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CXAT Frequently Asked Questions

September 27th, 2024

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Capitalogix Absolute Return Fund – CXAT Portfolio

Q: How does algorithmic trading impact returns?

A: One of the primary benefits of using a systematic approach to trading is that it eliminates fear, greed, and discretionary mistakes. We believe that a good system beats a great trader because it's on 24/7, never loses focus, and can scan a much larger set of opportunities and risks. It makes best practice, common practice.

We use AI and algorithmic trading technologies to focus on making smarter bets, not on outsmarting the market.

When we started trading, we hoped a single powerful algorithm could make us profits regardless of market conditions. We soon realized financial markets are too complex for that to work reliably. As a result, we developed a multi-level framework of trading systems that adapts to changing market conditions. It uses technology designed to identify what's currently working in the market, and then allocate capital, instead of trying to predict what's going to work, and hoping it does.

Over time, our focus has increasingly shifted from making money to preserving it.

In trading, the term "Alpha" refers to the excess return created by skill, rather than luck or taking more risks. The Capitalogix Adaptive Trading Platform (CXAT) generates Alpha by skillfully choosing which techniques to use. More importantly, however, it also makes more money by skillfully avoiding losses. We call this "Alpha-by-Avoidance."

It took multiple experts and years of experience to build and refine CXAT's technology and process-driven financial engineering process. The framework has multiple layers, including model development, evaluation and testing (historically and in real-time), risk management, portfolio construction, and position sizing. Collectively, the infrastructure, technology, and these multiple layers are all critical components that differentiate CXAT from its competitors.

Diversification is an important topic in portfolio construction. Typically, diversification is measured at the portfolio level and relates to having a broader mix of assets. Internally, we've developed a better approach that we call "Sensible Diversification". In this case, it isn't measured just at the portfolio level; it's created at the choice level. It seeks strategies with low correlation across different asset classes, techniques, timeframes, risk levels, and allocation strategies to maximize opportunities on multiple levels. Ultimately, the goal is to generate better risk-adjusted returns by using the right technique at the right time, on every level of the process.

Q: How does AI create new algorithms?

A: While humans are still involved, AI plays a crucial and increasing role in creating, testing, and evolving new algorithms.

We use a combination of equations, algorithms, models, and systems. Some of these rely on mathematics and statistics. So, these techniques are hard coded. Some techniques are dynamic and adaptive, while others truly learn and evolve.

But not all algorithms are AI. Currently, AI is more involved in developing and refining these algorithms than in the algorithm itself. We expect this to change in the future.

The distinction between what constitutes AI or automation isn't that important. As a practical reality, the technique's efficiency, effectiveness, or robustness is far more important than its type.

There's a significant difference between technology designed to support human decision-making, models requiring discretionary human oversight, and fully autonomous systems. Our goal is to develop autonomous systems. To summarize, algorithmic trading and autonomous decision making are the bedrock of our approach. However, AI is a tool in our arsenal, and is only getting better and more valuable.

Q: Can an algorithm generate 30%-40% returns?

A: Any algorithm might achieve a 30%-40% return at some point, depending on the amount of leverage used. However, having realistic expectations and focusing on consistent returns is more beneficial than hoping to get lucky or taking unnecessary risks. Optimizing a trading strategy to generate a higher return often increases the frequency, intensity, and duration of losses.

Rather than chasing high returns, we prioritize stability and having a high probability of a positive outcome. Once we develop a stable return technique, it can be traded more aggressively to engineer higher returns. This results in better risk-adjusted returns. By optimizing on volatility first, before enhancing performance, we hope to create more stable returns, and room for occasional big wins.

If you analyze trading returns, little wins and losses tend to cancel each other out. Naturally, you'd hope to have more wins and fewer losses. The real goal, however, is to eliminate big losses and benefit from your occasional big wins. Consequently, we've learned to prioritize "skill" over "luck" and "knowing faster" over "guessing better".

The key to determining the proper risk-adjusted return level is to understand the investor's risk tolerance in the context of market conditions. Unsophisticated investors tend to focus solely on potential returns. Sophisticated investors are more likely to prioritize risk control and loss avoidance, on top of performance.

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Q: What does the back end look like? How is the volatility adjusted?

