

# **Global Trading Strategies Investment Management Pty Ltd**

**Level 43, AMP Centre, 50 Bridge Street  
Sydney NSW 2000  
Australia**

**www.gtsinvest.com**

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This Brochure provides information about the qualifications and business practices of Global Trading Strategies Investment Pty Ltd ("**GTS**"). If you have any questions about the contents of this Brochure, please contact us at +61 (0) 2 8020 0200 or by email at [investor.relations@gtsinvest.com](mailto:investor.relations@gtsinvest.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("**SEC**") or by any state securities authority.

Registration of an investment adviser does not imply that GTS or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about GTS is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

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No material changes to this ADV 2A Annual Update for GTS' fiscal year-end June 30<sup>th</sup>, 2015.

**Item 3: Table of Contents**

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#### Item 4: Advisory Business

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Global Trading Strategies Investment Management Pty Ltd (“**GTS**”, the “**Firm**” or “**we**”), was incorporated as a Proprietary Limited Company in Australia on 8<sup>th</sup> January 2009.

GTS is a wholly owned by Global Trading Strategies Holdings Pty Ltd, which itself is 100% owned in equal shares by Mr. Andrew Peden and Mr. Karl Mayer (or their controlled entities). There are no branch offices. The business is run entirely out of the Sydney office.

GTS is registered with and licensed by the Australian Securities and Investments Commission (“**ASIC**”) to provide financial product advice in relation to, and to deal in, a range of financial products on behalf of wholesale clients. GTS is the holder of Australian Financial Services Licence Number: 339621 ACN 134 846 147.

GTS is a member of the National Futures Association (NFA ID: 0415871) and is registered as a Commodity Pool Operator and a Commodity Trading Advisor and is a Swap Firm Approved.

GTS provides discretionary investment management services to the following privately pooled investment vehicles set up as a master-feeder structure:

- GTS Master Fund (Cayman domiciled)
- GTS Offshore Fund(Cayman domiciled)
- GTS Fund (Australian domiciled Unit Trust)

which are collectively referred to as the “**Funds**”. GTS provides advice to the Funds based on their specific investment objectives and strategies. GTS does not tailor advisory services to the individual needs of investors in the Funds (the “**Investors**”). The Investors therefore may not impose restrictions on investing in certain securities or types of securities investment or the advisory services and management services.

The Investors in the Cayman Funds are non-Australian and non-US taxable Investors.

The Investors in the GTS AU Fund are only Australian wholesale investors.

GTS also provides discretionary investment advisory services to clients through separately managed account structures.

As of July 31, 2015, the Firm managed approximately US\$ 80 million in gross assets in the Funds and separately managed accounts, all of which are managed on a discretionary basis.

#### Item 5: Fees and Compensation

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##### Management Fee

With respect to the Cayman Funds, pursuant to the offering documents and advisory agreements, GTS is entitled to a management fee (the “**Management Fee**”), payable monthly, which is equal to 1% (that is,  $1/12 \times 12\%$ ) per annum of the Net Asset Value (“**NAV**”) of the participating shares for founder share class and 1.5% for the standard share class.

The Management Fee is payable monthly in arrears as of the last business day of each calendar month, prior to any accrual for or payment of any Management Fee, or Incentive Fee, or redemption from the Cayman Funds.

The Administrator deducts the Management Fee from Investor accounts. The Funds pay for organisational and initial offering expenses as well as for ongoing operating expenses, including but not limited to, fund administration, accounting, auditing, tax preparation, legal, and trading costs. The Funds may incur brokerage and other transaction costs. For further details on the Firm's brokerage practices refer to Item 12 of this Brochure.

GTS bears its own general operating and overhead costs. GTS is also responsible for its own costs for risk management, trading software expenses, trading research and marketing.

GTS and its employees do not accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

#### **Item 6: Performance-Based Fees**

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GTS generally receives a performance allocation with respect to the Cayman Funds that is calculated based upon a percentage of the net capital appreciation of the Cayman Funds. The performance allocations are charged in compliance with Rule 205-3 of the Advisers Act.

With respect to the Cayman Funds, GTS is entitled to an Incentive Fee which is 15% (founder share class) or 20% (standard share class) of the increase in the net asset value of the participating shares for each year, less any loss carried forward per participating share. Profits include both realised and unrealised gains. The Incentive Fee is accrued monthly and paid annually. A high water mark is applicable and carries forward indefinitely.

No other hourly, flat or asset-based fees are charged to the Funds.

#### **Item 7: Types of Clients**

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The Firm's clients are the Funds. Investors in the Cayman Funds consist primarily of institutional investors and high net worth individuals that are generally non-Australian and non-US taxable investors. The investors in the GTS AU Fund consist of only Australian wholesale investors.

