

Meet The Manager



Meet the Manager: Jes Santaularia, Parrot Trading Partners

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By HedgeNews Editors



Jes Santaularia has more than a quarter-century of experience in real estate development, property management, and tax and investment planning. He's also been trading commodities on his own account for more than 20 years. That experience has helped provide him the framework for hedge fund management through his Lawrence, KS-based [Parrot Trading Partners](#), where he's the managing partner. He trades and manages all of the company's assets.

His basic strategy is to employ the use of diagonal calendar spreads that he refers to as Calendar Condors. In a recent interview with HedgeFund.net, Santaularia also emphasized the substantial amount of the firm's own liquidity that's invested through its own hedge funds.

HedgeFund.net: What do you think makes your fund unique?

Jes Santaularia: I think one of the things that makes us unique is the strategy that we use came about because we trade a substantial amount of our own liquidity in this manner and have done so over the course of the last several years. So, if it was effective for us with our own funds we thought we should make it available to others who might be in similar situations to us, where they want to have better-than-average returns and reasonable liquidity. And I think that's what we offer that might be unique.

We effectively trade a market-neutral strategy. We generally do not take an opinion on market direction over the long term.

And we primarily utilize options to trade that strategy. We are long both puts and calls in deferred months, usually 6-12 months out as our hedge and we are short the current months, usually 2 to 8 weeks out. We are net sellers of option premium when you consider the ability to roll the current months multiple times into your long hedge positions on either side of the market.

'Partners' in our fund Parrot Trading Partners has real meaning. We feel that our investors are in fact 'Partners' in the true sense of the word since we are managing their funds invested in the same instruments and same strategy as our own.

HF.net: When you said a "substantial amount of our own liquidity," can you give an idea of how much?

JS: More than 50 percent.

HF.net: Can you describe the strengths of your investment strategies?

I think one of the strengths is that we have our own money invested and we're not just trading for a fee. Number two, we hedge our position in a way that we do not have to have the market go in any particular direction. In fact, we profit even more when the market goes nowhere. And, as anyone knows who's been around the market for a very long time, the market probably spends; I'm going to guess, 50 to 70 percent of its time in neutral, rather than going in one direction or another. So, the inherent mathematical structure of an option is that it depreciates in value every day. And, since on the whole we are net sellers rather than buyers, we're going to profit from that strategy in the long run.

HF.net: Can you discuss the depth of diversification?

JS: I would only consider us diversified to the extent that the S&P is diversified. At the present time it is the only instrument we trade. We get our diversification because that one instrument that is further diversified into 500 individual stocks.

The S&P 500 is the most well-known index. It's the broadest index. It's also less subject to nightmare of one fallen angel. The Dow has only 30 stocks in it. If you lose one stock for one reason or another, you lose 3 percent of your position, whereas in the S&P 500, if you lose one stock, it's insignificant. So, the 500 itself is what gives us a broad amount of diversification.

And, really, because of our stance in that we don't care where the market goes, the 500 gives us that best opportunity. Whereas the Dow only concentrates on 30 stocks and the NASDAQ only trades on small individual stocks, the 500 is broadly diversified in and of itself.

HF.net: Do you back-test your investment ideas?

JS: We don't.

HF.net: Is there a reason for that?

JS: Who cares what happens to a hypothetical position that you could've traded last month, last year, or yesterday? In the real world, it's what you do in the market every day in real time that counts. You can only look forward testing new strategies in a limited way with real dollars.