CETUS FUND I – INVESTOR DECK
by quantiverse-ai

quantiverse-ai

Paul Constantino

Frederick Weiss

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PROBLEM

Given the uncertainty in the world and current risk-off environment, it is difficult to find a safe haven to earn a decent return without exposure to considerable risk.

Even star fund managers are having a very difficult time. Market experts are now stating that active management is going to be the way to find return for the next couple of years. While we agree, the active management opportunity lies in bonds.

OPPORTUNITY

Imaging having access to a market of US, dollar-based investment grade securities with first claim to assets. The US investment grade corporate bond market provides that opportunity with one catch: There are over 8,000 securities in the marketplace and it is not only difficult to manage the many factors contributing to market pricing and comparative value, but the markets are also illiquid making those value bonds difficult to locate and execute.
We have a solution.

SOLUTION

This is a data problem and the way to solve this problem is to automate the processes of pricing, generating orders, executing and managing risk, incorporating all aspects of running a strategy at scale and speed, which is exactly what we did. Our solution combines the pricing acumen of a professional trader with the technical abilities of a data analyst, architect, and developer resulting in an automated, AI-based platform that executes millions of processes in microseconds finding and executing on opportunities in the marketplace to maximize edge while incorporating automated, robust risk measures to reduce exposure.

Cetus Fund I, *by quantiverse-ai*, executes an AI-based trading strategy powered by a trading model developed by traders/technologists that automates all processes in running and executing a strategy. The model searches the markets for optimal entry and exit points capitalizing on market mispricings and earning the bid ask spread on execution to capture edge in the markets.

Live trading in an ETF arbitrage trading strategy (delta neutral executing against LQD) produced 30% ROI while its benchmark produced -.05% over the same period (S&P investment grade corporate bond index-SB5IGBIT), with normal drawdowns less than 2%. - But this is only part of the story. At time of executing the live trading strategy, only pricing components of the strategy were live and trade execution occurred manually. While the pricing component produced exceptional returns, we can do substantially better and have now automated the remaining components of order and position management (including automation of price targets and stops), risk and exposure, and nuance to identifying and executing optimal price at execution. This is a true disruption in the bond trading markets.

BACKGROUND STORY
CETUS FUND I,
by quantiverse-ai

BACKGROUND STORY

This trading model was invented by Paul Constantino in 2013, after spending many years as an experienced institutional trader in the credit space. Since 2013, the model has been deployed several times executing live trades in an ETF arbitrage trading strategy in the US credit markets, capitalizing on pricing discrepancies between the ETF LQD and its underlying components. This model has consistently generated returns of between 25 – 40% per annum, with drawdowns in the normal range of 2%, up to a maximum of 5% on tail events.

The model uses embedded AI-based logical objects that replicate the thought processes of a professional trader. The model will deploy significant improvements including the use of Machine Learning across a next-generational technical stack using patented memory management technology that Mr. Constantino deployed in a real-time risk solution for global banks (see writeup here: Kove, Fultech, and McObject Demonstrate 65+ Terabytes per Hour in Real-Time Risk Solution | Business Wire). The server stack as deployed executed over 837 million transactions per second on a 4 COTS grid.

The model is fully automated and executes trades electronically via an API interface across all available electronic exchanges (U.S. Regulation ATS platforms including Market Axess, Tradeweb, MTS, ICE Bonds, Interactive Brokers, Bloomberg, and others). As such, there is no human input or required last look to slow down execution.

TIMELINE OF DEVELOPMENT OF TRADING MODEL

In a joint effort with a major proprietary trading firm in Chicago, Paul Constantino begins to apply model concepts to the IG corporate bond markets analyzing the opportunity to deploy an automated strategy for executing trades in the space. Beginning with prior model concepts in the municipal markets, Mr. Constantino develops a dashboard which is the beginning steps to developing the model. At this point, the model is entirely manual and requires manual inputs for all pricing.

Paul Constantino develops a completed manual trading model after spending many years as an experienced institutional trader in the credit space, trades the model with his own funds.