The Funds have a minimum subscription amount of US\$ 1 million and minimum subsequent investment of US \$100,000 (or its equivalent in another currency). The frequency of subscription is monthly. The Directors of the Cayman Funds have discretion to accept a lower amount.

The Funds have a redemption notice period of 30 days and the frequency is monthly. The Cayman Funds have no lock- up period and allow for transfer of shares or limited partnership interests between nominees, but subject to limitations specified in the offering documents.

In addition, GTS provides investment management services to separately managed account clients generally consisting of institutional investors.

**Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

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**Type of Investments**

The GTS Master Fund invests primarily in FX and rates and also has flexibility to use commodity futures and equity index futures.

**Investment Strategy**

GTS employs a liquid, developed markets adaptive discretionary global macro strategy with a weighting towards currencies and interest rates. Equity exposure is via major listed index futures only and commodities exposure is only via major listed futures contracts.

The strategy process utilizes medium term thematic as a framework within which to execute tactical trading. The emphasis is on risk management and accumulating performance. Holding periods are adaptive to prevailing market conditions. The strategy has been implemented and refined over the last 24 years by the investment team. The historic returns have exhibited low correlation to the peer group and most indices.

The GTS approach is a synthesis of fundamental and technical trading. GTS believes that economic and political (policy response) factors determine the long run direction of markets but that markets can diverge from fundamentals for extended periods. GTS also believes that markets exhibit recurring patterns such as momentum, cycles and trends; and that short term price action is often shaped by high frequency computer trading programs.

GTS studies fundamentals to understand why a market should move in a particular direction. GTS uses charts and technical indicators to determine precise entry and exit points, and to identify trends. Trading mechanics are process driven with an emphasis on consistent sizing calibrated to conviction levels and pre-determined stop losses for every trade.

The GTS edge is found in experienced portfolio managers who have worked together for over 24 years implementing a structured process from the unique perspective of the Sydney location. This leads to a sustainable edge that is not correlated with other global macro managers.

**Risk Management**

The application of any risk management approach involves numerous judgments and qualitative assessments. No risk management system is fail-safe, and no assurance can be given that the risk control framework will achieve its objectives. From time to time, without notice to the participating shareholders GTS may modify or change the risk management system and procedures.

**I. Risk Management System**

A strong quantitative foundation is an essential building block for a robust risk management system. At GTS this foundation is provided by the Imagine Trading System. However it is important to emphasize that this is only the beginning. GTS also deploys clearly articulated processes for risk limits and monitoring administered by seasoned professionals who understand the limits of the quantitative reporting.

**i) Stop-loss Limits and Risk limits**

All individual positions have a pre-determined stop loss level prior to being executed. There is an overall drawdown limit of 5% per calendar month. Position sizing will be reduced at 3% peak to trough drawdown level. If the Fund continues to approach the 5% limit all risk positions are reduced to approximately zero until the first day of the following month.

The maximum Value at Risk limit of 3% of AUM measured over 1 business day at a 99% confidence interval.

**ii) Imagine Trading System**

The Imagine Trading System is used for portfolio and risk management. GTS uses the full service cloud based ASP solution. The Imagine Trading System is a well-known and long established system with comprehensive coverage of all major asset classes.

**2. Risk Factors**

An investment in the participating shares is speculative and involves a high degree of risk. There is no guarantee that implementation of the investment objective or strategy with respect to the assets will not result in losses to holders of participating shares. Accordingly, prospective investors should consider the following risk factors.

**Leverage:** The Funds may leverage its capital because it believed that the use of leverage may enable the Fund to achieve a higher rate of return. Accordingly, the Funds may pledge its securities in order to borrow additional funds for investment purposes. The amount of borrowings which the Funds may have outstanding at any time may be substantial in relation to its capital.

**Liquidity:** Under certain conditions liquidity of a particular market or security may be restricted, thereby affecting the performance of the Fund. Lack of liquidity or market depth can affect the valuation of the Funds' assets as it looks to realize securities at quoted prices.

**Market Risk:** Any investment made in a specific group of securities is exposed to the universal risks of the securities market. However, there can be no guarantee that losses equivalent to or greater than the overall market will not be incurred as a result of investing in such securities.

**Foreign Taxation:** The Funds trade in markets located in many jurisdictions around the world with different tax regimes some which may subject the Funds to withholding or other taxation, which may impact the Fund's returns. Although not currently under review, it is possible that the taxing authorities of certain jurisdictions, including Australia, will not agree with the tax positions taken by the Funds and will successfully assert a tax liability (plus interest and possibly penalties) against the Funds.

