

PathIntegral



HIGH PERFORMANCE trading system



## Dear Trader,

Thank you for your interest in the Path Integral system. Developing it has taken three years of intensive research by a team collectively having over 50 years of experience developing models in physics, military applications and the telecommunications industry. This wide range of backgrounds brings us an unusual insight and what we believe is a unique approach to commodities forecasting.

The two especially important aspects of the Path Integral approach are its structure and its validation. Read on to learn how Path Integral offers a radically different trading system, in terms of how it is built and its performance.

Sincerely,  
Path Integral Team  
[infodesk@pathintegral.com](mailto:infodesk@pathintegral.com)  
[www.pathintegral.com](http://www.pathintegral.com)

Disclosure: the risk of loss in trading commodity futures contracts can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. You may sustain a total loss of the initial margin funds and any additional funds that you deposit with your broker to establish or maintain a position in the commodity futures market.

THE PERFORMANCE TABLES AND RESULTS OF THE TRADING SYSTEMS PRESENTED IN THIS REPORT ARE HYPOTHETICAL OR SIMULATED IN NATURE AND DOES NOT REPRESENT ACTUAL TRADING RESULTS. The CFTC requires the following disclosure statement in reference to hypothetical results.

HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK OF ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL WHICH CAN ADVERSELY AFFECT TRADING RESULTS.



## General Info about system mechanics and philosophy

Path Integral is not a single model but a large group of models interacting within an overall framework. No single model can perform well in all situations. Instead, the Path Integral system is geared to identify those models that perform well under the latest market conditions. The entire process is automatic - there is no human in the loop. In testing, no special tweaks were made to improve performance at various times. The system in effect builds and rebuilds itself based on its recent past performance and market conditions with no human intervention.

Path Integral's system was validated over six market years using methods intended to avoid common statistical pitfalls, particularly overfitting, the bane of "intelligent" models. It is relatively easy to produce a model that performs well using

data from the past; much harder is developing a model that performs well while adapting to changing conditions on its own. Tests were made under actual market conditions with very conservative assumptions where assumptions were necessary. For example, the results shown in this brochure include a very ample allowance for trade slippage and relatively large commissions.

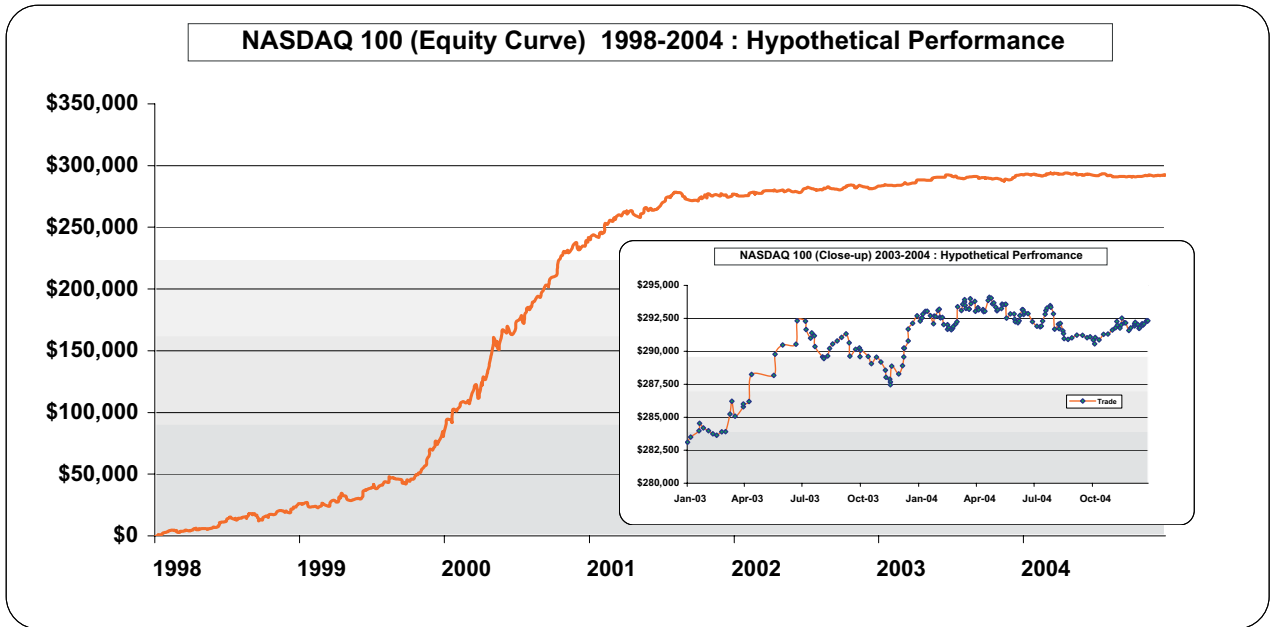
The system was also not considered to be done until it learned how to decrease the volatility of its own returns. In fact, this was the most difficult part of the process of developing the system. The result is a system we are not merely investing in, but are comfortable in recommending to friends and family.