A: The CXAT portfolio dynamically adapts and changes based on what's happening in over 30 different markets. We trade a wide variety of electronic futures contracts, including equity indices (S&P 500, the Dow Jones Industrial Average), debt instruments (10-year, 30-year note), metals (Gold, Silver, or Platinum), currencies (the Dollar, Euro, or Yen), commodities (soybeans, coffee, or lean hogs), and energy products (crude oil, natural gas, or heating oil).

CXAT dynamically activates and deactivates individual techniques based on their real-time performance within specific market conditions. Our multi-layered process ranks techniques to decide when and where to use them. If no good choice is available, going to cash is always an option.

We've built a comprehensive set of methods, tools, and testing capabilities. One example is our Tradeworthy Certification Process, which ensures we only trust and fund robust & reliable algorithms. Another is the Portfolio Construction Toolkit, which continuously assesses techniques to ensure they're in-phase and fit for the market, avoiding subjective decisions.

CXAT focuses on maintaining a low correlation to underlying markets and stable volatility. Many traders see volatility as something that happens to them; however, we use financial engineering to keep returns within a tightly controlled volatility range. This approach is a significant innovation and offers a substantial advantage.

Q: How does the money get moved between the various systems?

A: Money doesn't just move automatically, it moves autonomously. The Capitalogix investment process uses sophisticated decision-making capabilities to systematically determine what to trade, how to trade, when to trade, and when to shift investments between positions.

Markets are too complex for any technique to work all the time. Even the most successful strategies only work until they don't. However, there's always something that works. The goal is to find and allocate money to it while it's working.

To achieve this, CXAT manages a system of systems through an orchestration model built with stable principles and ever-changing components. While each component can operate independently, they often perform better when integrated with other capabilities.

Commented [ZG1]: This question answers so much more than what's actually asked. I get we like making every document into a sales document, but it feels a bit ridiculous a this scale.

Our design philosophy emphasizes both specialization and interconnectivity. Each component is crafted to excel at specific functions, but also contributes to a broader feedback loop that enhances the overall system's intelligence.

This approach enables CXAT to continuously learn and adapt, dynamically turning on or off techniques based on their real-time performance and relative effectiveness compared to other options. Consequently, the actual list of markets CXAT trades and the techniques it uses are constantly changing, while the core process remains stable. All of this is done without human intervention.

Q: Does the AI, in theory, improve over time through machine learning?

A: In trading, regulatory bodies make us say that 'past performance doesn't guarantee future results.' However, as technology entrepreneurs, the exponential nature of technology means that we're dealing with more powerful computers, better data, and increasingly powerful artificial intelligence and automation techniques. As those capabilities evolve, we anticipate that our systems will get better.

However, trading doesn't happen in a vacuum. You're competing against the market and other traders. It's important to realize that they're likely to evolve and get better as well. As a result, markets will become increasingly volatile and noisy. These are some of the reasons you can't ignore AI. Standing still is moving backward. Even if you don't use AI, it's going to be used against you more often and more skillfully.

Our system comprises thousands of equations, algorithms, techniques, models, and processes. We suspect that many of them will stay the same for years or even decades. But that doesn't mean they should always be used or get an allocation of trading capital.

Because of this, we've built an internal platform and a series of processes that help us consistently create and test new systems and portfolio construction techniques to keep us improving. We often make thousands of systems to find a few worth keeping. We've been doing this for decades and have built a suite of tools that lets us constantly innovate and anticipate how to raise the bar, improve our choices, and move toward what's possible.

Think of our process as a digital manufacturing plant constantly creating new capabilities. However, newer, bigger, or faster isn't necessarily better. A powerful but immature algorithm is probably less stable than a mature algorithm from an earlier generation. Nonetheless, we expect a greater portion of our portfolio and process will rely on AI that leverages learning and evolutionary models over time.

Even though we're always looking for more ways to win, we can't let shiny objects distract us or hurt performance. The goal is to optimize mature and stable processes we can rely on, rather than hoping a new technique works.

Truly autonomous trading must be fault-tolerant. This means it must work through the practical realities of life (including bad data, power failures, internet outages, and geopolitical events).

Our goal is to create an anti-fragile system that goes beyond mere robustness or resilience. While a robust system can withstand shocks and a resilient system can recover from them, an anti-fragile system improves and grows stronger when exposed to volatility, randomness, disorder, and stressors.

No system is perfect, and markets continually find new ways to surprise you. When we don't have an excellent response to the market condition we're confronted by, we use that data to innovate, adapt, and create new trading systems that better handle or profit from it. That is one way that CXAT gets stronger over time. In addition, we understand that you can't simply rely on building new learning algorithms; the process itself has to evolve as well.