**No Separate Counsel:** DLA Piper Australia and DLA Piper US LLP act as legal counsel to GTS and Funds and Walkers (Singapore) Limited Liability Partnership acts as legal counsel to the Cayman Fund. No separate counsel has been retained to act on behalf of the participating shareholders.

**Limited Diversification:** GTS intends to seek to diversify the Funds' investments as it deems appropriate and consistent with the Funds' investment objective. If the Cayman Funds' investment portfolio is concentrated in a small number of investments, the portfolio will be subject to a greater level of volatility. Also, the use of a single investment manager

applying generally similar trading programs could mean lack of diversification and, consequentially, higher risk.

**Speculative Nature of Certain Investments:** Certain investments by the Funds may be regarded as speculative in nature and involve increased levels of investment risk. An inherent part of a strategy may be to identify financial products which are undervalued (or, in the case of short positions, overvalued) by the marketplace. Success of such strategy necessarily depends upon the market eventually recognizing such value in the price of the financial products, which may not necessarily occur.

### 3. Other Risks Relating to Derivative Instruments

The Funds will utilise derivative instruments which seek to modify or replicate the investment performance of particular securities, commodities, currencies, interest rates, indices or markets on a leveraged or unleveraged basis. Other risks related to the use of derivative instruments include, but are not limited to:

**Tracking:** When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the Fund from achieving the intended hedging effect or expose the Funds to the risk of loss.

**Liquidity:** Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets the Funds may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which the Funds may conduct its transactions in derivative instruments may prevent prompt liquidation of positions, subjecting the Funds to the potential of greater losses.

**Leverage:** Trading in derivative instruments can result in large amounts of leverage. Thus, the leverage offered by trading in derivative instruments will magnify the gains and losses experienced by the Funds and could cause the Funds' Net Asset Value to be subject to wider fluctuations than would be the case if the Fund did not use the leverage feature in derivative instruments.

**Over-the-Counter Trading:** Derivative instruments that may be purchased or sold by the Funds may include instruments not traded on an exchange. The risk of non-performance by the obligor on such an instrument may be greater and the ease with which the Funds can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange traded instrument. In addition, significant disparities may exist between "bid" and "asked" prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges are also not subject to the same type of government regulation as exchange traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions.

### Item 9: Disciplinary Information

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GTS has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of GTS have been subject to such action.



**Item 10: Other Financial or Industry Affiliations**

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Neither GTS nor any of our employees have any relationships or arrangements that pose material conflicts of interest to the business of the Firm. Peter Berkley is the sole Director of the Berkley Investment Corporation Pty Limited which serves as the Trustee of the Australian Feeder Fund.

**Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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***Participation or Interest in Client Transactions***

We serve as the investment manager to the Funds. Employees, affiliates of the employees, and relatives of the employee may make investments in the Funds. We may or may not receive any compensation from such investments from employees.

We and our affiliates and employees have a financial interest in the Funds through an incentive allocation or a direct investment interest in the Funds. As such, we could be considered to have recommended to Investors that they buy or sell securities or investments in which the Firm or a related person has some financial interest.

***Code of Ethics/Code of Business & Personal Trading***

Pursuant to Rule 204A-1 of the Advisers Act, GTS has adopted a Code of Business and a Personal Account Dealing Policy that establishes various procedures with respect to investment transactions in accounts in which employees of GTS or related persons have a beneficial interest or accounts over which an employee has investment discretion.

Our Code was adopted to avoid possible conflicts of interest, avoid the inappropriate use of material, non-public information and ensure the propriety of its employees' and partners' (or similar) trading activities.

The foundation of the Code is based on the underlying principles that:

- Employees of GTS must at all times place the interests of clients first;
- Employees of GTS must make sure that all personal securities transactions are conducted consistent with this Code and the Personal Account Dealing Policy contained in this Code of Ethics. All transactions should avoid any actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility; and
- Employees of GTS should not take inappropriate advantage of their positions. The receipt of investment opportunities, perquisites, or gifts from persons seeking business with GTS could call into question the exercise of an Employee's independent judgment.

In certain circumstances, employees (and any beneficiary accounts) must obtain written authorization from the Chief Compliance Officer prior to making a personal investment or engaging in private placement in other collective investment schemes. The spirit of the Code and the Personal Account Dealing Policy is to discourage frequent trading in personal employee accounts. Employees may not engage in any outside business activities or invest in private companies before obtaining authorisation from Compliance.

All GTS employees must provide duplicate copies of brokerage statements or quarterly attestations to Compliance. These records are used to monitor compliance with the foregoing policies.