## The Approach



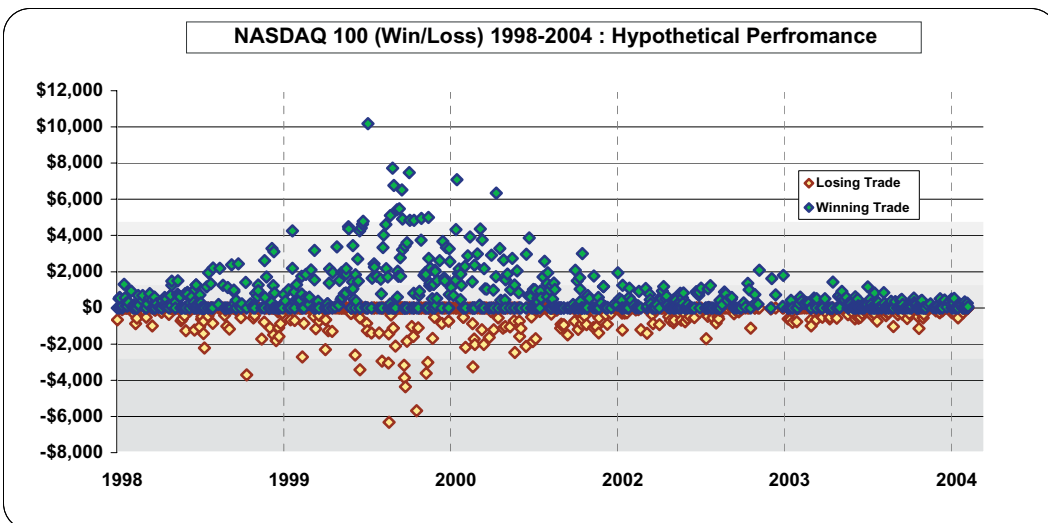
The Path Integral system makes trading decisions once a day, shortly before the market close. It may either go long, go short, take no position, or even double up when particularly confident of its predictions. Initially developed on the NASD 100 market, the system has recently expanded to light crude. Because the two markets are relatively uncorrelated, when the system is not trading in one market, it may be trading in the other. The system will be applied to additional markets in the relatively near future, with priority given to those having relatively low correlation with both the NASD 100 and oil.

# Nasdaq 100



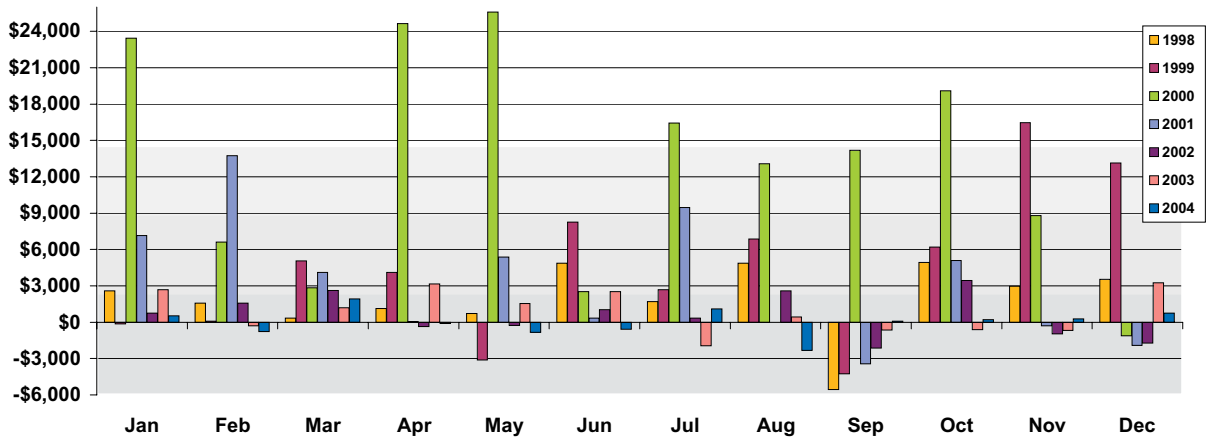
Note: A \$20 round-turn commission plus slippage has been accounted for in the reporting of the net profit below. From January 7th, 1998 to July 30th, 1999 Nasdaq Index price data was used to assume entry and exit points of futures contract. Thereafter, the futures contract value was used.

