

KCM

Kinkopf Capital Management, LLC

Kinkopf Capital Management, LLC - S&P

Member of the National Futures Association (NFA)

Registered with Commodity Futures Trading Commission (CFTC) as a CTA

Due DiligenceMay 15th, 2015**About this Due Diligence Document**

This document is not a solicitation to invest. This due diligence document is based upon real questions asked by outside fund managers and potential clients including seeders, incubators, IB's and angels. The intent of this document is to provide a comprehensive set of answers for potential clients and other interested parties.

This document compliments Kinkopf Capital Managements disclosure document. It is in no way intended to replace or modify any risk disclosure documents provided.

If you require additional information or wish to discuss topics not covered in this document, please contact Ken Kinkopf directly.

Corporate Summary

Address	222 Lenox Court Grayslake, IL 60030
Phone	(312) 859-6305
E-mail	kkinkopf@kinkopfcapital.com
Website	www.kinkopfcapital.com
State of Incorporation	New Jersey
NFA Registration (Date & Number)	June 2005 #0355275
Date of Last Disclosure Document	May 15 th , 2015

A statement from Ken Kinkopf

Do you ever wonder why many hedge funds and other alternative managers close their funds after a large drawdown, with many only to re-open with a new program? The first reason is that managers make most of their income from the monthly incentive fees. These fees are billed to investors only on new profits. After a large drawdown, the manager must make all prior losses back before they can generate fees. Why should a fund manager sit around for months or years to make these losses back when it is much more profitable to close the doors and start a new business entity that can bill from day one?

The second reason alternative manager's close the doors after a large drawdown is that they most likely miscalculated the position risk and margin requirements to sustain trading. This is critical during turbulent times. Obviously this is disastrous for a trading program since the manager is unable to follow through for better times.

When you invest with Kinkopf Capital, I hope not only to invest your funds for the long haul, but to invest into a long-term personal relationship. I have no intention on closing the door because of a drawdown. Kinkopf Capital Management's S&P system has been designed to work through the ups and down in the markets. I originally created this program as a long-term savings plan and personal retirement program. I will treat your investment with the same care as my own investment.

How can you, as an investor, make this investment experience the best it can be? The answer is through patience and discipline. The issue I've come across all too often is investors play the "hot money" game. Investors choose to invest in a manager that had the biggest performance gain only to find they are on the cusp of a correction or decline. The investor quickly pulls their money out and experiences loss and frustration. Don't play the "hot money" game. It just does not work. Market cycles cannot be avoided. If you have been gifted with divine insight and can successfully time managers then go for it. Otherwise, I believe this is solid advice for those who do not have this gift. Long term sustained growth through discipline and patience is the key to financial gains.

Thank you for your time and trust.

Sincerely,

Ken Kinkopf

General Introduction Questions (5)**1. Please describe your background.**

Ken Kinkopf is founder and president of Kinkopf Capital Management, LLC. Mr. Kinkopf is an associate member of the National Futures Association and registered with the Commodities Futures Trading Commission as an associated person and principal of Kinkopf Capital Management as of June 3, 2005. Ken Kinkopf is responsible for all trading decisions and management of the firm.

Mr. Kinkopf has over 25 years of market forecasting experience and has traded in various market conditions during the period. Ken has extensive expertise trading the S&P 500 Equity Futures since 1989. He is committed to Risk Management believes that discipline will allow his investment strategy to remain viable in the face of market adversity. Ken has been trading this systematic, non-discretionary trading program since 1999.

Mr. Kinkopf is also a guest speaker and technology consultant. He spoke at Terapinn Quant Invest, High Frequency Leaders Forum and Wall Street & Technology events. He has written white papers on quantitative trading methods and technology requirements for systems implementation. Ken was also a World Cup Advisor sponsored by Robbins Trading.

2. Please provide a general program description.

Kinkopf Capital Management is a registered Commodity Trading Advisor that provides individual and institutional investors alternative investment opportunities in the managed futures arena. The strategy specializes in the S&P 500 Futures which trades the S&P 500 e-mini as its investment vehicle. The program's category via various tracking agencies is CTA-Managed Futures / Stock Index Futures.

