positions
 - Ability to open a manual trade on the System Selector Platform
 - Both
10. If I am looking for a swing system that holds trades for a period of days, what key statistic would provide me with this information?
- Pips Per Trade
 - Average Trade Time
 - Maximum Positions
11. A system requires a Win/Loss Ratio of >50% to be profitable.
- True
 - False
12. A client with \$3000 in their account signs up for a system that opens 12 maximum positions using a fixed lot size of 10K. Assuming the system provider opens all 12 trades simultaneously, what loss per trade in pips would trigger a margin call on the client account and result in the liquidation of all positions? (Assume a \$1/pip value pair).
- 150 pips
 - 300 pips
 - 200 pips
13. Which key statistic increases the confidence of the user that the system data is robust?
- Win/Loss Ratio
 - Pips Per Trade
 - Number of Trades
14. Can a system that produced 500 pips be more profitable in \$ terms than a system that produced 800 pips?
- Yes
 - No
15. If a client with \$2000 is using the fixed ratio money management module and trades on system with one mini lot and wishes to double his lot size when his account doubles, what parameters should they enter in the base and delta fields?
- 100K and 10
 - 10K and 100,000
 - 10K and 2,000
16. Client A with \$5000 decides to trade one system with a historical drawdown of -500 pips. The trader has decided that they can withstand a 40% drawdown of their account. Based on the data they have available, what is the max lot size the client should use?
- 80K
 - 40K
 - 200K

17. If I am new to autotrading and want to increase my chances of my first trade being a winning one, which key statistic would guide me to the correct system?

- a. Pips per Trade
- b. Profit Factor
- c. Win%

18. If I change my lot size in a system from 10K to 20K when a trade is still open in that system, what will be sequence of events be?

- a. When the close order is generated for the open position, it will close 20K and leave 10K hanging open for the client to manage.
- b. The open trade will close with 10K, and the next new trade will open at 20K.
- c. The system will liquidate your open trade as it does not allow you to change lot sizes when a trade is on.

19. A system with a low number of pips per trade and a long holding period demonstrates:

- a. A highly volatile currency pair
- b. A low volatility currency pair

20. What can the Reverse Trade Function be used for:

- a. Hedge a strategy you are currently in
- b. Turn a poor performing strategy into a potentially profitable one
- c. Hedge against your own manual trading
- d. All of the above

ANSWERS

1. a
2. c
3. a
4. a
5. a
6. a
7. c
8. a
9. c
10. b
11. b
12. c
13. c
14. a
15. c
16. b
17. c
18. b
19. b
20. d