# Systematic Behavioral Global Macro "SBGM"

An ARB Asset Management Strategy

**ARB**

# Disgclaimers

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# Strategy Overview

The SBGM Strategy's objective is to provide consistent absolute returns with low volatility via a systematic multi-asset class  strategy.  The Fund uses proprietary statistical analysis models to identify and exploit market anomalies across global futures markets.

*Portfolio Diversification.*  The strategy is applied to 20+ underlying instruments across multiple asset classes, giving the strategy a diverse portfolio of holdings and providing extremely low correlations to other investments.

The  Strategy is designed to take advantage of short-term momentum precipitated by market herd psychology. Average trade durations ranging from a 1 to 3 days, monetizing short-term pattern recognition which has historically led to solid risk adjusted returns.

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# Who We Are

**ARB Asset Management** started in 2020 as a means to bring ARB Trading Group's scalable proprietary strategies to the hedge fund space. With ARB subsidiaries in broker/dealer services, trading execution and risk management software, hedge fund services, and proprietary trading ARB Asset Management is uniquely positioned to take successful prop strategies to the private capital market.

**The Systematic Behavioral Global Macro (SBGM) Strategy** originated in 2019 when PM Saleem Mahjub developed the strategy as a natural hedge to his relative value proprietary trading book at PNT Financial. In 2023 Saleem joined forces with ARB Trading Group to run the Strategy for ARB's proprietary trading division and offer the strategy for external investment via ARB's CTA umbrella to qualified eligible persons.

# SBGM Founder and PM

### Saleem Mahjub
### Portfolio Manager

Saleem began his trading career at Tradelink in 2005 after graduating from the University of Illinois with a degree in mechanical engineering, and first found success in the Chicago prop trading world. Relying on his background of engineering and software development, he started creating the framework of the quantitative models that would become the Systematic Behavioral Global Macro strategy. His belief in a disciplined and systematic approach have been reaffirmed through various market cycles, including the 2008-2009 Financial crisis, the zero interest rate policy (ZIRP) markets of the 20-teens, and the market volatility induced in 2020 by COVID lockdowns.  With more than a decade of experience as a systematic trader, spanning numerous market regimes, Saleem has developed a deep insight into the discovery of alpha, realistic back testing procedures, robust portfolio creation and efficient risk management.  His consistent risk-adjusted results combined with his approach to risk management have made him a valuable asset to the ARB team.

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# ARB Asset Management Team

## Mark Downing, Chief Operating Officer

- Responsible for overseeing the launch of ARB AM funds and strategies
- Prior to joining ARB, served as COO of a Chicago based hedge fund with $150m AUM
- Previously traded interest rate options as a market maker for both his own proprietary firm as well as for a leading institutional market maker starting in 2006.
- Holds a B.S. in Finance and Computer Information Systems from Indiana University Kelley School of Business

## Vasile Ceban, Chief Financial Officer

- One of the earliest ARB employees, and instrumental to the firm's growth, he has a deep experience in financial analysis, trading, and accounting / back office operations
- Prior to joining ARB, Vasile worked as an accountant for KPGM and in the commercial bank industry
- Holds a degree in finance and is a C.F.A. charter holder

## R.J. Thompson, Chief Compliance Officer

- 20 years of investment industry experience while working in Chicago, London, Dubai, and Singapore.
- Prior to ARB was the Regional Head of Private Bank Sales & Trading (FICC) and Head of Trading and Structuring (SCSI) at Standard Chartered Bank Plc
- Was the Global head of Alternative Investments at ABN AMRO Bank N.V.

## Advisory Board

### Adam Passaglia, Managing Partner

- As co-founder of ARB Trading Group, has overseen ARB's business beyond proprietary trading to create a vertically integrated financial services company.
- Led ARB's expansion into broker/dealer services, IB services, trading execution and risk management software, alternative asset management, and hedge fund services.
- Started his trading career in 2000 at a proprietary firm in Frankfurt, Germany and was soon hailed by Futures Magazine as one of the most consistent disciplined traders in Europe.
- Holds a B.A. in Finance from the University of Illinois