3. What is your Investment Strategy?

Kinkopf Capital Management employs a systematic technical analysis approach in forecasting. The strategy incorporates a diverse array of data that is programmatically analyzed and then statistically evaluated to produce a trading system that is long term stable yet robust to react to system changes over time.

Kinkopf Capital Management core investment philosophy adheres to a strict process that follows a disciplined approach towards trading. Ken Kinkopf designed the statistical trading system to dynamically manage risk by using various techniques combining volatility measures, reversal flow, price target stops and timing stops. He calls his approach “Dynamic Risk Management”. In addition, Mr. Kinkopf’s trading system reduces market exposure by approximately fifty percent during an average year by limiting equity exposure to system tradable events only. Mr. Kinkopf continuously trades this system on a live daily basis since 1999.

In December of 2007, Kinkopf Capital introduced an additional and highly innovative layer of risk management by incorporating volatility scaling (VoS) to its program. This component has proven to significantly reduce volatility.

In April of 2014, Kinkopf Capital further expanded on its risk management process by incorporating additional trade control parameter to its core system. The new component called **Octagle**, provides an eight view, multidimensional governance on trade components. We expect this component to further reduce volatility while allowing additional capture opportunities.

Risk management and discipline are the keys for long term success in the markets. Discipline will allow our investment strategy to remain viable in the face of market adversity.

Mr. Kinkopf is also a guest speaker and technology consultant. He spoke at Terapinn Quant Invest, High Frequency Leaders Forum and Wall Street & Technology events. He has written white papers on quantitative trading methods and technology requirements for systems implementation. Ken was also a World Cup Advisor sponsored by Robbins Trading.

4. Describe your buy-sell discipline.

Buy and sell transactions are placed using a non-discretionary disciplined approach methodology. Positions are only taken during periods interpreted as having a low risk entry and with a potential of higher than average gain. Furthermore, day-to-day volatility and system profitability also affect the scaling size of the positions.

Proof of concept

As a proof of concept of this risk to reward system, Mr, Ken Kinkopf has won first place in a total of 5 PFG's CTA contests winning \$2 million in allocations. Ken has won PFG's six-month CTA Showdown Championship ending August 2007 in which he won a \$1,000,000 trade allocation. Mr. Kinkopf is also a four (4) time winner in the PFG quarterly CTA Challenges ending February 2010, August 2009, May 2007 and November 2006 winning four \$250,000 trade allocations.

Mr. Kinkopf's proprietary performance was ranked in the "TOP 10 Traders" for 10 years, 5 years, 3 years ending December 2012 by CTA-INFO.com flash reports as well as #1 Stock Index Trader for 2012. Mr. Kinkopf also came in as the #1 Stock Index Trader in 2009 for managed account performance also listed by CTA-Info.*

Ken Kinkopf's managed account performance made the "Top 10 Traders of 2009" as published in Futures Magazine, March 2010 along with his proprietary account performance as "Top 10 Traders of 2012. Ranking source - Barclay Trading Group, LTD **. Mr. Kinkopf will manage client funds using the identical techniques he uses to trade his proprietary account.

*PFG contest rankings are not inclusive of all CTA's. Only registered CTA's who deposit and trade funds at PFG can enter. Performance results are 3rd party verified as submitted by PFG. Risk adjusted return is calculated from the total return divided by daily standard deviation.

**Rankings are not inclusive of all CTA's. Only CTA's choosing to submit their performance and trading under ten millions dollars are included. Performance results are based on unaudited submissions.

5. What separates you from everyone else?

I believe what separates this system from everyone else is that I have been trading strictly the S&P 500 Index Futures since 1989. Specializing in one commodity does have its advantages leading to expertise in index trading. Second, I designed this statistical trading system to dynamically manage risk by using various techniques combining volatility measures, reversal flow, price target stops and timing stops. I am ALWAYS aware why and how the system works since it is NOT a black box. It is based volume, price, technical patterns and proprietary indicators. Furthermore, I personally place the trades and monitor the market. I believe that risk management and discipline are the keys for long-term success in the markets.