<b>Average Account Size:</b>	\$10,000.00	<b>Commission + Slippage:</b>	\$20.00
<b>Total Net Profit:</b>	\$292,323.00	<b>Total Potential Trading Days:</b>	1,757
<b>Return on Investment:</b>	2923.23%	<b>Total Trades Taken:</b>	719
		<b>Total Long Trades:</b>	505
		<b>Total Short Trades:</b>	214
<b>Max Draw Down:</b>	\$10,870.60	<b>Avg. Draw Down:</b>	\$2,258.82
<b>Winning Trades:</b>	444	<b>Losing Trades:</b>	273
<b>Avg. Winning Trade:</b>	\$1,173.68	<b>Avg. Losing Trade:</b>	(\$785.39)
<b>Largest Winning Trade:</b>	\$10,173.40	<b>Largest Losing Trade:</b>	(\$6,318.40)
<b>Gross Profit:</b>	\$521,115.80	<b>Gross Avg. Win / Loss:</b>	1.49
<b>Gross Loss:</b>	(\$214,412.80)	<b>Gross Profit Factor:</b>	2.43



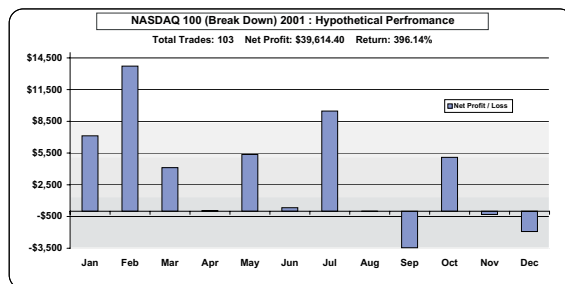
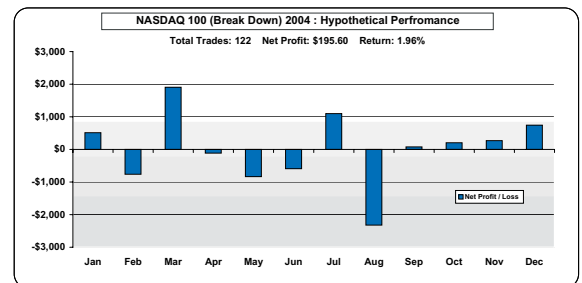
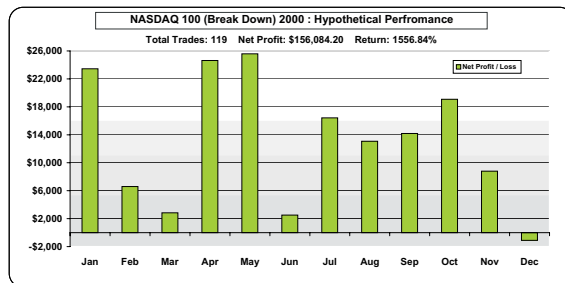
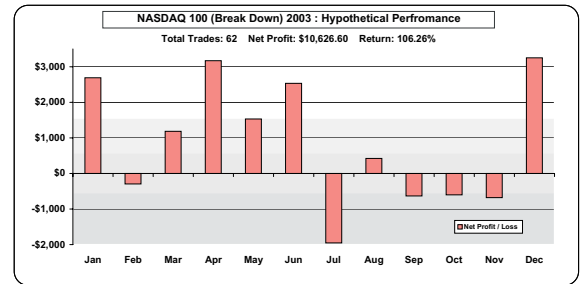
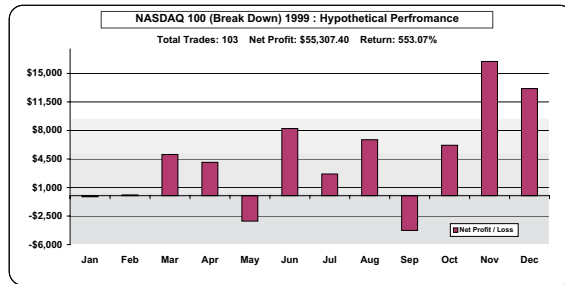
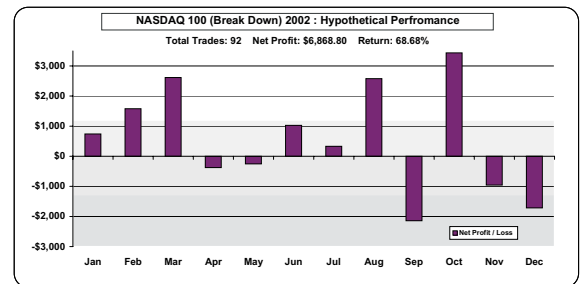
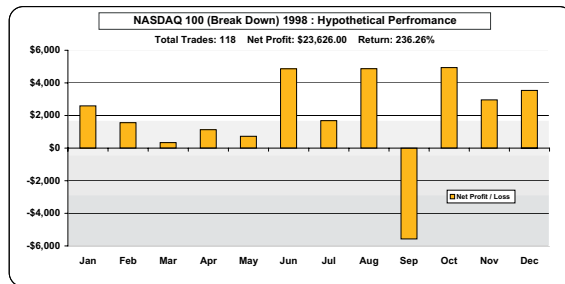
# Nasdaq 100

