

THE STRIKER REPORT



Developer/CTA Interview

Michael Grech

Quantopolis Investment Technologies, Owner

Program(s) Developed: TF Pull Back trading system

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Interviewed by John Gallwas of Striker Securities, Inc.

Quantopolis Investment Technologies ("QIT") is a systems development company located in Calgary, Alberta, Canada and is owned by Michel Grech. QIT uses "swing trading", "trend following", and "value investment" concepts for its various trading systems. All of the QIT systems have been vigorously back tested using 10 to 34 years of data. Michael Grech has Masters Degrees from the University of Alberta and the University of Malta with a focus on Forward and Inverse Modeling and Signal Processing. After college, he worked in quantitative modeling for the oil and gas industry, which eventually led him to developing trading systems.

John Gallwas: Michael, you have two masters' degrees and a work experience of computer modeling, so tell us what got you interested in developing trading systems working in Calgary?

Michael: When I started managing my own monies I used to buy stocks of what I thought were undervalued companies based on my assessment of their fundamental data and the corresponding price action. However, I always had the feeling that I was just guessing. My scientific brain wanted something more tangible. So I started developing quantitative systems that gave me a more complete probabilistic picture of what to expect from my investments.

John Gallwas: Describe the basic market philosophy behind your trading systems and the risk /reward guidelines?

Michael: I firmly believe that every quantitative system must be a reflection of the underlying market characteristics. In essence, the quantitative process identifies an inherent market property and exploits it to make money. In doing so one attempts to optimize the risk reward ratio which I define as the ratio of the historical average annual returns to the maximum historical drawdown. Both are equally important.

John Gallwas: Why do you use swing, trend following, as well as value for your trading systems?

Michael: Different markets have different characteristics and thus one needs different tools to exploit them. Some markets are more suited for a trend following system while others are better suited for a value type approach. In addition true portfolio diversification comes from using different systems based on different assumptions, so that when the markets turn against you you are better positioned.

John Gallwas: What is your policy regarding making changes to any of your systems?

Michael: I typically re-visit my optimization parameters once a year to see if there are any changes that need to be made. However, since all my systems have typically at least 10 years of backtesting history before being deployed with live money, these changes if any are typically minor. Other than that I am a firm believer in sticking with the plan and following the system rules.

John Gallwas: What percent of your systems are automatic and how do you provide security and backup?

Michael: All my systems are automatic or semi-automatic. By semi-automatic I mean that the signals are fully automated but I place the orders by hand. I do not do any discretionary trading. I have various machines that I use and that can stand in for each other in case any one of them fails (which has happened before). I also use encryption on all my technologies for security purposes.

John Gallwas: Is there anything in the "What's New" department you can share with us now?

Michael: I just finished work on a couple of strategies for the NQ and one for the ZN which I just added to Striker last month. Besides that I've been working on some other strategies for a couple of months but I am not happy with the results I'm seeing yet. Although it is relatively easy to find a strategy that performs well for a few months to maybe a few years, it is difficult to find a strategy that has a good risk reward ratio over 10 years or more. But the effort is worth it because when the market turns, and it will turn, you want to know that your money is protected and you're not going to lose it all in the blink of an eye.

This interview is for informational purposes only and is not intended to be a solicitation of any kind. Trade only with risk capital. The risk of trading can be substantial and each investor and/or trader must consider whether trading systems are a suitable investment.