This trading program has its origin in 1991 as a discretionary system. I spent 1996-1998 transforming it into a non-discretionary systematic program. I have been successfully trading this program on a daily basis since 1999. In 2007, the system was back-tested back to 1984 per request and proved to be a solid performer. In addition, in December of 2007, I added another component called volatility scaling which has shown to significantly reduce volatility. My core investment philosophy adheres to strict process that follows a disciplined approach towards trading. Discipline will allow my trading program to stand the test of time.

I originally designed this system to trade my personal funds. My intentions of this trading program was to ensure that it would perform and survive thought my lifetime. You will see the daily headlines of hedge funds closing due to over leveraged loses and scandals only to find them reopening under another name. This is NOT an option when you trade your own assets. I stand behind my trading decisions and conduct my own research. I welcome the opportunity to personally address your questions.

Specific Program Questions (47)

- 1. Have you had any other trading programs in the past, under this name or others? What was the start date for each?**

Yes. Ken Kinkopf was the trading advisor for KD Financial Corp from January 1993 to August of 1995. The returns experienced for this period was 40.68%. Additional information can be found in the Kinkopf Capital Management's disclosure document.

- 2. How many systems are used to support your program?**

One system.

- 3. Are you always in the market, either long or short?**

No. We are out of the market between positions. Typical positions average 3 days but can last between 1 to 7 days and are either long or short. There are periods of time where there are no positions.

- 4. What type of system do you use and to what extent? I.e., technical, fundamental, discretionary, trend-following, counter-trend, reaction or anticipatory, chart patterns, seasonal cycles, spreads, options, arbitrage and so forth?**

The system uses a non-discretionary technical system that combines statistical measures of volume flow vs. price, technical patterns, proprietary indicators and other market data.

- 5. What is your estimate of the number of round-turn trades you make per year, per million dollars?**

Approximately 2250 round turns per S&P e-mini.

- 6. What is your percentage estimate of winning trades versus losing trades?**

The average runs at 45% for the number of winning trades when reviewed over the entire trading period from 1/1999 through 7/2011. The figure is calculated on a per trade basis using proprietary performance beginning 1/1999 which is before KCM was founded in 2005. The calculation is inclusive of customer managed account performance when KCM's was formed. The calculations are also gross of brokerage commissions or CTA managed account fees. Profitability is all about the discipline and money management of the system.

- 7. What is the average length of winning trades versus losing trades?**

Average length of winning trades is 3 days while average length of losing trades is 1 day.

8. What is the average gain on winning trades versus the average loss on losing trades?

Average winning trades are approximately 60% higher than losing trades when calculated over the entire trading period from 1/1999 through 7/2011. The figure is calculated on a per trade basis using proprietary performance beginning 1/1999 which is before KCM was founded in 2005. The calculation is inclusive of customer managed account performance when KCM's was formed. The calculations are also gross of brokerage commissions or CTA managed account fees.

9. Who designed the underlying trading systems you use?

Myself. Ken Kinkopf

10. Are you subject to any licensing agreements?

No.

11. How far back have you tested your systems?

In 2007, we tested the data back to 1984 after a request for such info. Previously the test period was 15 years.

12. When did you last modify your system?

In April of 2014, Kinkopf Capital further expanded on its risk management process by incorporating additional trade control parameters to its core system. The new component called Octagle, provides an eight view, multidimensional governance on trade components. We expect this component to further reduce volatility while allowing additional capture opportunities. In December of 2007, a volatility-scaling component was introduced and has proven to reduce volatility. Back testing results have shown congruent returns with the desired reduction in volatility. Our forecasting model has not changed and the base system has not been modified since inception in 1999. Small trigger level adjustments used to be made to adjust volume and input levels but values are now standardized and not required. Previous level adjustments had no effect on previous or current trades since its inception.