2013

Next stage development begins and the model is moved from manual to automated price generation and position management. During this time, Mr. Constantino continues testing and begins trading with some level of automation. At this time, Mr. Constantino is approached by two proprietary trading firms to bring the model and his expertise though needs to decline due to a family illness and takes a hiatus from development

2014 - 2015

After hiatus, Mr. Constantino resumes automating components and launches a third live trading test of the model in an ETF arbitrage trading strategy generating 30%+ gross ROI. Bond markets continue their move to electronic trading and approach 20% electronic execution

2016 - 2017

Mr.Constantino completes automation and testing of all model components including the trade order book, exposure and risk checks, position management, profit target and stop loss functionality, and database technical analysis.

2018 - 2019

During Covid, Mr. Constantino rewrites the trade order book in Python streamlining the process, separating connection threads, making the model/platform more robust, and relegating Excel to the front end.
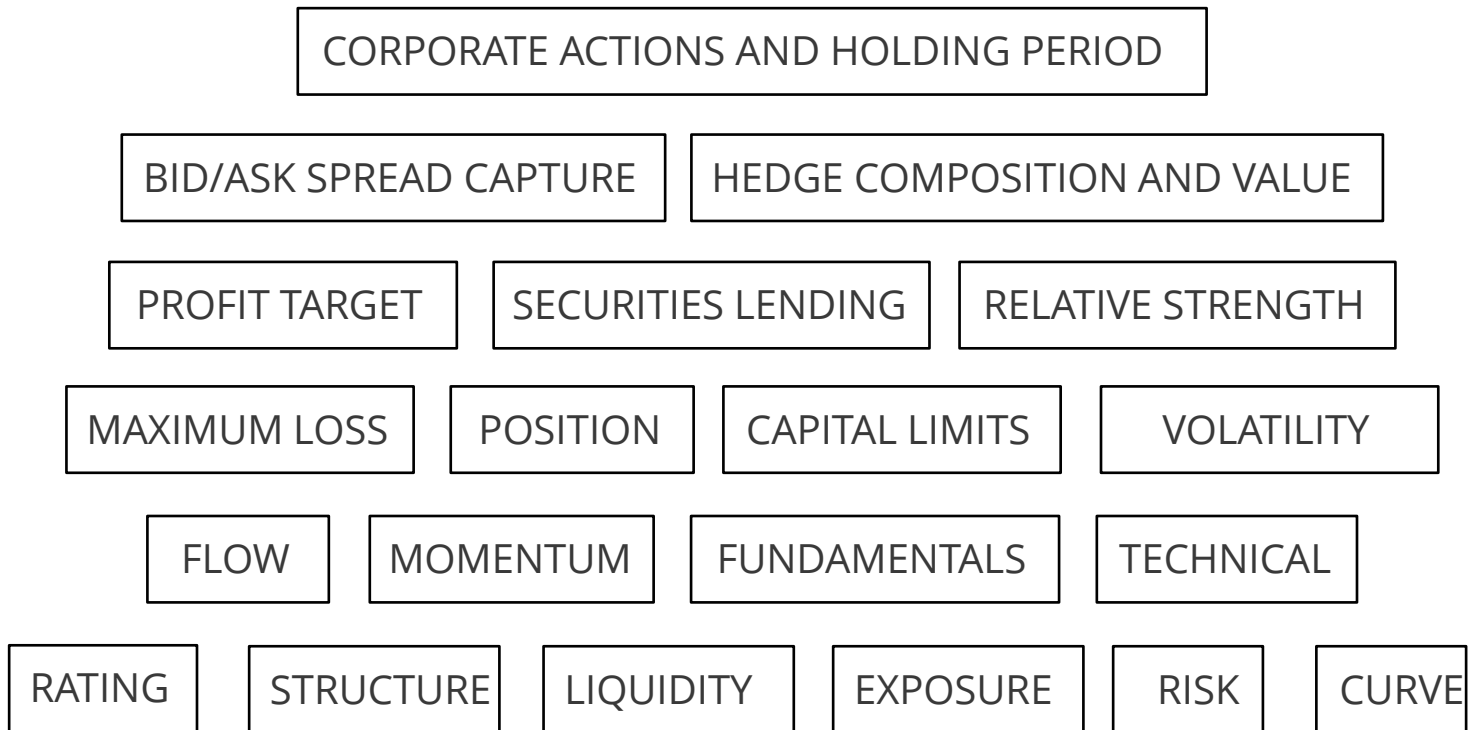
2020 - 2021

2022 Cetus Fund I launches

AI-based replication of professional trader –
executing over 50 Trillion calculations per minute

