

Nella Investment Advisers



Nella Investment Advisers - Trading Brochure

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Overview

The general scope of the services to be performed includes:

- 1) Provide services agreed to in the '**Services Provided**' section below
- 2) Managing a proprietary trading account
- 3) Executing the **Trading Plan** described below

Services Provided

Nella Investment Advisers (Adviser) will perform **Proprietary Trading** services as a 'Proxy Trader'. The services provided are outlined above in the '**Overview**' section. The specific details related to the services provided are explained below in the '**Trading Plan**'. Proposed compensation terms are listed in the '**Compensation**' section.

Proprietary Trading

The definition of proprietary trading is when a person or firm trades its own account (no public funds) to generate a gain.

Objective

Goal is to generate a Return on Investment (ROI) each and every month from trading options on equities, equity indexes, and equity index Exchange Traded Funds (ETFs).

Initial Capital Investment

- Investors will deposit a minimum \$5,000 U.S. dollars into a trading account setup with a SEC licensed broker/dealer
- After initial contribution, investors may contribute additional funds subject to agreement
- After initial contribution, investors can make monthly withdrawals subject to the terms agreed upon with the broker/dealer

Estimated Operating Expenses & Fees

- Monthly brokerage fees determined by number of number of contracts traded
 1. Exchange fees/Rebates, regulatory related fees
 2. Market data fees
 3. ACAT, physical deliveries, bank fees, etc.
- Detailed monthly account statement of fees and expenses will be available to investors
- Monthly realized/unrealized Profit & Loss (P&L) report will be available investors

Trading Plan

Market Neutral Trading Strategy

Adviser will follow a 'Market Neutral' trading strategy to compile the Trading Account investment portfolio. The logic for utilizing Market Neutral strategies is that we do not need to anticipate market direction, whether stocks go up or down is not important. An investment strategy or portfolio is considered market-neutral if it seeks to avoid or mitigate market risk, typically by hedging.

Market neutral strategies and other absolute return investments pursue positive returns no matter what happens to the economy, interest rates or financial markets. These approaches seek to limit exposure to systemic changes in price caused by shifts in macroeconomic variables or market sentiment. One of the main advantages of the market neutral strategy is the emphasis on hedging; this has been particularly useful over the past five years. While investment funds utilizing other strategies have underperformed the market during that time, most market neutral portfolios have performed above the average of other equity funds due to the emphasis on limited risk taking.

Technical Analysis

Technical Analysis - a method of evaluating investments by analyzing statistics generated based on market activity, such as past prices and volume. Technical analysts do not attempt to measure an investments intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance. Our primary trade evaluation technique is based on Technical Analysis

Fundamental Analysis

Company specific data can impact risk/reward profile of a potential trade. Scheduled quarterly earnings, revenue and future guidance announcements, declared dividends, news related to new products, mergers & acquisitions, stock splits, potential legal issues, etc. can influence the potential value of an investment.

Type of Option Trades

Long Calls

- The primary strategy of buying call contracts is to realize financial reward from an increase in the price of the underlying stock.

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Bull Call Spread

- A bull call spread is designed to capitalize on a modest advance in price of the underlying stock.

Bear Call Spread

- Options strategy used when the underlying stock is expected to stay below a specific price.

Long Put

- The primary motivation of buying put contracts is to realize financial reward from a decrease in price of the underlying.

Bull Put Spread

- Options strategy used when the underlying stock is expected to remain above a specific price.

Bear Put Spread

- An investor often employs the bear put spread in moderately bearish market environments, and wants to capitalize on a modest decrease in price of the underlying stock.

Combination Strategies

- Additional strategies are utilized to trade either bullish or bearish price moves in the underlying stock. Trades involving various combinations of call and put contracts are used for trade adjustments and/or minimize the cost of a trade

Holding Period

- 1) Weekly option contracts – 4 to 11 days
- 2) Monthly option contracts – typically 4 to 60 days