13. How often do you evaluate and/or modify your system?

As mentioned above, evaluation is performed but components can be added that do not change system, such as volatility scaling. The trading system has not been modified and has changed very little since the early days of development back in the mid nineties.

14. Are there any limitations to your system?

Currently, the system only trades the S&P 500 Futures contracts but has tested very well in other equity markets.

15. Does your system have a long or short bias?

In the past the system trigger favors long trades on a margin of 3:2

16. Do you inform clients of minor changes to your system, methodology or risk control?

It is a policy to inform clients if changes to the base system are anticipated. There never has been nor are there plans to change the base system.

17. Do you anticipate making any further changes to your system?

No changes are planned to the system.

18. What are your contingency plans in the case of illness or death of key personnel?

Immediate cessation of all positions would occur and trading would be halted in the event of death of Ken Kinkopf. Safe guards are in place if such an event would occur.

19. What circumstances would shut your system down and close all open positions?

Excessive volatility and swings may cause the system to cease trading for a period of time. A manual complete system shutdown would be considered from a failure of the trading system. A failure of the trading system would be indicated by draw-downs exceeding 50%

20. What is your method of re-entry into a market if you are stopped out?

A new signal would have to be generated. Once a position is stopped out, there is no re-entry until the next generated signal.

21. What type of research do you do on an ongoing basis?

Quantitative and statistical analysis is conducted on a daily basis.

22. Do you enter a market on strength or weakness for trend following trades?

Although this is not a trend following system. The system does monitor trend as not to be opposite a strong trend.

23. What markets are your principal focus?

The S&P 500 futures contracts.

24. Do you intend on trading any cash, currency cross-rate or options markets?

No.

25. What type of options strategies do you use?

None.

26. Do you trade foreign markets?

No.

27. Do you ever trade delivery month contracts?

No delivery issues. The S&P is settled in cash

28. Do you trade spreads, either inter or intra-market?

No

29. Do you trade different markets by the same rules?

No other markets are traded at this time.

30. What is your allocation to various market sectors?

100% - S&P 500 Futures

31. How often do you change or review your asset allocation?

Not Applicable

32. What is your method for determining initial and ongoing exposure?

Initial and ongoing exposure varies based on system performance, system scaling and market conditions. The average leverage ranges from 5% to approximately 25% while in a position.

33. Do you scale in or enter an entire position at once?

Usually, the entire position is entered on signal generation with additional positions added or removed based on the volatility scaling method as required.

34. Do you scale out or exit all at once?

The entire position is exited at once on stops or system signal generation. Positions can be added or reduced depending on market conditions as directed by the volatility scaling method.

35. What type of markets does your system perform best and worst in?

The system tends to perform best when volume volatility is higher and worse when volatility is low. Also, the system tends to perform well in market down turns.

36. What are your risk management parameters?

Primary risk management parameters are based on volume flow vs. price. Positions may be stopped out due to volatility, reversal flow, target stops or timing stops. Also in December of 2007, a volatility scaling method was introduced to further address extraordinary market volatility conditions.

37. How do you manage volatility or changes in volatility?

As mentioned above, volatile changes are monitored as part of the overall risk management parameters.

38. Do you ever purposely stay out of a market?

Signal generation is either long, short, cover long, cover short. So there are times when there will be no positions taken. Discretionary selection of trade generation is not taken. No manual override of the system trade generation is anticipated.

39. How do you manage draw-downs and subsequent recovery?

Draw-downs are managed by using discipline. Draw-downs are managed by taking every trade and following through with every signal. My core investment philosophy adheres to strict process that follows a disciplined approach towards trading. Discipline will allow this trading program to stand the test of time

40. How do you manage dramatically winning or losing positions?

All positions follow the same system generated signals. Dramatically losing or winning positions follow the same volatility, reversal flow, target stops or timing stops along with the volatility scaling method that was introduced in December of 2007.

41. What is the maximum capital you feel you can manage with your current system?

Since the S&P 500 is one of the most liquid markets in the world and the current CME position limits would limit us to trade \$2 billion, we feel that the cap is most likely limited only by our company infrastructure to handle such volume. A self imposed cap of \$100 million is anticipated.

