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## **A Sad Truth about the CTA Business: Many Great Traders Never Make it Past “Go.”**

The skill sets required to a) manage money, and b) start and operate a successful business, are not one and the same.

These disconnects leads to unfortunate outcomes from two perspectives. Investors are limited to the small subset of CTAs who know how to market themselves well. And many talented money managers never see the light of day.

Since 2006, **Capital Trading Group (CTG)** has partnered with both emerging and established CTAs, helping them bridge the gap between money management and the *business* of money management.

Here’s what we’ve learned along the way...

### **You Need a Partner**

The road to becoming a successful CTA is long, arduous and, frankly, not for everyone.

Begin by asking yourself a poignant question:

**“Do I even *want* to be a small-business owner?”**

If you have a rich uncle who’s willing to be your benefactor, you don’t *need* to be a small-business owner. You can simply trade his \$10 million nest egg on a proprietary basis, charging him a “Friends & Family Rate” of 1%, and earn a six-figure income with little effort.

In absence of a rich uncle, you need to acknowledge the fact that running a CTA means running a *business* – complete with the joys of accounting, compliance, marketing and client service activities. (You know, all those tedious and not-so-interesting things you thought you could avoid once you proved yourself as a successful trader.)

Those business activities are *essential*. But that doesn’t mean that *you*, the trader, needs to handle them all yourself. In fact, that’s often a recipe for disaster. Successful business owners know they can’t do it all. So they focus on what they do best... then they outsource the rest.

Finding a trusted business partner is one option. There are financial industry veterans who have a knack for growing businesses, even if they aren't traders. The "two-owner" CTA model – where one owner is the "trader" and one owner is the "business" specialist – works well for many.

Still, finding the right business partner can be challenging. And even once you do, your CTA business will still benefit from the operational and cost efficiencies of outsourcing.

## **You Need Investors**

Your CTA business is nothing without investors. Yet, most CTAs struggle to attract and retain the *right* investors – those whose investment objectives match the objectives of their program, and who are in it for the long haul.

This can be the single most frustrating aspect of running a CTA business, especially for traders – whose skill sets are honed for managing *money*, not for managing *people*.

At **Capital Trading Group**, we're "people people."

We've grown and nurtured an extensive network of investors. These relationships are sacred to us and we remain committed to providing them with industry-leading service.

If you're having a difficult time attracting investors to your CTA business, we can help. Our *capital introduction* and *new accounts* services are specifically designed to get the right investors through your doors.

## **You Need a Back Office**

Once your CTA business is viable – meaning, you have a proven strategy and an initial group of investors – you need to *protect* the business (like it's your first-born child!).

That means a number of things, ranging from legal and compliance support to back-office functions, such as accounting and performance reporting. These aspects of the CTA business are tedious, time-consuming and generally not enjoyable. But even minor mistakes in these activities can threaten your entire business.

Outsourcing these functions provides you with at least two benefits. First, you'll have more time and energy to focus on what you do best: trading. Second, investors often prefer CTAs who utilize third-party administrators because they provide a "checks and balance" function. Simply put: things get done the *right* way.

**Capital Trading Group** is an industry leader in technology. Our *CTA Online Portal* system provides CTAs of any size a "one-stop-shop" for trade allocations, real-time position monitoring, performance reporting, and more. Best of all, our software is fully customizable and will be tailored to your specific needs.

Finally, we're happy to introduce you to our trusted network of legal and compliance professionals, who can help you protect your CTA business (baby!).

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## **Nell Marie Sloane**

Nell Sloane is a principal of Capital Trading Group LP (CTG). Nell began her career at the Chicago Futures Exchanges more than 25 years ago, working for a grain trader at the Chicago Board of Trade. She became a featured contributor to many financial publications and eventually launched her own commodity newsletter called "The Opening Belle". She has been a featured speaker at numerous financial seminars and radio shows, and was recognized by financial publications such as Hume Super Investors Files, Opportunities in Options by David Caplan, McMaster OnLine by R.E. McMaster, and The Art of the Trade published by McGraw Hill.

In addition to being principal and an associated person of CTG, Nell holds her securities registration and matches high net worth clients with institutional money managers. CTG is an investment firm specializing in trade execution, account management for CTAs and matching investors with the appropriate managed futures products to provide a more diversified portfolio than the traditional stocks and bonds have to offer.

If you have any questions about this article, please feel free to call Nell Sloane at **800.238.2610** or email her at [NSloane@CTGtrading.com](mailto:NSloane@CTGtrading.com)

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