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Trade Entry Strategy

- 1) Set up the credit spread trades that expire the following month (monthly trades). Evaluate multiple leg trade setups to generate a \$1.00 per share net credit with short strikes that fit a statistical probability profile of 80% chance all the options will expire worthless and we get to keep most of the sold premium.
- 2) Set up option trades that expire the following month (monthly trades). Evaluate credit spread setups to generate a \$.50 per share net credit with short strikes that fit a statistical probability profile of 80% chance all the options will expire worthless and we get to keep most of the sold premium.
- 3) Each weekday, set up option trades that expire the following Friday (weekly trades). Evaluate credit spread setups to generate a .45 per share net credit with short strikes that fit a statistical probability profile of 80% chance all the options expire worthless and we get to keep most of the sold premium.
- 4) Daily review of stock charting and analysis tools to evaluate and set up potential option trades to purchase calls or puts (debit trades) that have a high statistical probability of generating a profit. Debit trades are Long Calls, Bull Call Spreads, Long Puts, Bear Put Spread and Combination Strategies.
- 5) Daily analysis of individual investments in the portfolio to evaluate exit strategies or trade adjustments.

Trade Exit Strategy

- 1) Credit spread trade option contracts are expected expire worthless with the maximum profit from retaining most of the sold premium.
- 2) Debit spread trades are usually closed out before the option contracts expire. These trades are designed to generate a defined maximum profit between 50% and 100%.
- 3) Long Call and/or Put trades are usually closed out before the option contracts expire. These trades can produce a larger gain, but we target a 100% profit to close trade.
- 4) Before initiating each trade, an acceptable loss amount is identified. If a trade has an unrealized loss equal to the predefined amount, evaluate whether to accept the loss and exit the trade, or perform a trade adjustment to minimize the loss.

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Position Size

Trading Account Allocation

- 25% of the trading account is allocated for monthly credit spreads
- 25% is directed towards weekly credit spreads
- 15% allocated to debit trades
- 15% is reserved for any trade adjustments
- 20% is a loss reserve to cover drawdowns

Note: Account Allocation varies depending on the stock market volatility, market corrections, price trends, quarterly earnings, etc.

Risk

Attempt to limit the potential maximum risk of loss from each trade to less than 2% of the total trading account.

Reporting

The broker/dealer should provide a mechanism for providing standard financial reports. Also, investors have the option to request ad hoc or other reports as necessary.

Options Traded

To satisfy the 'Objective' described above *Adviser reserves the right to unilaterally modify the list of options traded and/or trade options not currently listed.*

- 1) Equities – primarily contracts major DOW JONES, S&P 500 Index and NASDAQ companies
 - Apple Corporation
 - Amazon.com
 - Baidu, Inc.
 - Biogen
 - Caterpillar, Inc.
 - Celgene
 - CF Industries
 - Chipotle
 - Google, Inc.

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- IBM
 - LinkedIn Corp.
 - NetFlix, Inc.
 - Priceline.com, Inc.
 - Regeneron Pharmaceuticals
 - Tesla Motors
 - Salesforce.com, Inc.
 - Twitter, Inc.
 - Walmart Store, Inc.
- 2) Exchange Traded Funds (ETFs)
- Dow Jones Industrial Average
 - Healthcare
 - S&P 500
 - S&P MidCap 400
 - S&P 100
 - NASDAQ 100
 - Russell 2000
 - Energy Shares
 - Financial Shares
 - 20 Year Treasury Bonds
 - Gold Trust Shares
 - Biotechnology Index
 - Volatility Index
- 3) Equity Index – the major equity indexes
- Dow Jones Industrial Average
 - S&P 500
 - S&P 100
 - NASDAQ 100
 - Russell 2000

Resources Provided

Investment Adviser

Financial charting software
Financial analysis spreadsheet tools
Financial news and data analysis services
Option trading tools & resources

Broker/Dealer

Online real-time option trading software

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Trading account

Portfolio Margin to leverage invested funds

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Disclosure

Trading securities and options involves risk. Past results are not necessarily indicative of future performance.

Adviser's discretion is limited to only buying and selling securities in the proxy account.

Nella Investment Advisers (Adviser) is not a securities brokerage firm, has a pending Registered Investment Adviser (RIA) application with the SEC, and is a private firm established to provide investment services including technical and fundamental analysis, trade evaluation and execution.

Adviser is not affiliated with any brokerage firm or investment company.

Compensation

- Nella Investment Advisers only charges investors a flat monthly fee based on the amount of funds managed
- The Adviser does NOT receive any other commissions or fees
- The Adviser is not related to any brokerage firm or investment company.