42. How will equity growth affect your trading program?

See the previous question. The current trading program would only be limited by position limits and market liquidity. Development of additional trading programs to expand our array of products using commodities will allow us to grow beyond the current trading position limits.

43. What is your fee structure?

2% yearly management fee and 20% incentive fee as discussed in our disclosure document.

44. Are performance ranking agencies tracking your performance and if so which ones?

Yes. By requirement of CFTC rules, you should be aware of the following disclosures about the basis and limitations of such rankings.

1. Only trading advisors that submitted their performance data were rated.
2. Only advisors trading client funds or propriety trading accounts were rated.
3. The risk of loss in futures or options can be substantial, therefore only genuine "risk" funds should be used in such trading. Futures and options may not be a suitable investment for all individuals and individuals should carefully consider their financial conditions in deciding whether to trade.
4. *Past results are not necessarily indicative of future results.*

We are currently monitored by many agencies. Please note that this list is not exhaustive as we report to new reporting companies monthly upon requested.

- Morningstar
 - <http://www.morningstar.com/>
- Lipper TASS database
 - <https://www.tremont.com/>
- The Barclay Institutional Reports
 - <http://www.barclaygrp.com>
- Alternative Investments Research & Technologies (CISDM Database – MAR Reports)
 - <http://cisdm.som.umass.edu/resources/database.asp>
- Stark Trader Database
 - <http://www.starkonline.com>
- Managed Futures - ITR database (Altegris Investments)
 - <http://www.managedinvestments.com>
- Institutional Advisory Services Group, Inc.
 - <http://www.iasg.com>
- Commodity Trading Advisor - INFO
 - <http://www.cta-info.com>
- Autumn Gold
 - <http://www.autumngold.com>
- Hedge Fund Research
 - <http://www.hedgefundresearch.com>
- HedgeFund.Net
 - <http://www.hedgefund.net>

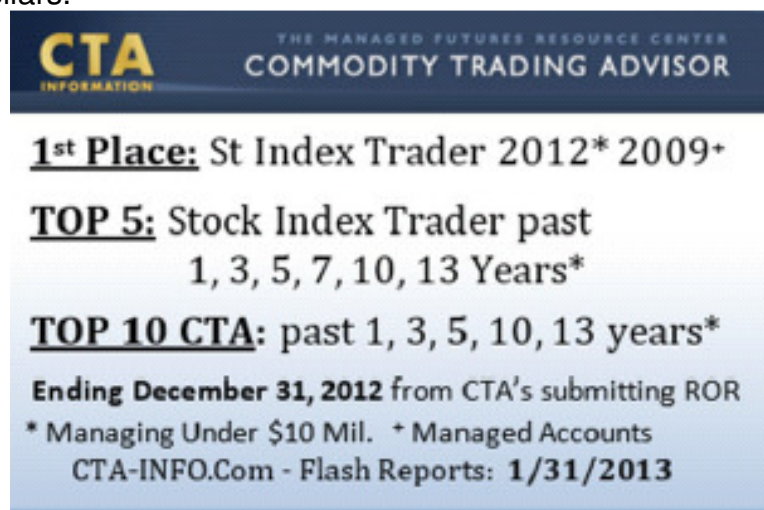
45. Has your track record been ranked as a top performer from any of the ranking agencies above?

Yes, but it also depends on the time period of the ranking and method of rank. Performance varies on a month to month basis. Time frame rankings vary from month to month, 3 month, 6 month, 12 month, 1 year, 3 year and 5 year and so-on. There are also different measures of performance rankings such as absolute rate of return, standard deviation of returns, and ratios from numerous measures.