Orders sent every minute –
2500 securities

CORPORATE ACTIONS AND HOLDING PERIOD

BID/ASK SPREAD CAPTURE

HEDGE COMPOSITION AND VALUE

PROFIT TARGET

SECURITIES LENDING

RELATIVE STRENGTH

MAXIMUM LOSS

POSITION

CAPITAL LIMITS

VOLATILITY

FLOW

MOMENTUM

FUNDAMENTALS

TECHNICAL

RATING

STRUCTURE

LIQUIDITY

EXPOSURE

RISK

CURVE

Interactive Brokers
execution platform

Admiral Harper - a Nanosecond explained – hyperlink to
hhttps:

TRADE PROCESS

1 — Maximum position holding period of 10 days, resulting in high turnover (min 4x capital/month).

2 — Stop loss on each position – 1 standard deviation in relative price

3 — Profit objective – 2x to 4x exposure (equivalent to stop loss)

4 — Leverage – 5x on average, up to 10x

5 — The ETF LQD and IGSB component have a minimum rating of BBB-.

LIVE RESULTS - 2017 TO 2018

Start	8/1/2017		
End	7/30/2018		
Brokerage			
Start	**IB**	Interactive Brokers	
End	**BNP**	BNP Paribas	
Program PnL	**BNP Gross**	**IB Comm/Fee**	**Net**
2017 - 5 Months	48,438	(19,891)	28,547
2018 - 7 Months	25,478	(18,158)	7,320
Total Net ROI 12 Months	73,916	(38,149)	35,867
Commissions/Fee% of Capital	29.57%	-15.22%	14.35%

Itemized trade-by-trade statement available upon expression of interest

BACKTEST - APR 3 - NOV 11 2022

Current 2022 backtest ETF arbitrage, delta-neutral trading strategy
ETF (LQD) Arbitrage Backtest Results – executed trades are from mid to mid – Backtest Link - hhttps:

Period	Apr 3 - Nov 11	**Gross PnL**	11,223,049	112.23%
Capital	10,000,000	**Brokerage Fees**	(583,500)	-4.80%
Max Pos Size	100,000	**Funding Fees**	(431,922)	-3.85%
#Tradeable Securities	400	**Total Pnl**	10,252,627	102.53%
#Trades over period	8,975	**Drawdown Max**	(317,443)	-3.17%
Leverage	4	**Admin Fee**	100,00	1.00%
Capital Turnover	100	**Performance Fee**	2,563,157	25.00%
Months	7	**Total Fees**	2,663,157	
		ROI	7,589,470	75.89%
		Net Capital	17,589,470	

