ezTrade

INVESTMENT PLATFORM FOR YOUR PEACE OF MIND

Probability Arbitrage

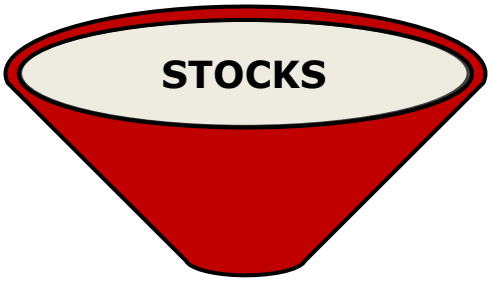
Option traders understand that probability is a major factor in trading. It is known that traders rely on platforms for calculation methods that can increase profitability.

Therefore, EzTrade has introduced a new approach to option trading – **Probability Arbitrage**. With probability being the method upon which traders gain competitive advantage over other traders, it is key that we provide methods that provide our traders the benefits they seek.

Most trading platforms rely on an outdated process, which causes traders to identify options that are false positives.

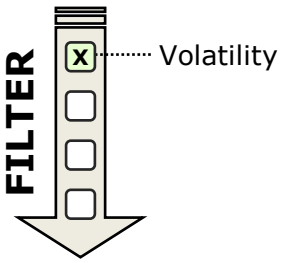
Your Current State is Archaic

1



Searching the universe of stocks for the right set up

2



Finding out which stocks have options

3

Spending hours on a laptop finding a good option trade

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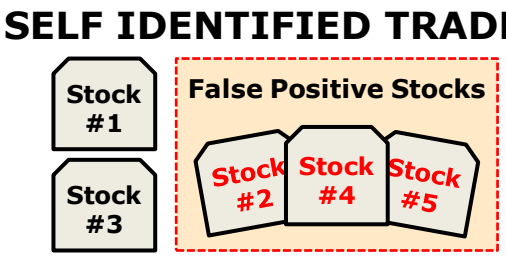


Ending up with false positive results when filtering

Using normal distribution as representation of real historical movements yields high probability trades that result in losses.

Ez Trade Builder's search for Call Credit Spread using Probability of Success as a filtering criteria:

Stock Symbol	Company Name	Trade	Closing Price	Credit	Probability of Profit	Profit on Expiration	Chart
BIDU	BAIDU INC	Sell May.10w 92.5 Call Buy May.10w 100 Call	86.43	1.12	79.27	-1.83	
FFIV	F5 NETWORKS INC	Sell May.18 77.5 Call Buy May.18 85 Call	71.38	0.87	79.14	-4.26	
MPC	MARATHON PETE CORP	Sell May.18 85 Call Buy May.18 92.5 Call	78.75	0.85	77.95	0.85	
NFLX	NETFLIX INC	Sell May.10w 185 Call Buy May.10w 195 Call	163.37	1.90	77.16	-8.10	
HUM	HUMANA INC	Sell May.18 77.5 Call Buy May.18 85 Call	73.05	0.85	77.09	-2.10	
FSLR	FIRST SOLAR INC	Sell May.18 43 Call Buy May.18 50 Call	38.10	0.89	77.06	-6.09	
IBM	INTERNATIONAL BUSINESS MACHS	Sell May.10w 195 Call Buy May.10w 200 Call	190.00	0.78	76.97	-4.22	
CF	CF INDS HLDGS INC	Sell May.18 190 Call Buy May.18 195 Call	179.15	0.80	76.89	0.30	
APA	APACHE CORP	Sell May.18 72.5 Call Buy May.18 75 Call	68.84	0.41	76.84	-2.09	
LULU	LULULEMON ATHLETICA INC	Sell May.18 72.5 Call Buy May.18 80 Call	68.38	0.82	76.32	-6.68	

MOST OTHER PLATFORMS:
Expect 70% of these trades to be profitable

REALITY:
80% of these trades had losses

And same filtering criteria for Short Put Strategy:

Stock Symbol	Company Name	Trade	Closing Price	Credit	Probability of Profit	Profit on Expiration	Chart
BKE	BUCKLE INC	Sell Aug.20 37.5 Put	43.00	0.55	87.75	-2.40	
BGC	GENERAL CABLE CORP DEL NEW	Sell Aug.20 37 Put	41.47	0.75	86.34	-10.62	
LTD	LIMITED BRANDS INC	Sell Aug.20 34 Put	38.07	0.60	86.3	-0.23	
ACTG	ACACIA RESH CORP	Sell Aug.20 30 Put	35.85	0.60	86.21	0.60	
BEXP	BRIGHAM EXPLORATION CO	Sell Aug.20 25 Put	29.55	0.55	86.21	0.55	
CYD	CHINA YUCHAI INTL LTD	Sell Aug.20 16.5 Put	20.57	0.65	85.55	-0.25	
IR	INGERSOLL-RAND PLC	Sell Aug.20 40 Put	43.92	0.65	85.54	-11.79	
DRIV	DIGITAL RIV INC	Sell Aug.20 28 Put	31.41	0.55	85.52	-8.67	
TIBX	TIBCO SOFTWARE INC	Sell Aug.20 25 Put	28.71	0.55	85.36	-5.96	
UIS	UNISYS CORP	Sell Aug.20 22 Put	25.27	0.55	85.32	-5.62	

MOST OTHER PLATFORMS:
Expect 90% of these trades to be profitable

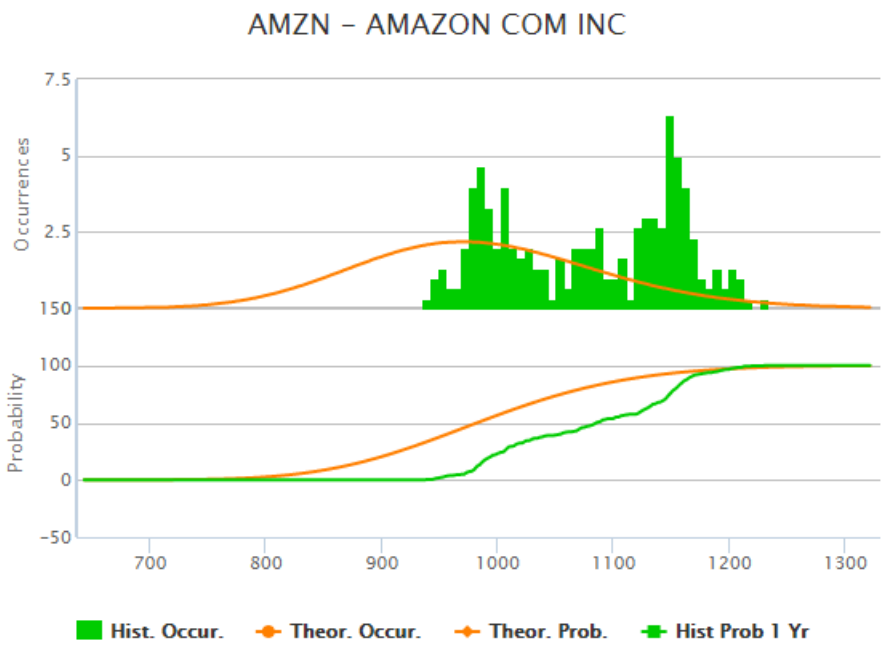
REALITY:
80% of these trades had losses

If your expectation does not match reality, you should reconsider how you calculate your probability of profitability.

So why do the statistics from most of the other platforms not match reality?

Below chart is produced using Ez Trade Builder to depict Theoretical vs. Historical Probability. You will see that real historical movements are not normally distributed. While calculation holds true for some underlying assets, for the majority, this method will not reflect reality.

Normal Distribution



Real Historical Movements

CURRENT METHODOLOGY:
Calculate probability using "one-size-fits-all" formula by assuming underlying assets have normal distribution

ISSUE WITH ASSUMPTION:
Doesn't hold true when using normal distribution and implied volatility to calculate probability for all underlying assets

EzTrade is constantly refining our analytic methodology to provide approaches that uncover the best options trades.

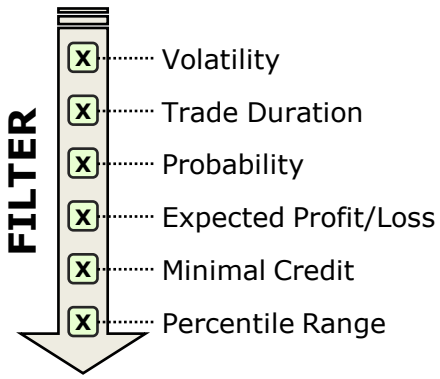
Your Future State is Automated

1

EZ-AUTO-BUILT TRADES

View trade analysis that is performed automatically, so you only need to search for the best options combination for your trading

2



Use filters that are specific to options, and can be only applied to option trading, to gain a substantial competitive advantage

3

SELECTION

Eliminate further need for trade analysis by finding complete options trades

Historically, there have been 3 methods for probability calculation.