Our Code and Personal Account Dealing Policy is available to any investor or prospective investor upon request.

## **Item 12: Brokerage Practices**

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### **Best Execution**

The SEC has taken the view that an investment adviser at all times owes a fiduciary duty to its clients to obtain best execution of their transactions. In general, to meet its duty of “best execution” GTS must execute transactions so that the total cost or proceeds of each transaction are the most favourable under the circumstances. When a broker-dealer is used, GTS may consider the full range of a broker’s services, including among others: the value of research and/or brokerage services provided, execution capabilities, commission rates, financial responsibility, administrative resources, and responsiveness. In addition, in seeking best execution, GTS may also use a variety of execution methods.

Best execution is determined on a trade-by-trade basis, and should result in the best qualitative execution, not necessarily the best possible commission cost. A key element of the duty of best execution is obtaining the best price at which securities transaction are executed. Best price is considered to be the highest price that a client can sell a security and the lowest price that a client can purchase a security. Other components of best execution are timeliness of having a transaction executed by a broker, the value of research provided, the responsiveness of the broker to GTS, and the financial responsibility of the broker.

### **Soft Dollars**

Currently, GTS does not use soft dollars.

## **Item 13: Review of Accounts**

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### **Review of Accounts**

The Cayman Funds are reviewed and reconciled on a regular basis to assure that the structure and individual securities held are suitable and consistent with the Cayman Funds’ objectives and strategies. In addition, personnel in GTS’ operations department also monitor the Cayman Funds to help ensure conformity with investment objectives and guidelines. GTS engages in active management and frequent transactions for clients and, accordingly, reviews its transactions, positions and cash balances on a regular basis.

In addition, GTS has engaged an independent administrator to prepare monthly unaudited reports reviewing the Cayman Fund’s performance for the month.

### **Reporting**

The Administrator calculates a monthly NAV and this is the official NAV for valuation, subscriptions, redemptions etc. Also, the Administrator sends a monthly Market Value Statement directly to all investors.

In addition, GTS' operations team calculates a daily NAV for internal management purposes.

Generally, Investors receive the following:

- Estimated weekly return generally by the close of the business of second business day of the week (provided upon the investor's request);
- Monthly return generally by 9th business day;
- Month-end statement from the Administrator generally by the 12th business day following month end;

Investors receive a monthly newsletter including performance update and commentary on trading and market conditions. GTS can provide various data such as value at risk, asset class exposure and so forth on request.

GTS will distribute an audited financial report for each Fund with respect to the previous fiscal year to all Investors within 120 days of the Funds' fiscal year-end.

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#### **Item 14: Client Referrals and Other Compensation**

GTS does not compensate third parties who provide referrals for advisory clients.

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#### **Item 15: Custody**

The amended and revised Rule 206(4)-2 of the Advisers Act sets forth extensive requirements regarding possession or custody of client funds or securities. The Rule requires advisers that have custody of client securities or funds to implement a set of controls designed to protect those client assets from being lost, misused, misappropriated or subject to the advisers' financial reverses. Advisers with custody of client funds and securities must maintain them with "Qualified Custodians." "Qualified Custodians" under the amended rule include banks and savings associations and registered broker-dealers.

GTS does not maintain direct custody or possession of any of its client's funds or securities. We are deemed to have custody of the Funds' assets by virtue of our status as investment manager of the Funds. We maintain the assets of the Funds in accounts with "qualified custodians" pursuant to Rule 206(4)-2 under the Advisers Act. GTS has appointed its prime brokers as well as its fund administrator to act as its qualified custodians.

The custodians will provide, among other things, clearing, custodial and record keeping services. We shall use best efforts to ensure that the Cayman Funds' audited financials are delivered to all investors within 120 days of the fiscal year end to ensure compliance with Rule 206(4)-2 under the Advisers Act. Investors should carefully review the audited financial statements of the Funds upon receipt.

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#### **Item 16: Investment Discretion**

GTS has discretionary authority to manage accounts on behalf of all its Funds.

There are no investment restrictions on the investment powers of the Cayman Funds and the GTS AU Fund with respect to its investments, investment strategies, markets or instruments it may invest in. GTS has the authority to determine: (i) the securities to be purchased and sold (subject to restrictions on its activities set forth in the applicable

investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold.

**Item 17: Voting Client Securities**

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The Firm will generally not invest in instruments for which it would be required to vote on a proxy or corporate action. If the Firm intends to invest in such instruments, it will develop a voting policy applicable with SEC regulation and best practice and, upon request, will provide a copy of the proxy voting policies and procedures and/or a record of all proxy votes cast by the Funds.

**Item 18: Financial Information**

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GTS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.