Spotlight On: **T2 Associates**

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Can you briefly describe your trading program?

The basic strategy is fundamentally contrarian. When markets approach extremely overbought levels, the system typically goes short. When markets are oversold, the system tends to buy. But unlike most mean-reversion traders, the T2 algorithms have a built-in adaptive mechanism that can in certain unique situation cause the system to *buy* during overbought markets and *sell* during oversold markets. By incorporating this bit of flexibility into the system's DNA, T2 is able to differentiate itself from typical mean-reversion traders and offer powerful diversification to traditional strategies.

The T2 strategies are entirely systematic, fully automated, and reasonably high frequency. The strategies are market agnostic in the sense that they have no general directional bias. But at any given point the program will be biased either long or short, often heavily so if extreme conditions warrant. The average holding period is approximately 3 days, however, some positions are held for a few hours and others can be held for 3 weeks.
The program has been trading in its current form since April 2010, the launch of the T2 Contrary #1 Pool.

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>
> James Tann
> Founder, T2 Associates

What makes your approach different from other CTAs?

Unlike a lot of CTAs, we don't trend-follow. We also have a negative correlation with the instruments that we trade, which is highly unusual and stems from our extreme contrarian approach. Our performance also tends to increase with the volatility of the market that we are trading and tends to struggle in one-directional, trending markets. We developed these strategies specifically to provide diversification for the more traditional trend-following and long-equity strategies in our personal portfolios.

Many of the algorithms we use today are based on the same ones James Tann's father was using in the 1930's, so our lineage clearly sets us apart from most modern CTAs. We have a deep appreciation for simple strategies that are timeless in nature and efficacy. But it's really the methodology that sets T2 apart. Algorithms come and go as trends move into and out of fashion. Having a robust, repeatable methodology and a sturdy procedure to test new algorithms is what keeps the fund and its strategies relevant regardless of the current environment.

What is your minimum capital requirement for your program? Do you accept notional funding?

The minimum for the T2 Original Program is $250,000 and it can be traded notionally at $150,000. The minimum for the T2 Institutional Program is $2.5 million and it can be traded notionally at $1.5 million.

What markets does your program focus on?

We currently focus on the S&P e-mini market. However, our algorithms have been tested to work on multiple commodity markets. As the firm grows and seeks to add new products we have the capability to implement some of these algorithms in markets where they are most effective.

Would you say your trading program(s) is better suited to be a stand-alone or part of a multi-CTA portfolio?

Given our extreme lack of correlation and tendency to perform well when trend-followers are struggling and struggling when they're performing well, T2 is an ideal fit for a multi CTA portfolio. With the fund's tendency to perform well when the stock market is abnormally volatile, T2 can also be utilized effectively as a hedge on an individual's or institution's equity

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portfolio. During our 3 year track record our systems have produced a rather significant negative correlation to the S&P 500 while generating considerable profits over the same period.

In regards to selecting a CTA or composing a portfolio of multiple CTAs, what piece of advice would you offer to a client?

Investors should always seek understand what role a CTA plays in his portfolio. Is there value in investing in a dozen trend followers who all do essentially the same thing and exhibit high correlation between themselves? Or should investors instead focus on assembling a lineup of CTAs who are fundamentally different from one another and are expected to perform very differently during different environments?

When investors understand the role that each CTA plays, they can build a much more powerful portfolio with superior risk-adjusted performance. We believe there is tremendous value in diversity and that investors should spend some time getting to know their managers and making sure they are each truly different from one another. Managing a successful portfolio of CTAs is much more complicated than simply looking at "who has done well lately." It's about understanding that the future will look different than the past and that one must assemble a lineup of funds diverse enough to be able to deal with a variety of market environments.

James P. Tann (Founder & Owner), has been trading the futures market since 1967. He was an early adopter of the Personal Computers and their application to the futures industry, and after retiring from a 35 year career in the Silicon Valley in 2005, he has devoted himself full time to T2 and enhancing its trading systems. Mr. Tann holds a BSE Physics (1966), a BSE Mathematics (1966) along with an MBA in Quantitative Methods and Finance (1967) from the University of Michigan.

Curt A. Breitfuss (Partner) has been involved in the CTA industry since 1986. As president and owner of Jones & Company and co-owner of T2 Associates, he has 26 years of experience in managing investment portfolios and developing emerging CTAs. He holds a BA in Finance from California State University and MBA from the University of Nevada.