## NASDAQ 100 (Break Down) 1998-2004 : Hypothetical Performance

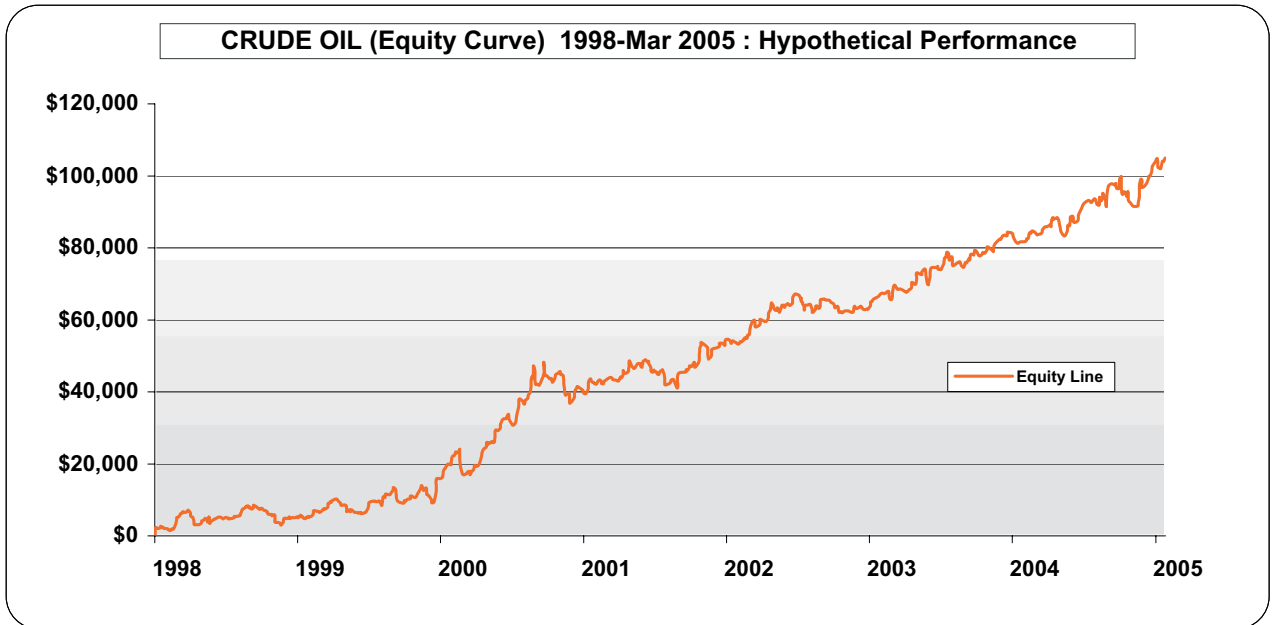


### Net Profit / Year:

<b>1998</b>	\$23,626.00	236.26%	<b>2002</b>	\$6,868.80	68.68%
<b>1999</b>	\$55,307.40	553.07%	<b>2003</b>	\$10,626.60	106.26%
<b>2000</b>	\$156,084.20	1560.84%	<b>2004</b>	\$195.60	1.96%
<b>2001</b>	\$39,614.40	396.14%			