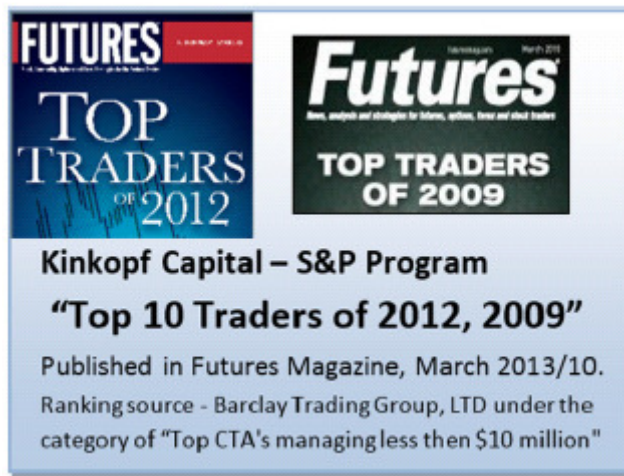
The latest published report is Kinkopf Capital was listed as **TOP 10 of the "TOP 20 Hedge Funds"** trading under \$100 Million
January 29th 2013 issue of **Bloomberg Briefs** – Bloomberg, LP



We were ranked in the "Top 10" by CTA-Info.com flash report across several periods on 1/31/2013. We were also listed as #1 Stock Index Trader for 2012 and 2009. This measure was based on absolute Rate of Return, CTA's trading client or proprietary accounts, who submitted trading data for the complete period, and were trading less than \$10 million dollars.



Kinkopf Capital makes the “Top 10 Traders of 2012” and Top 10 Traders of 2009 as published in Futures Magazine, March 2012 and March 2010. Ranking source - Barclay Trading Group, LTD under the category of "Top CTA's managing less then \$10 million"



In December of 2006, we were announced 1st place winner of the PFG quarterly CTA challenge.

“CHICAGO, December 13, 2006: Peregrine Financial Group, Inc. (PFG) announced the winner of its most recent quarterly CTA Challenge which concluded on November 30, 2006. The winner is Ken Kinkopf, principal of Kinkopf Capital Management, LLC, who receives the \$250,000 managed account allocation from PFG and becomes eligible to participate in the first-ever CTA Championship Showdown from March 1, 2007 to August 31, 2007. Winners are based on the best risk-adjusted return.”

In June of 2007, we were announced 1st place winner of the PFG quarterly CTA challenge and was in a competitive spot in the PFG million dollar CTA Championship showdown.

“CHICAGO, June 20, 2007: Peregrine Financial Group, Inc. (PFG) announced that Ken Kinkopf has won the most recent 3-month CTA Challenge that ended on May 31, 2007, and received the \$250,000 managed account allocation to trade for PFG. Mr. Kinkopf was also the winner of the quarterly CTA Challenge from September through November of 2006. Mr. Kinkopf is an associated person and principal of Kinkopf Capital Management LLC, responsible for all trading decisions and the general management of the firm. He uses a systematic technical analysis approach that incorporates fundamental data that is programmatically analyzed and then statistically evaluated to produce a trading system robust with the ability to react to system changes over time.

By winning a CTA Challenge in 2006, Mr. Kinkopf earned a competitive spot in the first-ever CTA Championship Showdown which runs for six months from March 1 to August 31, 2007. The contestants for the Championship Showdown include the top two traders in each of the preceding four quarterly CTA Challenges. The Showdown winner receives a \$1 million account allocation to trade for PFG. “

In September of 2007, we were announced the winner of the first ever six month PFG million dollar CTA Championship Showdown.

**"PFG CTA Championship Showdown Ends
Kinkopf Capital Management LLC Wins First Six-Month Competition,
Receives \$1 Million Managed Account Allocation to Trade for PFG**

CHICAGO--(BUSINESS WIRE)--Peregrine Financial Group, Inc. (PFG) has concluded its inaugural, six-month CTA Championship Showdown, and announced that Kinkopf Capital Management LLC is the first-place winner, based on risk-adjusted return at the completion of the contest. Kinkopf Capital Management LLC earned a spot in the CTA Championship Showdown by being a top trader in previous quarterly PFG CTA Challenge competitions. As the winner of the first-ever CTA Championship Showdown, which started March 1, 2007 and ended August 31, 2007, this CTA receives a \$1 million account allocation to trade for PFG1. In the six months of the CTA Championship Showdown, Kinkopf Capital Management LLC had an 82 percent rate of return, with a risk-adjusted ratio of 4.85.

