

White Paper – proprietary trading.

Would you like to be an insider in the trading markets?
Now you can.

My name is Bjorn Jonasson and I am the principal of J.B. Henry Capital Management, Inc., and I have been a member of the NFA since 2001.

My membership # is 0306390. My background information is available on the official website of the NFA, please check for yourself.

At present neither I or the firm is a member of NFA or are supervised by the CFTC as the business is exempt from registration.

I have also been a member of STAF since 2001.

I was head of research and trading at a registered CTA (Spectrum Asset Management, Inc) and left to trade my own account.

And to invite a select few to join me in a partnership like setup.

We target 40% - 100% per year net for our clients even though there is risk of loss. How would this be possible, you might wonder? Well read on. (The answer is 4% and up per month as you will understand after reading this white paper, even though there is risk of loss).

There are professional Money Managers and there are professional Traders.

Professional traders trades for there own account and that of a few select clients.

Then there are amateur traders. If you heard that 90% lose trading, this is the group that lose. The Professionals are the ones winning all these monies! As there is 2 sides to all trades.

My specialty is technical analysis and its application in the foreign exchange markets. The main concern is risk management. I follow the 2 rules of Warren Buffet –

Rule 1. Don't lose money.

Rule 2. See rule 1.

I have a detailed business plan. And a well researched trading program.

For the inquiring mind the essence of the trading program is explained in the excellent book by Van Tharp*. If you read and really understand the concepts by this trading mentor, you will have an appreciation of my invitation to join.

My business plan is to raise 1 million dollars only. When this is achieved the trading program will be closed to new money. Why? Because this is a niche program that trades a maximum 1 interbank size contract intraday. Interbank size is 10 million dollar contracts. Regular bank size is 1 million dollar contracts and retail size is \$100,000.

The liquidity is not available to trade hundred of millions with this or other short term trading programs. This is why the big hedge funds can not trade like this with all their

capital. Sure they might trade a million also but if they manage 500 million, they can only allocate 1/5 of 1% of their capital, so it doesn't have any worthwhile impact on their results.

If however your capital is 1 million dollars you can make a huge impact on your return.

We need to have a new thinking to grasp this opportunity. We do not think in terms of yearly results. Why?, because money doesn't care about time.

Think in terms of trades. The number of trades in a specified time frame. A regular trading program might have 100 – 200 trades in a year. Normally 10 in a certain instrument or market. Then the manager diversifies and trades 10 - 20 markets, so the result is 100- 200 trades in a year. So the result can be divided by 100 and we get the Expectancy as described in Van Tharps book. For example the manager produces 20% in a year so we divide by 100 and get 0.2% per trade. This means on average each trade is making a profit of \$200 for a \$100,000 account. \$200 x 100 trades equal \$20,000 or 20% of the account size.

This is a good return by a professional money manager. It places him in the top 50 managers in the country. And this is after all fees and commissions are paid.

A professional trader trading his own money can make this and more in a month. How is this possible? Does he not need to be a guru? A guru – no. Possible - definitely.

Fact.

There are a few concepts that have to be understood.

Win %

Loss %

Risk

Reward

Risk/Reward ratio

Expectancy

Opportunity

Expectunity

Drawdown

Position size

Win % - The winning percentage, if 40 trades are winners out of 100 trades it's 40%.

Loss % - self explanatory.

Risk – the risk per trade. This is calculated on a percentage basis. So we risk a maximum 1% on each individual trade for example. For one \$100,000 account this equals \$1000.

The risk is determined as the number of ticks or pips that we take on a trade. This might be 10 pips or 20 pips or 50 pips. We then calculate the contract size so the result is 1%.

For example 10 pip risk. 1% = \$1000 so contract size 1 million.

For 1 million 1 pip = \$100. 10 x 100 = 1000.

Next example risk 50 pips. Contract size \$200,000. Each pip equals \$20. $20 \times 50 = 1000$. So whatever the risk in terms of ticks on the chart our risk per trade is always 1%.

Reward – this is the profit per trade. We again think of this in percentage terms. If we make 2% profit this is \$2000 for the \$100,000 account. So if we make 20 pips profit and each pip is \$100 we made \$2000 profit or 2% of a \$100,000 account. Or we made 50 pips profit and each pip was \$40 the profit was also \$2000 or 2%.

Risk/Reward ratio – now we only think in terms of percentage. Both examples above is 1% risk and 2% return, so we say a 2:1 RRR (Risk Reward Ratio)

Expectancy – **This is the really important part. Most traders don't even know what it means. Expectancy = winning % x profit % – losing % x loss %.**

So for example we have a winning percentage of 40% and make 2% profit and a losing % of 60% and we lose 1% (our risk) per trade.

$$40 \times 2/100 - 60 \times 1/100 = 80/100 - 60/100 = 20/100 = 0.2$$

This means for every dollar we risk we make 0.2 dollar per trade on average or for every 1% we risk we make +0.2% per trade, winners and losers included. Make 100 trades and we make 20% return.

Or we have a winning percentage of 60% and we make as much as we lose per trade.

We make 1% on winners and lose 1% on losers. What is the Expectancy?

$$60 \times 1/100 - 40 \times 1/100 = 60/100 - 40/100 = 20/100 \text{ or } 0.2\%$$

So the Expectancy in this example is the same as above.

Now do you see that the winning % is not the most important number? The Expectancy is the important number. Most people ask or think about the winning % and they give no thought to expectancy. And as we know most people lose in the markets. This concept took me many years to realize. And as we can see only about 5% of traders think in these terms.

