

Stark & Company Index Definitions

Stark Fund Index

In October 1987 Stark acquired the rights to the Norwood Index, which began tracking futures fund in 1978. The Norwood Index was the oldest and first index ever published covering Managed Futures investments. The Norwood Index is known today as the Stark Fund Index. This index is comprised of approximately 155 future funds worldwide. Stark began publishing the Norwood Index Report in 1988. Today this newsletter is known as the Stark Trader Analysis Report and currently is the longest running newsletter written continuously by one person in the Managed Futures Industry.

Stark 300 Index

The Stark 300 Index is compiled using the top 300 trading programs from the Stark database of over 400 programs. The top 300 trading programs are determined quarterly based upon assets under management.

Typically the cut off point for making the top 300 list has been approximately \$1,000,000.

Performance for the Stark Fund Index is compiled on a Simple Average basis and an Equity or Asset Weighted basis. Performances for the Stark 300 and specific Trader Indexes are compiled on an Asset Weighted basis only.

Simple Average: Each funds monthly percent change is summed and divided by the number of funds in the index for that month to provide a simple average performance for the index.

Equity Weighted Average: Monthly percent changes are multiplied by each Fund/CTAs beginning Net Asset Value to determine an approximate dollar profit or loss (P/L). Each Fund/CTAs P/L is summed to determine an aggregate P/L for the overall index. This aggregate dollar P/L is then divided by the index's aggregate Beginning Net Asset Value to determine the Equity Weighted Average for the index.

As a result monthly performances in a Fund or CTA with larger amounts of investor equity will have greater impact on the compilation of the index's Equity Weighted Average performance.



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Trader Indexes

The Stark database of futures, options, and foreign exchange traders is compiled into 10 distinct sub indices. Below is a brief description of the criteria being used to screen a specific trader for inclusion in any particular index.

Approach Specific

Systematic Trader Index

Any trader utilizing a type of computerized or systematic analysis for generating buy and sell signals in the marketplace are included in this index. Some traders incorporate their market analysis into a single system while others will use multiple systems as a way to add program diversification. A small amount of discretion is tolerated in a trading program by this index.

Discretionary Trader Index

To be included in this index a trader must rely on their own personal experience and judgment in determining when and where to enter and exit the marketplace. Several discretionary traders will however rely on computer generated analysis of market price data to aid in their decision making process.

Category Specific

Diversified Trader Index

Traders that diversify their program among 3 or more different market sectors are be used to compile this index. These programs can range from trading a diverse basket of 30 or more markets down to trading only a single market in 3 or more different sector groups.

Examples of the different sector groups include Stock Indices, Interest Rates, Currencies, Grains, Meats, Softs, Metals and Energy markets.

Financial Only Trader Index

These trading programs are limited to those that only trade in one or more of the following sectors.

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Financial & Metal Trader Index

These trading programs are limited to those that only trade in one or more of the following sectors in addition to the Metal markets. Stock Index, Interest Rates or Currency markets.

Non-Financial Trader Index

These trading programs only participate in non-financial markets which include; Grains, Meats, Metals, Softs (Cotton, cocoa, Sugar Etc) Energy.

Sector Specific Indexes:

To be included in any one of these indexes the trading program must participate in these specific market sectors exclusively or by a vast majority.

- 1) Agriculture,
- 2) Currencies,
- 3) Interest Rates, and
- 4) Stock Index.

Trading Approach Definitions

Multi-System

In a multi-system approach, a trader relies on two or more systematic trading programs to determine whether or not to establish a position in a particular market. Some CTA's will trade each system independently of each other while others may look at multiple systems in order to confirm an initial trade or signal when to exit an existing trade.

Technical

A technical trader is one that studies the action of the market itself as opposed to the underlying supply and demand statistics. Technical analysis is the science of recording, usually in graphic form, the actual history of price changes, volume, open interest and other relative data. in a certain commodity or financial futures market and then deducing from that pictured history the probable future trend.

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Fundamental

A fundamental trader is one that depends on certain statistical data. They will analyze bank and treasury reports, production indexes, price statistics, crop and weather forecasts, among other things, in order to gauge current prices in general. Daily news information is also monitored by fundamental traders in order to arrive at an estimate of future market conditions and prices. Fundamental analysis looks more towards theoretical justification of price movement where technical analysis relies quite heavily upon empirical observation.

Trend-Follower

Most technical trading programs consist of some type of trend-following component. Basically, a trend-following trader looks to identify the direction of a price trend through the use of one or more technical indicator. These include price patterns, trend-lines, moving averages, momentum, relative strength, etc. After determining a current market trend, trading positions are then established with the direction of the trend in order to make profits.

Contrarian

A contrarian trader is one who looks for turning points in a particular trend and will establish positions against the current trend of the marketplace. This trader will look for market rallies to establish short sell positions and market dips to go long with buy positions.