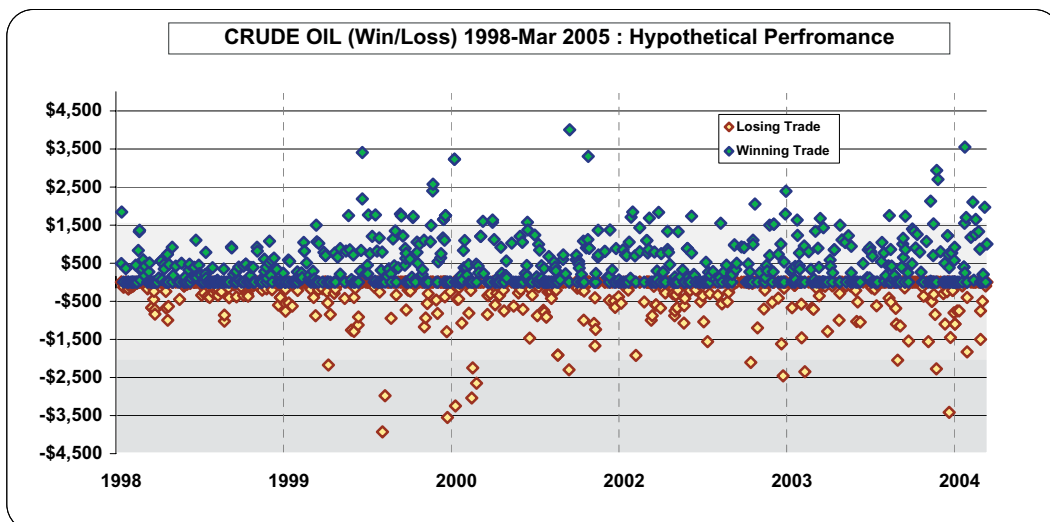


# Crude Oil

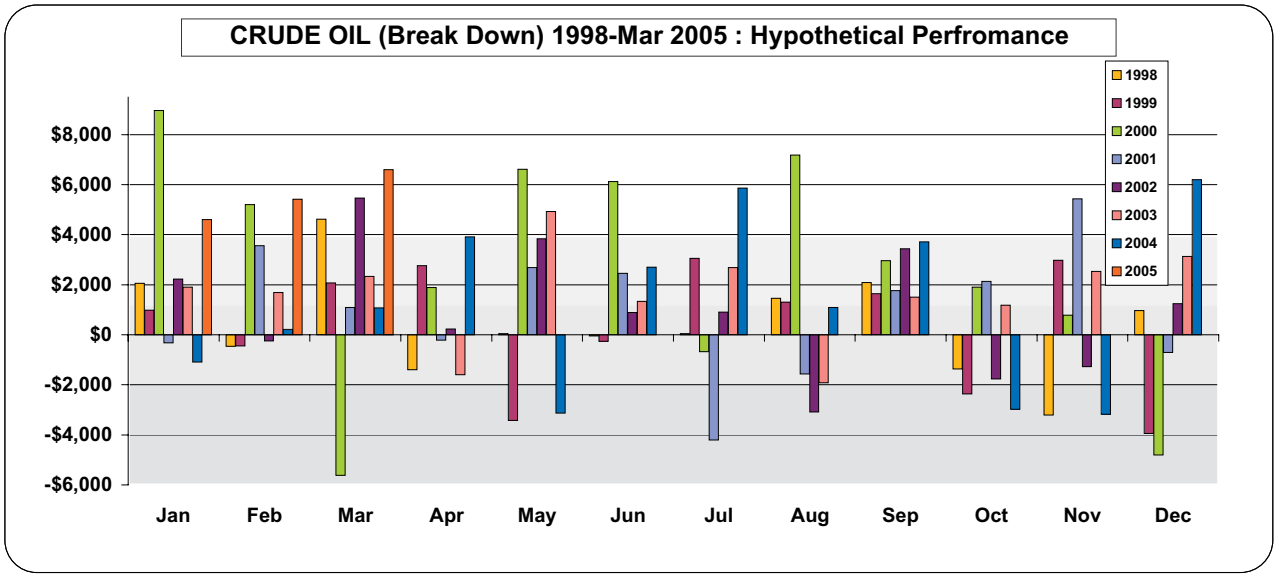


A \$50 round-turn commission plus slippage has been accounted for in the reporting of the net profit below.