BACKTEST ILLUSTRATION
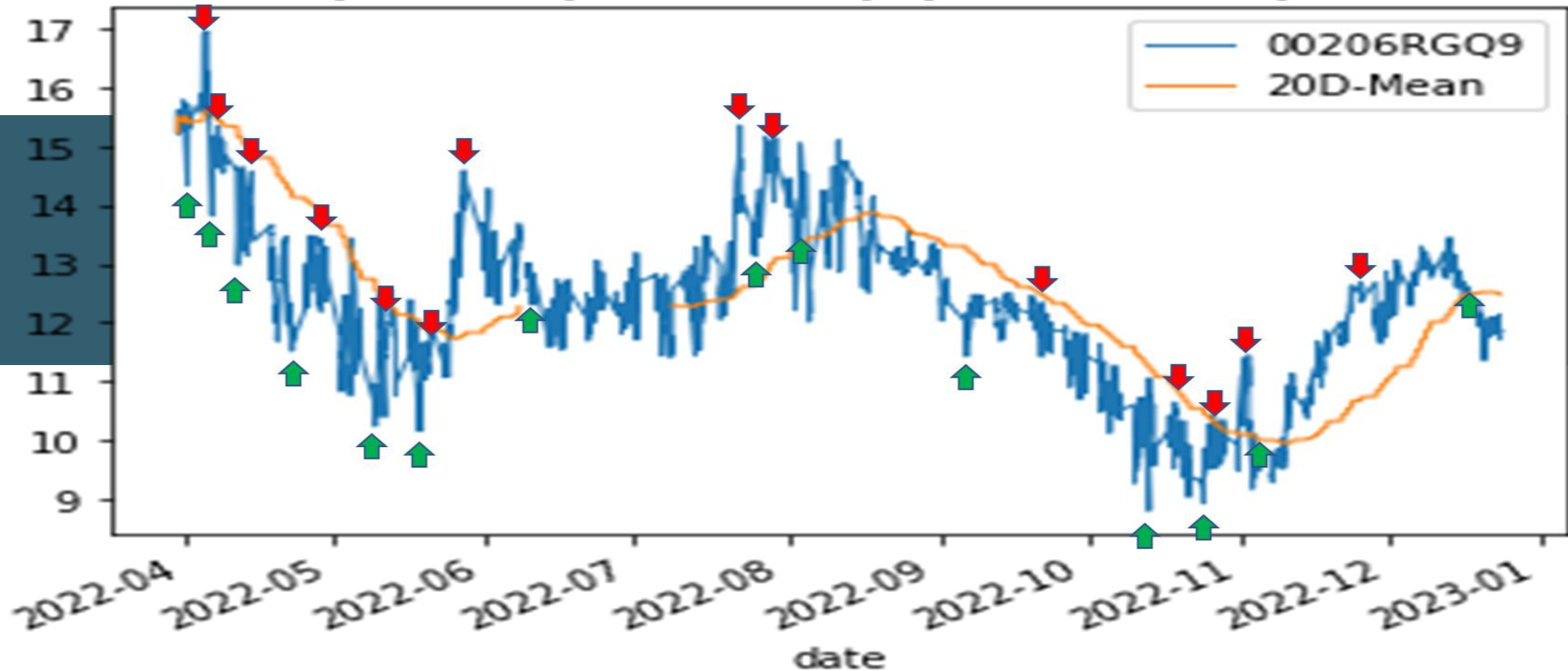
Consider trading in ATT 4.3% Feb 15 2030 vs LQD. The red arrows indicate selling the spread (sell LQD buy ATT) and the green arrows represent buying the spread (Buy LQD and sell ATT). From the observed period (Apr-Dec 2022), 14 trades were generated and none were stopped out at a loss. This resulted in 1.25% standard deviation profit average on each trade (average 20D standard deviation = .433 in spread) translating to $7,577 in profit in the 8-month period observed. For purposes of return calculations each trade consisted of 100,000 notional value for each bond and 1,000 shares of LQD. Applying our leverage factor of 4:1, each trade committed position capital of 25,000 and was held for a maximum of holding period of 10 days. With 14 trades, maximum time committed is 140 trading days or 54% of available trading days. Annualized, your trading capital earned 56.3% when committed to this trade. ATT is one of more than 2,500 component securities in the ETF LQD.

MEET OUR TEAM

PAUL CONSTANTINO
President – Portfolio Manager

Paul Constantino is a native of Charlotte, North Carolina. He is married and a father of three, is a former football player and avid fan, and enjoys golfing in rain and sunshine on the weekends. He operates CTT Advisors, and looks forward to a full-time commitment to managing the disruptive bond trading model for institutional and high net worth investors worldwide. Paul also plans to adopt the model for high yield, convertible, and municipal bonds as well as use these same concepts and level of automation for European and Asian bond markets. The investment-grade bond market in the US alone has a notional value of USD 10 trillion, so the liquidity of this market can support a large trading fund. Paul has recently entered into a Joint Venture agreement with Frederick Weiss of Mertert, Luxembourg to execute a signal service program for investors worldwide, and transitioning into a fully managed and regulated fund at the appropriate time and venue.

MEET OUR TEAM
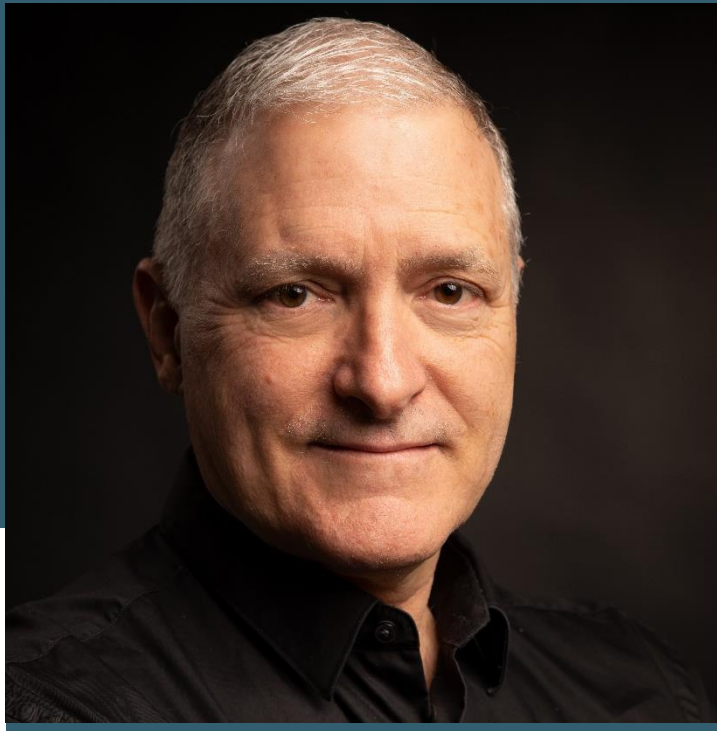
FREDERICK WEISS
Chairman – Management Board