Q: How does a client fund their capital?

A: Capitalogix Investment Management (CIM) is a regulated commodity trading pool. To comply with regulatory guidelines, we've designed a step-by-step process to get to know each other, help open your account, and safely fund your investment.

To start, we'll send you some documents and a questionnaire. We use the Know Your Customer (KYC) process to ensure you are comfortable with what we do, and the level of risk involved in how we do it. We'll also share details about the service providers we use for custodial services, third-party administration, and back-office services to ensure transparency, safety, and regulatory compliance.

Here's what you can expect:

1. **Opening Your Account**: To participate in the investment, the investors must review and sign two key documents: a Private Placement Memorandum (PPM) and a Subscription Agreement. These documents outline the investment process and serve different purposes:

    - **PPM:** This is a disclosure document that outlines the fund's investment strategy, risks, fees, tax treatment, and other important details. It helps potential investors make an informed decision about whether to invest. Think of it like a brochure for the fund written by lawyers rather than marketers.
    - **Subscription Agreement:** This is a legal contract between the investor and the fund. It specifies the terms of the investment, such as the amount committed, lock-up period (restrictions on withdrawing funds), and representations made by the investor (e.g., accreditation status). Wiring instructions are included.

      In short, the PPM informs, while the Subscription Agreement confirms.

2. **Funding:** The investor wires funds to the Fund's bank account, where it is held until the subscription period begins. The Subscription Agreement becomes binding after the parties sign and the investor funds the investment. Funds need to be wired a minimum of 15 business days (if it's a new investor) before the end of the month; funds become tradeable at the beginning of the following month.

3. **Approval:** During the 15-day due diligence period that begins once the subscription documents are signed and the funds are wired, the Fund Administrator (NAV Consulting) and the back-office operations team (IQ-EQ) conduct their due diligence processes before approving the fund subscription.
4. **Transfer:** After NAV gives its final approval, IQ-EQ transfers the investment funds to the Fund's trading/brokerage account.
5. **Trading:** Once the broker confirms funding, the investment funds are ready to begin trading on the first trading day of the following month.

Q: What brokerage does the Fund use?

A: While we maintain relationships with various brokers, we've chosen TradeStation Securities, Inc. (a subsidiary of Monex Group, Inc.) as our primary broker and Futures Commission Merchant (FCM).

The FCM helps us ensure security and trust throughout the investment management process. We chose TradeStation after extensive testing because they provide great service, reliable trading operations, and a stable electronic futures trading platform. Their platform grants us direct access to real-time market data, allowing us to manage your capital with the latest technology and minimize potential delays or errors.

Q: Does the algorithm require margin?

A: Algorithms don't require leverage. How we trade them in a futures account might. Futures contracts inherently involve both margin and leverage.

- **Margin:** This is a deposit you make with the FCM, acting like a good faith down payment for the futures contract. It's not the full value of the contract, but a percentage typically ranging from 3% to 12% depending on the specific contract.

- **Leverage:** By using a smaller amount of capital (the margin) to control a much larger contract value, you gain leverage. This means smaller price movements in the underlying asset can lead to bigger profits (or losses) in your position.

Leverage is a key feature of futures trading, and it is enabled by using margin. This allows futures traders to participate in the market with a smaller upfront investment. However, it's crucial to understand that leverage cuts both ways - amplifying both potential gains and potential losses.

A significant portion of our process is designed to selectively and intelligently use margin and leverage to smart-size our exposure and control volatility. Our trading strategy historically maintains low drawdowns, with a margin-to-equity ratio typically around 5-10% of the total

AUM. As an additional line of defense, the FCM/Broker acts as the custodian of funds, holding the trading capital and ensuring there's enough to cover margin requirements for held positions.

In addition, there are several other advantages to futures trading, including high liquidity (this refers to the ease and efficiency with which you can buy or sell a futures contract) and favorable tax treatment because of Section 1265 of the Internal Revenue Code. Under Section 1256, gains and losses are generally treated as **60% long-term capital gains** and **40% short-term capital gains**, regardless of how long you held the contract. Long-term capital gains typically have lower tax rates compared to short-term gains.

Q: What resources can we show to clients, and who can show it to them?

A: A Series 3 license, also known as the National Commodities Futures Examination, is required for several categories of professionals in futures trading. This includes **anyone who solicits and sells futures contracts and options on futures contracts.** For example, brokers, investment advisors, and other financial professionals who directly work with clients to recommend or sell these products.