Kinkopf Capital Management LLC has won several of the quarterly CTA Challenges. PFG created and sponsors these trading competitions to identify and showcase emerging Commodity Trading Advisor (CTA) talent, strategies and techniques. Ken Kinkopf is an associated person and principal of Kinkopf Capital Management LLC, responsible for all trading decisions and the general management of the firm. Kinkopf uses a systematic technical analysis approach that incorporates fundamental data that is programmatically analyzed and then statistically evaluated to produce a trading system robust with the ability to react to system changes over time.

NOTE: MATERIAL DIFFERENCES IN CONTEST FROM MANAGED ACCOUNTS

1. PFGs third party auditors calculate the return based on actual account size. The actual contest account size was smaller then the managed account minimum of \$100,000 imposed by Kinkopf Capital Management. As a result, the leverage used for the contest account was higher then the Managed Account Program which results in higher percentage moves. Therefore the PFG Challenge results do not reflect the returns of the Kinkopf Capital Account Program.
2. Returns calculated by PFG are gross of managed account fees but net of brokerage fees. Managed accounts are subject to performance and incentive fees. See disclosure document for fee details.

In August of 2009, we were announced 1st place winner in the PFG quarterly CTA challenge and earned a competitive spot in the PFG million dollar CTA Championship showdown in 2010 along with a \$250,000 allocation.

In February of 2010, we were announced 1st place winner in the last and final PFG quarterly CTA challenge and was awarded a \$250,000 allocation.



46. Have you made and public appearances or published any books?

In November 2011, I presented at the Wall Street and Technology High Speed Trading forum.

In October 2011, I presented at the High Frequency Leaders forum in Chicago.

In June 2011, I presented at the Quant Invest 2011 and HFT World Conferences in Chicago.

In October 2009, I presented at the second annual 2009 CTA Expo in Chicago.

In November 2007, I was one of eight global speakers invited to present forecasting strategies at the Taiwan 2007 Futures Trust Enterprise Forum in Taipei.

In the early 1990's, I published and provided technical advice for two subscription based forecasting advisories and wrote articles discussing several of the statistical tools and techniques used in forecasting models.

I have not published any books and no longer provide any subscription based advisories since 1996.

47. What separates you from everyone else?

I believe what separates this system from everyone else is that I have been trading strictly the S&P 500 Index Futures since 1989. Specializing in one commodity does have its advantages leading to expertise in index trading. Second, I designed this statistical trading system to dynamically manage risk by using various techniques combining volatility measures, reversal flow, price target stops and timing stops. I am ALWAYS aware why and how the system works since it is NOT a black box. It is based volume, price, technical patterns and proprietary indicators. Furthermore, I personally place the trades and monitor the market. I believe that risk management and discipline are the keys for long-term success in the markets.

This trading program has its origin in 1991 as a discretionary system. I spent 1996-1998 transforming it into a non-discretionary systematic program. I have been successfully trading this program on a daily basis since 1999. In 2007, the system was back-tested back to 1984 per request and proved to be a solid performer. In addition, in December of 2007, I added another component called volatility scaling which has shown to significantly reduce volatility. My core investment philosophy adheres to strict process that follows a disciplined approach towards trading. Discipline will allow my trading program to stand the test of time.

I originally designed this system to trade my personal funds. My intentions of this trading program was to ensure that it would perform and survive thought my lifetime. You will see the daily headlines of hedge funds closing due to over leveraged loses and scandals only to find them reopening under another name. This is NOT an option when you trade your own assets. I stand behind my trading decisions and conduct my own research. I welcome the opportunity to personally address your questions.

If you wish to discuss this program in detail, please contact Ken Kinkopf directly at (312) 859-6305 or by email kkinkopf@kinkopfcapital.com.