Frederick Weiss has resided in Luxembourg since 2002. He is married and a father of two sons, an avid sculling enthusiast, and currently serves on the Committee of the Luxembourg Rowing Federation, and enjoys playing Rhapsody in Blue on the clarinet. Frederick is a private investor engaged in M&A advisory transactions in the European markets, and is currently looking to acquire AUM through M&A with underperforming existing funds. In addition, Frederick interfaces with Hedge Funds, Family Offices and HNWI through the world. Frederick and Paul are both members of the Hedge Fund Group. Frederick is primarily responsible for Marketing and Sales, Legal and Corporate Structure of the JV as it evolves.
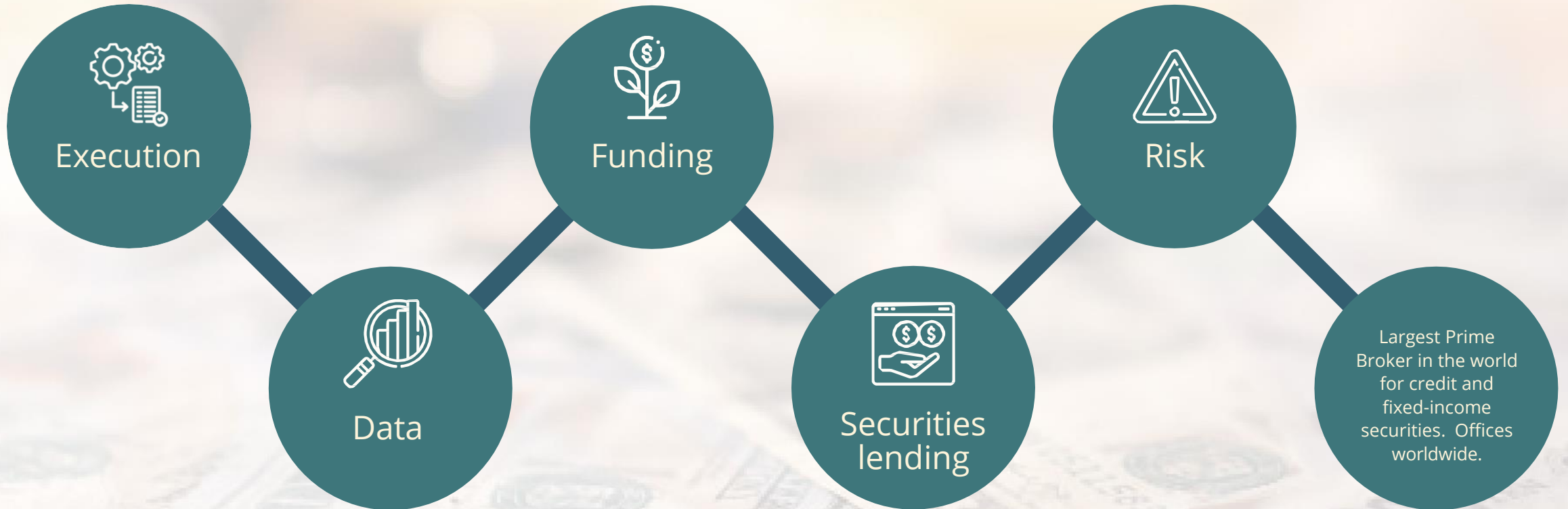
SUMMARY BENEFITS

Individual investor account is managed in US Fund Advisor setup whereby advisor has trade management rights only. Each account (minimum 1 Million USD) is separate, and there is no comingling with other investor accounts or Advisor's account. For smaller investments, contact Frederick Weiss - inquiry@quantiverse-ai.com