Here's a breakdown of the specific roles that typically require a Series 3 license:

- **Futures Broker:** Brokers who recommend or sell futures contracts and options on futures contracts to clients must be licensed.
- **Introducing Broker (IB):** IBs connect clients with FCMs to execute futures trades. If an IB representative solicits clients, they need a Series 3 license.
- **Associated Person (AP) of an FCM:** APs who work for FCMs and are involved in soliciting or servicing accounts that trade futures contracts or options on futures contracts need to be licensed.
- **AP of a commodity pool operators (CPO) or commodity trading advisors (CTA):** APs of CPOs or CTAs may need a Series 3 license depending on their specific role and interactions with clients.

To maintain compliance with regulatory standards, it's important to note that soliciting a Commodity Trading Pool (CTP) or a separately managed account (SMA) to large audiences, such as through website solicitation or mass emails, is prohibited. Sales should be done through established relationships, targeting accredited investors.

Here are some resources we can provide to clients:

- **Initial 6 Months:**

  - APs can share approved compliant promotional materials provided by us, such as decks and PDFs, containing tested and traded research data.

- **Post-6 Months:**

  - Performance numbers must solely reflect live fund results; no simulations or backtests.

- Adherence to NFA rules when communicating with prospective clients, don't oversell performance, and ensure investors understand the risks associated with futures trading. Use of terms like "guarantee" are strictly prohibited.
- When discussing the fund, specifically, only actual fund performance can be shown.
- When talking about the technology, generically, test, simulation, and research data can be shared.

So, to summarize, to present materials one must have a Series 3. Compliant materials can be solicited through established relationships to accredited investors. We will provide various PDFs and Decks that have been meticulously edited and reviewed by legal counsel.

Q: Tell me about the fund and its structure.

A: A Cayman mini-master structure is a convenient way for top funds to create a compliant fund structure that's tax-advantaged and cost-efficient. Here are some of the benefits:

- **Tax Efficiency:** The Cayman Islands offer tax advantages for offshore funds, potentially reducing the overall tax burden for non-US and tax-exempt US investors. They typically do not levy corporate income tax on capital gains earned through futures trading activities.
- **Flexibility:** The mini-master structure accomodates different investor types with individual tax needs through separate feeder funds to minimize tax leakage.
- **Increased Investment Flexibility:** The structure offers some flexibility in how the fund is set up. The Cayman Islands have a well-developed legal framework for funds, allowing for customization to fit the specific investment strategy and risk profile of the fund.
- **Simplified Administration:** Using a mini-master may streamline administrative processes and reduce ongoing costs associated with managing multiple funds within the structure.
- **Access to a Global Investor Pool:** A Cayman domicile can make the fund more attractive to a wider range of international investors due to the potential tax advantages and familiarity with Cayman Islands fund structures.
- **Reputation:** The Cayman Islands are a well-established offshore financial center with a reputation for robust regulatory oversight. This is a positive factor for investors seeking a certain level of credibility in the fund's domicile.

Here's a breakdown of how it works.

Structure:

- **Master Fund:** This is a single limited liability company (LLC) established in the Cayman Islands. It holds all the assets of the fund, including the capital invested by participants.
- **Investors:** Investors don't directly invest in the master fund. Instead, they invest in a separate feeder fund structure based on their tax residency and investment needs.

Types of Feeder Funds:

- There can be multiple feeder funds depending on the investor base.

    - **Offshore Feeder:** This feeder is for non-US and tax-exempt US investors. Their capital is deposited into the offshore feeder, which then invests all its assets into the Cayman master fund.
    - **US Feeder (Optional):** If there are US taxable investors, a separate US feeder fund might be established. This feeder would comply with US regulations and invest in the Cayman master fund.

How it Works for Futures Trading:

- Investors commit capital to their respective feeder fund(s).
- The feeder fund(s) pool the capital and invest it all in the Cayman master fund.
- The master fund uses the combined capital to trade futures contracts in the global markets.
- Any profits generated by the futures trading activity accrue to the master fund.
- The master fund's NAV reflects the performance of the futures trading strategy.
- Feeder funds periodically distribute the NAV (or a portion of it) to their investors based on their investment pro-rata share.

Overall, we chose a Cayman mini-master structure to create a compliant fund structure that's tax-advantaged and cost-efficient futures trading fund accessible to a diversified investor base.