<b>Average Account Size:</b>	\$20,000.00	<b>Commission + Slippage:</b>	\$50.00
<b>Total Net Profit:</b>	\$114,500.00	<b>Total Potential Trading Days:</b>	1,757
<b>Return on Investment:</b>	572.50%	<b>Total Trades Taken:</b>	734
<b>Avg. Annual Return:</b>	71.56%	<b>Total Long Trades:</b>	577
		<b>Total Short Trades:</b>	157
<b>Max Draw Down:</b>	\$11,340.00	<b>Avg. Draw Down:</b>	\$2,169.21
<b>Winning Trades:</b>	436	<b>Losing Trades:</b>	292
<b>Avg. Winning Trade:</b>	\$744.63	<b>Avg. Losing Trade:</b>	(\$594.04)
<b>Largest Winning Trade:</b>	\$4,000.00	<b>Largest Losing Trade:</b>	(\$3,930.00)
<b>Gross Profit:</b>	\$324,660.00	<b>Gross Avg. Win / Loss:</b>	1.25
<b>Gross Loss:</b>	(\$173,460.00)	<b>Gross Profit Factor:</b>	1.87

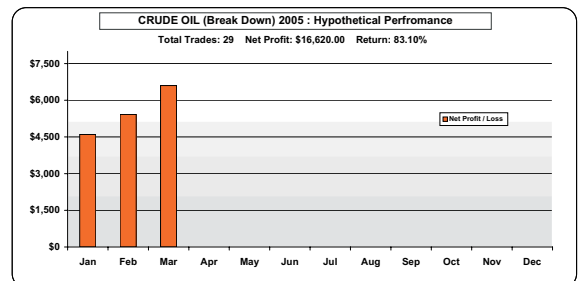
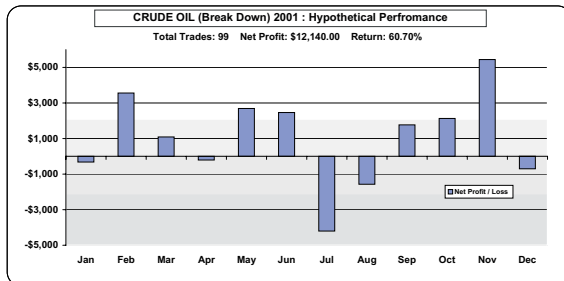
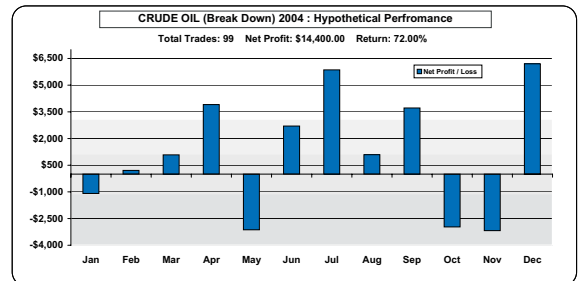
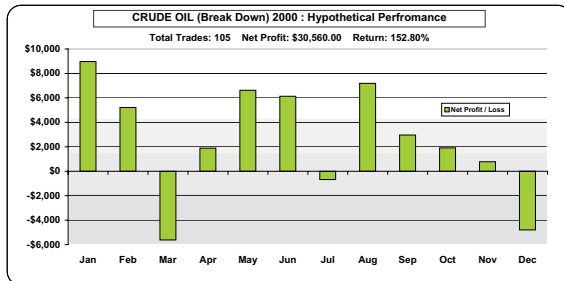
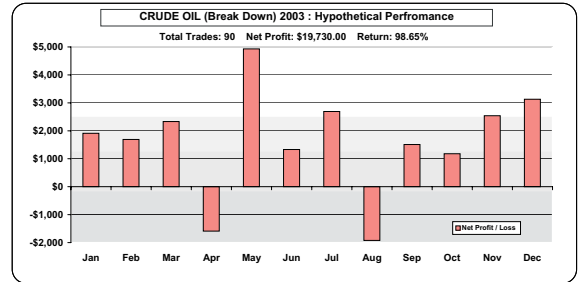
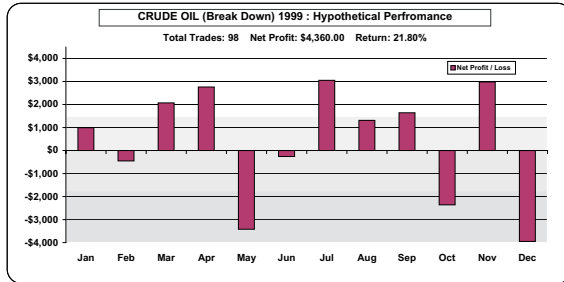
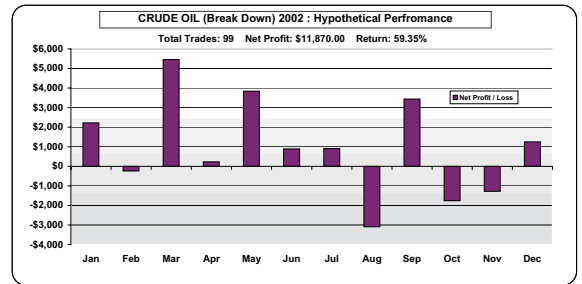
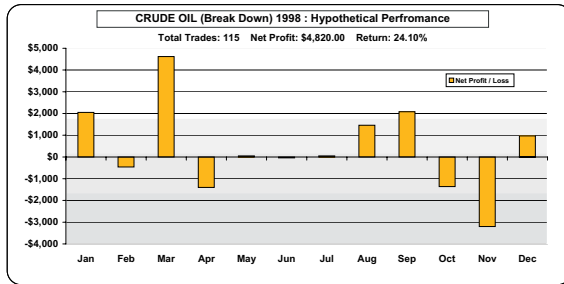