Trades are executed via API directly into investors' accounts as a Signal Service.
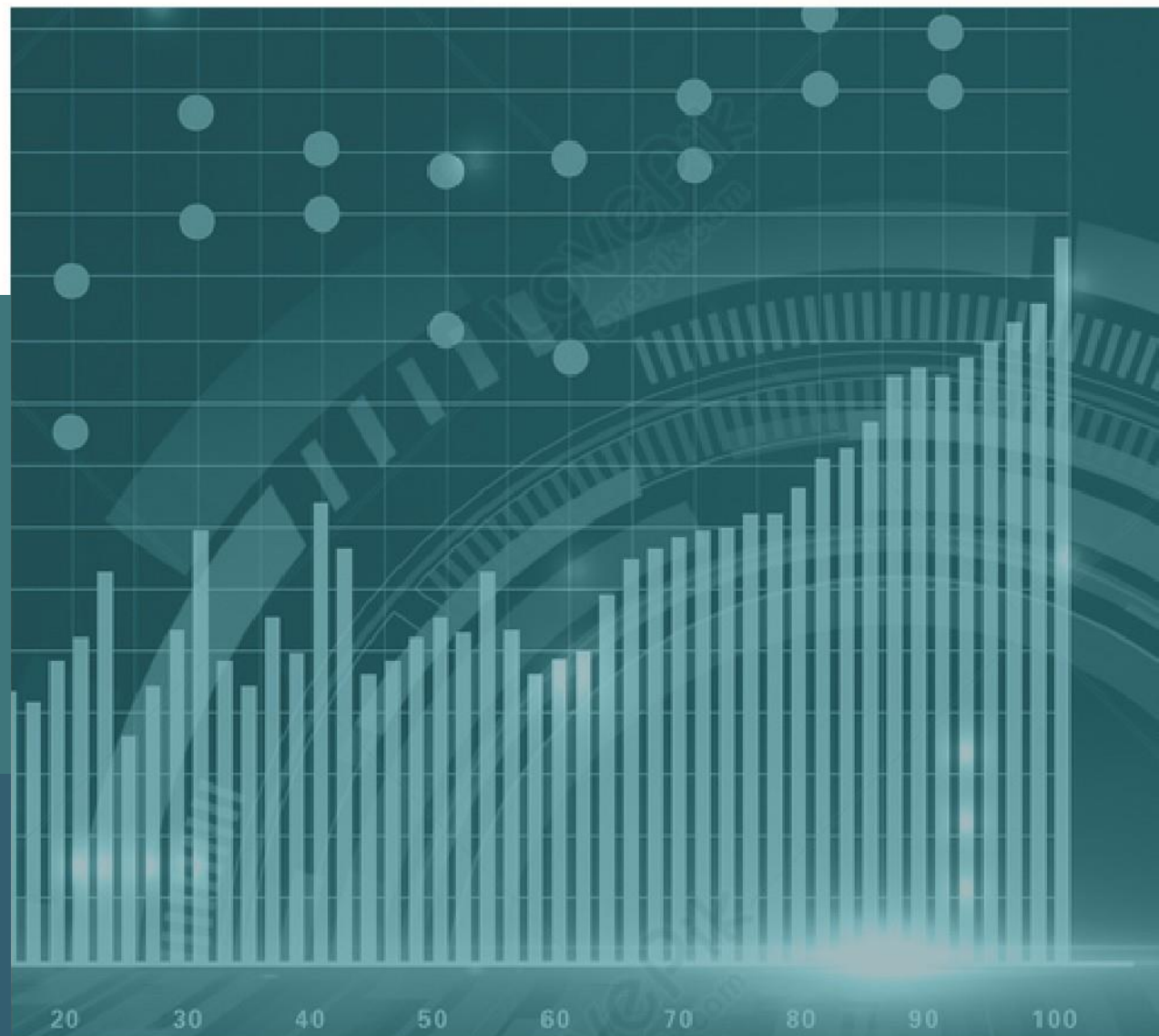
FEES AND TRADING COMMENCEMENT

1 Trading will commence with 1 million USD

2 Minimum lock-in period – 90 days

3 Management fee- 1%

4 Performance fee – 25%

4 No maximum investment. Program is scalable to 10 figures.

THANK YOU

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