Most commonly used is a "one-size-fits-all" method, Theoretical Probability. We have introduced two new probabilities: **Historical and Stress Test Probability**.

1

HISTORICAL PROBABILITY

Takes into consideration direction of the underlying moves

Reflects the specificity of each underlying historical behavior

2

STRESS TEST PROBABILITY

Utilizes magnitude of historical movements, as to represent capability of underlying to perform certain moves without taking into consideration direction of that move

3

THEORETICAL

Calculates based on use of normal distribution and implied volatility

View below example to see how **Probability Arbitrate** functions for our traders.

Our Ez Trade Builder and Ez Trading Ideas provides calculations for each underlying asset based on 1 to 5 years of historical readings. Our traders customize the probability length using current market conditions:

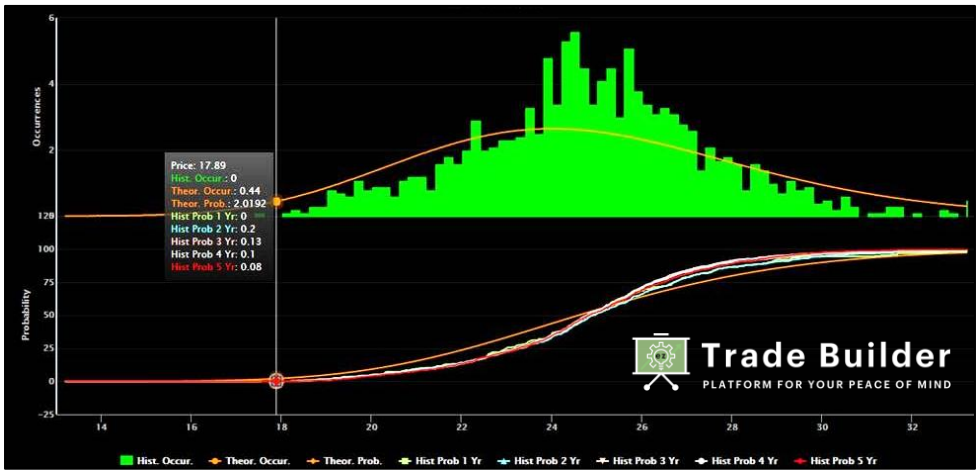
What is the current market condition?

Unchanging
expect similar to recent movement

Use 1-year probability
considers the current trends in the market

Volatile
expect unpredictable movement

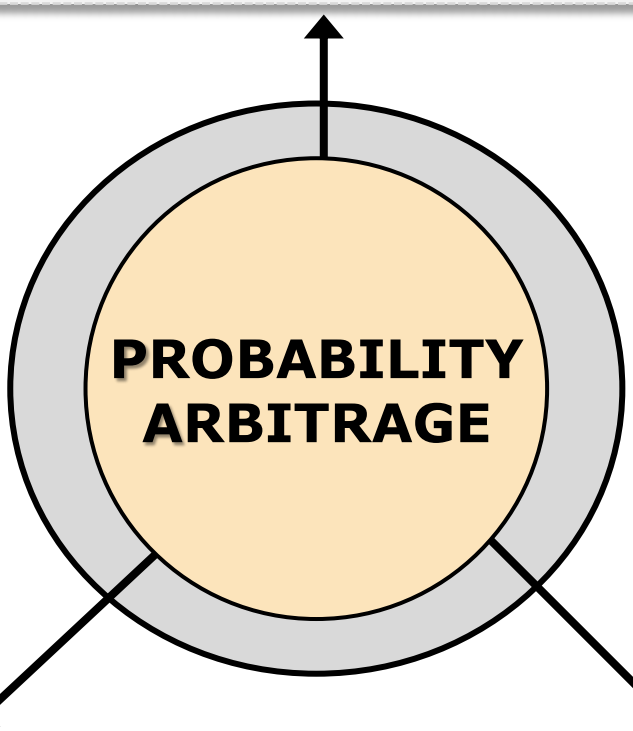
Use 5-year probability
covers longer period that account for volatility



Probability arbitrage creates an advantage for novice and seasoned traders.

The two new introduced probabilities, **Historical and Stress Test Probability**, set the stage for developing investing benefits. Through probability arbitrage:

Identify situations when Historical and Stress Test probability calculation delivers more accurate reflections of reality over Theoretical probability



Create proper risk management before and after entering trade

Set appropriate expectations of selected trade throughout investment