# Crude Oil



**Net Profit / Year:**

<b>1998</b>	\$4,820.00	24.10%	<b>2002</b>	\$11,870.00	118.70%
<b>1999</b>	\$4,360.00	21.80%	<b>2003</b>	\$19,730.00	98.65%
<b>2000</b>	\$30,560.00	152.80%	<b>2004</b>	\$14,400.00	72.00%
<b>2001</b>	\$12,140.00	60.70%	<b>Jan-Mar 05</b>	\$16,620.00	83.10%





## The Developers

**Lee Fischman** develops advanced estimation software primarily for the defense industry and has previously developed portfolio and money management systems for the New York financial industry. He has conceptualized and directed systems to estimate the cost of space missions twenty or more years into the future, software development cost and duration, and textual data mining software. Lee currently guides five separate research and development teams. Lee studied economics at the University of Chicago and University of California, Los Angeles.

**Dr. Mike Kimel** is a consultant and an adjunct Professor at the Graziadio School of Management at Pepperdine University in Malibu, California. As a consultant, Mike builds economic and statistical models for private sector and government clients. Previously, he worked for a Fortune 500 Telecom company, where he was the Economic Policy and Analysis Manager and later Senior Manager of Competitive Strategy. He has a Ph.D. in economics from University of California, Los Angeles.

**Path Integral team's** early model developments in 2001 could predict movements in the financial markets with great success, but only with unsatisfactory equity volatility. Although the model exceeded initial expectations, the last three years were spent perfecting the system to minimize risk.

The Path Integral team is made up of very cautious and meticulous people. They knew that it was essential to balance risk and reward for any long-term growth strategy. Understanding that risk is manifested on two levels—how accurate forecasts are and how aggressively they are traded—the three mathematicians sought to produce a model that would encapsulate this philosophy. The Integral system reflects this.

## PureLogic Capital

Taking advantage of the Path Integral system is simple. As a subscription service, once you have opened your Path Integral trading account, our trading partner, PureLogic Capital (Alaron System Trading Division member), will manage your account strictly based on the system's daily predictions. For more information please contact PureLogic Capital at (800)550-6880 or by email: [info@purelogiccapital.com](mailto:info@purelogiccapital.com).