Q: Are there regulatory requirements for a fund like this?

A: In general, the NFA requires investment pools to register and comply with their regulations, including recordkeeping and disclosure requirements. However, there are exceptions available.

We have to discuss whether to create an exempt fund or not. An exempt fund is cheaper and easier to operate but requires a higher level of investor. In contrast, we can open a fund that's more broadly open to investors, but more costly and difficult to operate.

Over time, we may have multiple pools. Each of those pools may be subject to different levels of recordkeeping and disclosure. Some might be exempt fully. Here's a list of some of those exemptions. However, for the most part, they won't apply to the funds we offer to outside investors.

Exemption from CPO Registration (CFTC Regulation 4.13):

- **Smaller Pools:** A CPO can be exempt from registering if the pool has fewer than 15 participants and doesn't hold itself out publicly as it is open to new investors.
- **Accredited Investor Limitation:** The pool can only accept investments from accredited investors, as defined by the SEC. This exemption also applies to pools formed by an accredited investor solely for family members.
- **Knowledgeable Employee Exemption:** A limited number of knowledgeable employees of a sponsoring company can participate in the pool without triggering registration requirements.

Another Potential CPO Registration Exemption (CFTC Regulation 4.5):

- Certain trading vehicles (fund structures) might be excluded from being classified as a commodity pool altogether, depending on their structure and activities. This exclusion would remove the need for CPO registration.

The exemption we will likely choose is the 4.7 exemption. To qualify for this exemption, all our clients and investors need to be accredited investors.

Exemption from Certain CPO Requirements (CFTC Regulation 4.7):

- **Qualified Eligible Persons (QEPs):** A CPO can be exempt from certain recordkeeping and disclosure requirements if the pool's participants are all considered "qualified eligible persons" (QEPs). QEPs include certain investment professionals, knowledgeable employees, qualified purchasers, and non-US persons, along with accredited investors who meet a specific portfolio size requirement.

Q: Has the fund already started in some capacity?

A: Your investment in CIM's new class is based on our state-of-the-art CXAT technology, which has been trading live from time to time in older fund classes since 2021. We periodically use live capital to create and refine robust models that work in different markets and conditions.

As a technology company, we began building what became CXAT in 2017. The first full version went into live simulation in 2019 to undergo a rigorous testing and refinement process. CXAT first received live capital in 2021 and has delivered consistent performance since then.

We're continuously improving CXAT by increasing the quantity and quality of its trading models, adding more timeframes and markets for diversification, and enhancing our risk management techniques.

CXAT has evolved from an approach we wanted to include in our portfolios to a full-featured trading methodology. It has matured into the standalone product available today, capable of adapting to and exploiting diverse market conditions.

While its components have traded before in various capacities, this new fund class represents the first time we will use this technique as a standalone investment vehicle. This allows us to fully leverage the power and potential of CXAT without being constrained by other strategies or approaches.

Q: What is the AUM in that fund?

A: The older internal fund was relatively small, averaging less than $15 million AUM. Our internal tests show that CXAT can comfortably handle up to $5 billion AUM because it’s trading some of the most thickly traded markets in the world. This information is detailed in the deck we’ve shared with you.

Q: What is the average investment capital of people in the fund?

A: As this is a new class of the fund, we don't have an operating history to provide specific details. However, based on previous internal classes, the average investment has typically been around $1,000,000. The minimum initial investment required is $250,000, and QEPs should have a net worth of 2 million.

Once an account is established, investors can add smaller amounts. We optimize the cost-benefit ratio and minimize frustration for different types of investors. It's important to note that investments below $250,000 may not provide the same benefits. That said, we are open to discussions about the minimum investment you should solicit or accept.

In the past, Capitalogix investors have started with a minimum of $100,000 for their initial investment, with the option to add smaller amounts once the account is open.

Q: How does the solvable problem methodology fit in with the algorithm? Is the method embedded within the algorithms?

A: Let's have a separate discussion with Nic to talk about this.

Q: Howard told us about selling the funds; how does selling the funds work?

- I.e. the solvable problem of IP being within the fund when it is sold?

A: The process of selling funds can be approached in several ways, with the key focus being on ensuring that the IP and technology remain an integral part of the transaction. It's important to note that the fund itself doesn't own the IP; rather, it uses the IP and technologies created by Capitalogix.

Below is some clarification on the current structure and potential options.

