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Profiles in Forex

Sagaitis: Transparency in trading

7/23/2009

By Christine Birkner

After earning a degree in natural sciences from Vilnius Pedagogical University in Lithuania and working in the real estate business, Kestutis Sagaitis decided to move into the world of trading . Now, he's the head of development and senior trader for Sagacity Investments, a portfolio management company based in the Seychelles , a chain of islands off the east coast of Africa . He has been a full-time trader since 2004.



"In the last decade, real estate business was expanding all over the world, and it was quite simple to amass capital working in this sphere," Sagaitis says. He moved into the capital markets because he disliked the low liquidity in real estate. " Capital markets are the only place where invested funds can be turned back into cash in a matter of hours . I am not talking about profit or loss, just about 100% liquidity of assets. Also, in such times of globalization, with the expansion of the Internet and electronic trading , you are not tied to one place in the world if you invest into capital markets rather than real estate ," he says.

And when you are looking for liquidity, there is no better place than foreign exchange, where literally trillions of dollars are moved each day in the spot market.

Sagacity is a portfolio management company that has four strategies that launched at the beginning of 2008 : one forex, two U.S. stocks and one mixed of forex and U.S. stocks. "All our strategies show very good performance, [have] low volatility and are relatively safe," Sagaitis says. "Last autumn, when most investors suffered from the collapse in the markets, was very successful for us."

Sagacity's forex program, Hedge FX 100, had its best performance during the extremely volatile months of September and October 2008, earning 10.13% and 21.76% respectively. Hedge FX 100 is up 22.78% year to date and has \$1.5 million under management.

Hedge FX 100 is a 100% systematic, long-short currency trading program based on concepts of quantitative finance, statistical arbitrage and mathematical models. In that respect the program is similar to a hedge fund but Sagacity offers its program in a managed account format. "We execute trades in the managed account of each client. Clients can monitor and control their accounts in real time. We see such structure [as] very transparent. Returns in all market conditions and transparency are essential," Sagaitis says.

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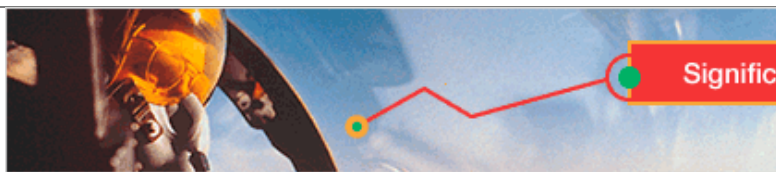
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Profiles in Forex

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The trading program is market neutral and trades a basket of 12 of the most liquid currencies in the spot foreign exchange market. "We seek returns in all market conditions, in all directions of the markets," he adds.



To place its trades, Sagacity uses a proprietary trading engine developed by financial engineers in the company. The engine is based on quantitative finance, statistical arbitrage and mathematical models and has software monitoring markets 24/7 and giving signals of portfolio rebalance in pre-determined time intervals. "Our trading is 100% systematic; however the trading algorithm is self-adapting to market conditions all the time. [The] trading engine does not use any classical technical or fundamental analysis techniques," Sagaitis says.

While the algorithm is quite complex and involves the use of artificial intelligence, the concept is pretty basic. The program identifies undervalued and overvalued currency against the U.S. dollar buying the undervalued pairs and selling the overvalued pairs. Positions are rebalanced daily based on the algorithm.

Sagaitis says he truly enjoys trading and sees a bright future for algorithmic trading in particular. "Low computer power is one of the drags for progress in this sphere. The fight between artificial intelligence and classical traders in the capital market is exciting," he says.

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