Okay so let's say we can achieve an Expectancy of 0.2%. So we can make 20% in 100 trades. This is where opportunity comes in.

Opportunity – this is the number of opportunities per time frame where we can find good trading situations. A regular trading program has 100 – 200 opportunities per year. A professional trader trading intraday can have 5 – 10 good Opportunities per day (or more) or 100 – 200 a month. So a professional trader trading a small (1 million dollars) account has 100 – 200 Opportunities per month. He can make in a month what takes a large money manager a year to achieve. **This is an Edge.** The Edge of trading a small (in relative terms) account size in the markets. Is this true? It happens every day. If it didn't, there wouldn't be any professional short term traders.

Please keep in mind there is an average 6 trading hours per day or 120 hours per month in the equity markets. In the Forex market that is trading 24 hours per day the same opportunities occur in only one week, providing you have competent trading personnel covering the markets around the clock.

Expectunity – Expectancy times Opportunity. This is the really important number. It shows how much we mathematically can expect for a given time period. In our case we have 100 opportunities per month times an expectancy of 0.05 – 0.2%% so this number then is + 5% < +20% per month. (Before incentive fee of 20%, so deduct 2% and it would mean + 4% to +16% net after fees.) But keep in mind you can win as well as lose, these are targeted averages.

Drawdown – the amount of losses during the time frame (year) that the account loses value before achieving the desired result. How can this be calculated? It can be calculated or estimated mathematically if we know the numbers as described above.

What is used is a so called Monte Carlo simulation. This technique is used by maybe 1% of traders. In other words even a lot of professional traders don't calculate this probability of drawdown for the amount of positive reward. There is no reward without risk. This is a fact. And here we can calculate the risk or likely drawdown. It might come as a surprise but there is a relationship that can be calculated. And 2 traders might trade the same trading system and one trader goes bankrupt and the other makes a good living year after year. With the same trading system! How is this possible? Drawdown which is decided by position size.

Position size – Do we risk 1%, 2%, 3% or 5% of our equity per trade. It depends. But we want to stay in business and prosper so we keep this percentage low. This exact number can be calculated by way of Monte Carlo simulation. With special computer software we simulate hundreds and thousands of probability outcomes and portfolios. Based on RRR, win %, Expectancy and position size. So the answer for our trading program is determined by each individual trading strategy used.

Okay, did you understand the concepts so far? If not I'll be glad to talk with you in person and clarify the issues further. My program is risk adverse and conservative, but has a high Opportunity factor. In other words there are on average 5 – 10 or more good trading opportunities per day which equals 100 - 200 per month. So we can achieve in a month what most managers do in a year.

We have different well researched and proven systems

For the business at hand. I am inviting interested investors. When 1 million is allocated the program closes for new investors.

So, again I'm a trader not a sales person. I do however have some people helping me to find the investors I'm looking for. They get to share my fees. I did originally buy investor names from a list broker. At a very reasonable price.

Your funds will be held at a registered FCM in the U.S. www.gaincapital.com
(Futures Commission Merchant or Bank regulated by the CFTC)

Only you have access to your funds. You just sign a Limited Power of Attorney for J.B. Henry Capital Management, Inc to trade your funds.

Again, my name is Bjorn Jonasson and you can reach me at info@jbhenry.net or talk with one of our in-house brokers.

Or call at U.S. phone number (561) 459 1898

Thank you!

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Trade your way to financial freedom. Van K. Tharp Second edition. Mc.Graw Hill

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Tight spreads as low as 2.5 - 3.5 pips, with fractional pips for more precise quoting.

At GAIN Capital, we'll trade on dealing spreads as low as 2.5 -3.5 pips on the most widely traded currency pairs. This is the total spread that you, the client gets charged. And with our fractional pip pricing, you gain an extra digit of precision so that you can take advantage of smaller price movements.

Plus, you can enter orders at any price - even inside the spread - and trade around news events, major economic announcements and other times of high market volatility.

Fractional pricing is always market driven. Using our proprietary rate engine, we aggregate prices from some of the world's leading FX banks, in real-time. Because quotes are derived directly from bank prices, dealing spreads will fluctuate to reflect available Forex market liquidity.

Dealing Spreads, all inclusive

Pair	As low as
EUR/CHF	2.5
EUR/GBP	2.5
EUR/USD	3.0
USD/JPY	3.0
AUD/USD	3.5
EUR/JPY	3.5
USD/CHF	3.5
USD/CAD	3.5
GBP/USD	3.5
NZD/USD	3.5

CFTC required disclaimer.

Before deciding to participate in the Forex market, you should carefully consider your investment objectives, level of experience and risk appetite. Most importantly, do not invest money you cannot afford to lose. There is considerable exposure to risk in any foreign exchange transaction. Any transaction involving currencies involves risks including, but not limited to, the potential for changing political and/or economic conditions that may substantially affect the price or liquidity of a currency. More over, the leveraged nature of FX trading means that any market movement will have an equally proportional effect on your deposited funds. This may work against you as well as for you. The possibility exists that you could sustain a total loss of initial margin funds and be required to deposit additional funds to maintain your position. If you fail to meet any margin call within the time prescribed, your position will be liquidated and you will be responsible for any resulting losses. Investors may lower their exposure to risk by employing risk-reducing strategies such as 'stop-loss' or 'limit' orders. No representation is being made that any account will or is likely to achieve profits or losses similar to those discussed on this website. The past performance of any trading system or methodology is not necessarily indicative of future results.