### Amnon Baazov, Managing Partner

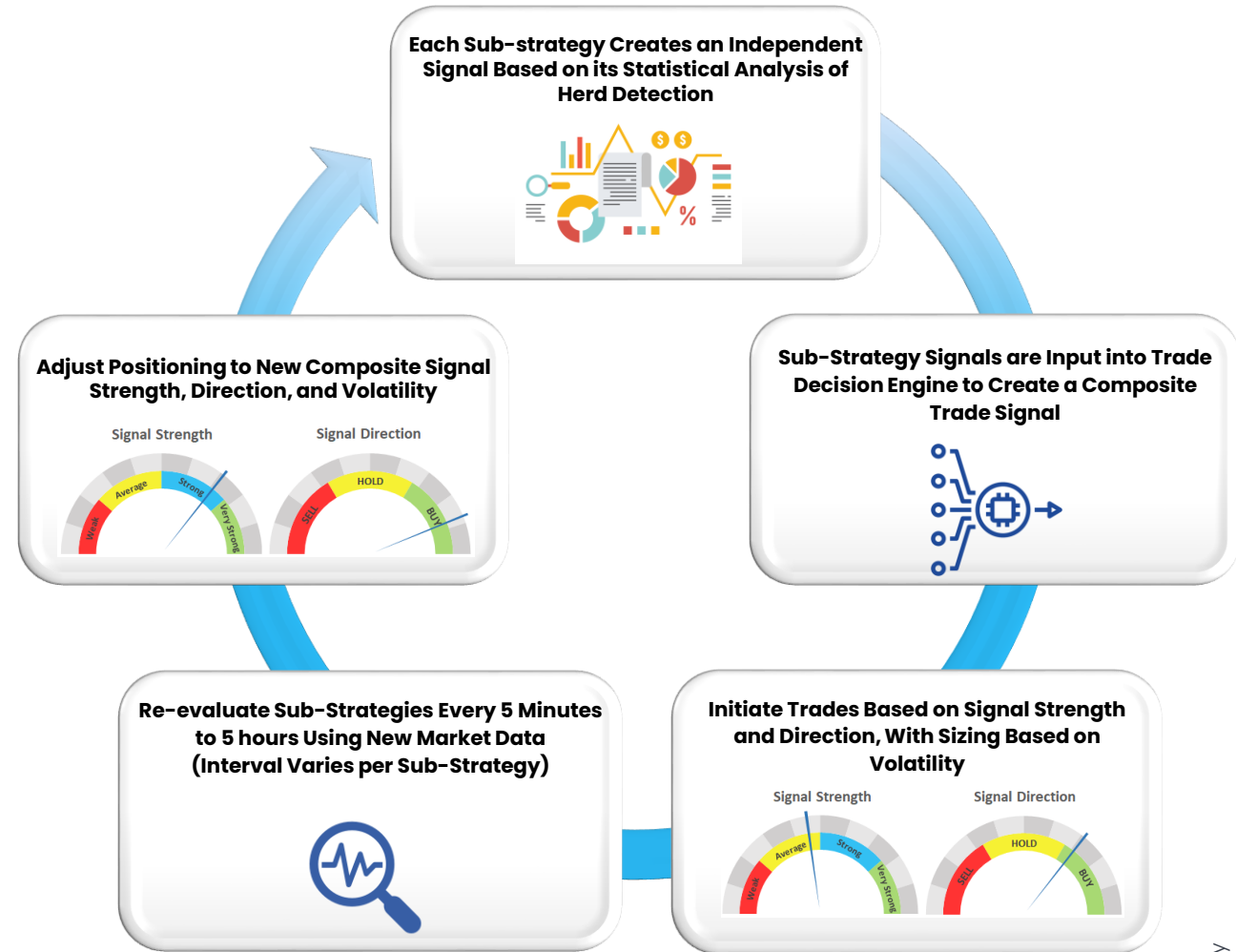- As a founding partner at ARB Trading Group, has led the firm's automated algorithmic trading division since 2009.
- Has overseen the creation and implementation of numerous automated trading strategies, covering multiple asset classes and statistical approaches.
- Started his trading career in 1996 focusing on interest rate differential.
- Holds a B.A. in International Finance from HEC Montreal

# SBGM Strategy Overview

## Statistical Pattern Recognition

- The SBGM strategy, using as much historical data as possible, looks for anomalies that indicate a herd mentality is forming in a given underlying market.

- Numerous sub-strategies (currently 13), each looking for these outlier herd indicators in their own way, are fed into a decision engine that uses the composite results to generate potential trade signals.

- The trade decision engine uses the input from the sub-strategies to generate a consolidated trade signal. Inherent in that signal is direction, strength (conviction), and sizing (risk).

- Individual trades are all short-term in nature, ranging from minutes to a few days, and in rare cases more than weeks.

- During the modeling phase, the stability and quality of the underlying sub-strategies are analyzed over a long period of time, with the goal being to optimize each signal schema with respect to various performance metrics like sharpe, sortino, max drawdown, etc.