Current Structure:

1. The fund (CARF) belongs to its investors.
2. There's a contractual agreement between CARF and Capitalogix Holdings for the use of technology in exchange for a fee.
3. CIM (Capitalogix Investment Management) manages the fund.

Options for Selling or Transferring the Fund:

1. **Selling Management Rights:**
   i. CIM can sell the right to manage the fund to another entity.
   ii. The new manager would step into CIM's role, continuing to use Capitalogix's IP under the existing agreement.

2. **Licensing the Technology:**
   iii. If the fund is sold or transferred, we can structure a licensing agreement for the underlying technology.
   iv. This ensures the new owner can continue using the critical IP that powers the fund's performance.

3. **Partial Ownership Transfer:**
   v. In a joint venture scenario, one partner (e.g., GuardLogix) could sell its portion while the other (e.g., Capitalogix) retains its position.
   vi. Note that management fees belong to CIM and aren't shared, so what's being sold is the incentive allocation.

4. **Creating and Selling a New Fund:**
   vii. We could establish a new fund with its own marketing infrastructure, then sell it to a buyer.
   viii. The buyer would own the fund and receive a license for the associated IP.

5. **Transferring to Another Party:**
   ix. An existing owner could sell their shares to a new party, who would then manage the fund.
   x. This maintains fund operations and continues use of the IP.

Attracting Buyers:
Funds become more attractive to potential buyers as they reach higher levels of Assets Under Management (AUM). Buyers are often interested in the expected future income flow that comes with a substantial AUM.

Key Considerations:
- The IP remains with Capitalogix, LLC, regardless of fund ownership changes.
- Any sale or transfer would need to address the ongoing use of Capitalogix's technology.
- The contractual relationship between the fund and Capitalogix Holdings for technology use is a critical component in any transaction.

Q: What license does Nic/Douglas have?

A: Nic and Douglas have a Series 3 license.

As a practical matter, it's the only license you need to be a CTA or sell interests in a CTP.

Anyone who is selling the fund and talking to prospective clients needs to be registered as an **AP** with the NFA and pass the Series 3 (Commodity Futures) exam.

Link: https://www.finra.org/registration-exams-ce/qualification-exams/series3

Anyone serving a major business function (CEO, COO, CFO, Legal, Portfolio Manager, etc.) or owns >10% of the firm needs to register as a **principal** (no Series 3 requirement).

Q: Would it be worth Aaron doing the same?

A: It would be worth it, yes.

Q: How do management fees work?

A: Our fee structure consists of two main components: the management fee and the performance fee (also known as the Incentive Allocation Fee in the PPM).

The Management Fee: A fixed percentage of the total investment, typically ranging between 1% and 3%. Currently, our standard rate is around 1.75%. This fee is accrued monthly but paid quarterly, covering operational costs and ongoing fund management. The management fee is applied annually to the total investment.

The Performance Fee: A percentage of the profits generated, and usually ranges between 15% and 20%. Our current standard is around 17.5%. This fee aligns our interests with those of our investors and is only applied to profits.

The industry standard was traditionally "2 and 20" (2% management fee and 20% performance fee), but recent trends have seen these percentages lowering. Our fees of approximately 1.7% for management and 17% for performance are lower than this traditional standard, making it very competitive within the current market, especially considering our use of advanced AI and technology.

All fee details are fully disclosed in the PPM document, and we're open to discuss these terms to find a mutually beneficial arrangement.

Q: What's the Updated Timeline - ETA on When We Can Allocate Funds?

A: The timeline for fund allocation depends on several factors:

1. **Exempt Fund Status:** We need to determine if this will be an exempt fund, which impacts regulatory requirements and timelines.

2. **Minimum Capital Requirement:** We require a minimum of $2-$5 million before trading begins. This ensures costs don't unfairly impact performance and allows the CXAT portfolio to fully utilize its strategies.

3. **Operational Considerations:**

- $500,000 is the bare minimum for fund operations (covering operating and organization costs)

- Ideally, we aim for $10 million AUM to keep operating costs at a reasonable 5% of the total fund.

4. **Performance Reporting:** Results are shown in net of fees and expenses. A smaller AUM means investors would absorb a higher percentage of these expenses, potentially impacting returns.

Given these factors, we can't provide an exact ETA until we've raised the initial capital. Our focus is on reaching the minimum threshold of $2-$5 million to begin trading effectively. Once we approach this target, we'll be able to provide a more specific timeline for fund allocation.