

Generic Mentor Program Trading System

INDEPENDENT REVIEW RESULTS - 2012

The Objective and Scope of the Review

The Practice was engaged by the Trading Game to conduct a review of The Trading Game's Generic Mentor Program Trading System. This is an example of the basic, long only equities system that graduates of the Mentor Program (as conducted by the Trading Game) are guided towards building.

The audit reviewed various methodologies that the Trading System utilises.

The Trading System is based on trend, and technical analysis. The Metastock charting package was used to create the scans and charts utilised in the system. Results were supplied in Excel, with TradeSim being used to back-test the results and analyse the Trading System's profitability and efficiency.

Our review was to confirm (which has been based on samples chosen) that trades entered into, were done in accordance with the Trading System, and that the samples taken confirm the validity of the system, resulting in informed decisions being made on the acquisition and disposal of various shares.

Methodology

We applied the Trading System to historical data to verify how the system performed during the given time period, and therefore gain insight into the effectiveness of the system.

We have conducted our sample testing by taking samples from the Trading Game Generic Trade Data (which is reflection of an average trading system generated by a mentor program attendee during their trading, including various methodologies). The date range was from 2 May 2003 to 27 May 2011.

We have selected the historical chart, price data and volume for testing and specified the indicator values that the system is using for each and every sample. We observed that all of the samples taken have the trend and volume signals using the special trade methodology, outlined in the Trading System.

The system risk is based on individual stocks only outlaying 1% capital for each trade. It does not factor in dividends received on shares, nor does it pyramid (when an investor can add additional contracts to their portfolio as the market moves in the investor's favour). The investor is expected to use stop loss strategies (this is part of the trading system, but is reliant on the investor to implement). The review used the lowest price on the day (i.e. sell on the low).

Due to Metastock and TradeSim being independent parties, we have not sought to review this data, and have accepted this data to be accurate.

Review Opinion

Our review found that the Generic Mentor Program Trading System is profitable over a range of market conditions based on the period of review. The profitability was confirmed by back testing analysis which showed the system to be robust and profitable through all testing parameters. However, historical results do not represent actual trading. Actual future results and trends may differ from historical results or those anticipated, depending on a variety of factors.

Disclaimer

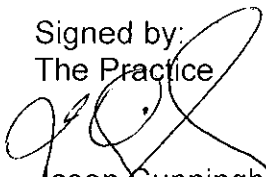
Forex, futures, stock, and options trading is not appropriate for everyone. There is a substantial risk of loss associated with trading these markets.

The Generic Mentor Program Trading System is a system, and as such, all elements must be followed. The risk is that the individual does not follow the system, which includes, but is not limited to, stop loss strategies being implemented, and amounts of individual capital invested.

Losses can and will occur. No system or methodology has ever been developed that can guarantee profits or ensure freedom from losses. No representation or implication is being made that using this methodology or system or the information in this report will generate profits or ensure freedom from losses.

Back testing has the benefit of hindsight. Unlike an actual performance record, simulated results do not represent actual trading. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve profit or losses similar to those shown.

Signed by:
The Practice



Jason Cunningham
Partner



Alan Bliss
Partner
Registered Company Auditor