**Each Sub-strategy Creates an Independent Signal Based on its Statistical Analysis of Herd Detection**

**Sub-Strategy Signals are Input into Trade Decision Engine to Create a Composite Trade Signal**

**Initiate Trades Based on Signal Strength and Direction, With Sizing Based on Volatility**

**Re-evaluate Sub-Strategies Every 5 Minutes to 5 hours Using New Market Data (Interval Varies per Sub-Strategy)**

**Adjust Positioning to New Composite Signal Strength, Direction, and Volatility**

# SBGM Portfolio Construction

**Underlying Selection**

**01**

**Trade Initiation**

**02**

**Trade Sizing**

**03**

- Restrict trade environment to highly liquid exchange traded futures across multiple asset classes, including:
  - Equity indices
  - Commodities
  - Currencies
  - Precious Metals
  - Interest Rates

- Initiate trades only when statistically significant herd formations are detected in a given underlying, with signal strength and volatility determining position size.

- Volatile markets lead to smaller position sizing than calm markets

- Positions are targeting a $/risk metric, and each underlying is allocated the same dollar unit of risk. This keeps the portfolio balanced and vol optimized.

- Position sizing reflects current realized volatility, with volatile markets leading to smaller position sizing than calm markets.
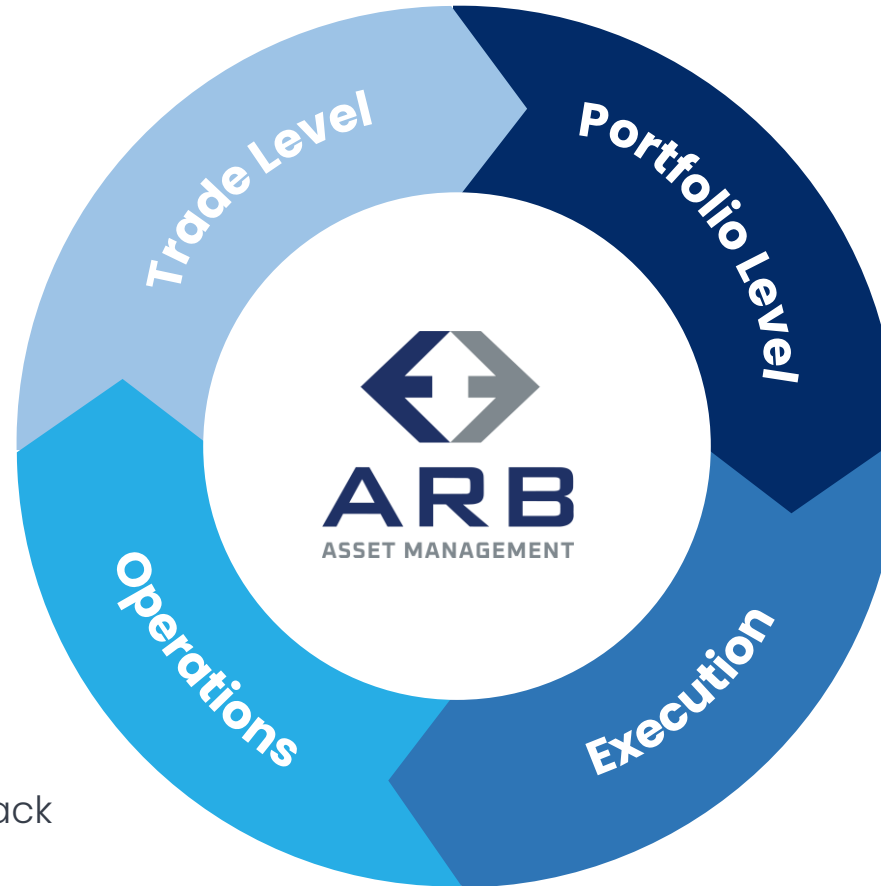
# Risk Management

- Each trade and underlying has a maximum size limitation

- Trade sizing is relative to realize vol – higher vol, smaller trade sizes

**Trade Level**

**Portfolio Level**

- Total intra-day and overnight exposure limit

- Max overnight margin-to-equity limits

- Concentration limits per asset class

- Dollar-risk sizing of positions

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ASSET MANAGEMENT

**Operations**

**Execution**

- Regular review of internal risk limits and processes

- Live PnL and Risk Monitoring

- Fully automated middle and back office trade processing

- All orders executed algorithmically

- All orders pass through pre-trade risk checks

- 24/5 live monitoring by ARB's Global Risk Team

# Investment Summary

| Terms and Service Providers | |
|---|---|
| **Minimum Investment** | $5,000,000 for minimum SMA |
| **Management Fee** | 2.00% |
| **Incentive Split** | 20% |
| **Lockup** | None |
| **Subscriptions/Redemptions** | Daily |
| **Historical Avg / Max Margin to Equity** | 10% avg / 25% max |
| **Avg RT / $1M / Year** | 9000 |
| **Executing Broker** | Wedbush |

# Contact Us

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