



collective2
Join the investment revolution

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Company Overview

How Collective2 Levels Investment Playing Field

Imagine a world in which the average investor operated with the same power and sophistication as the highest paid professional money managers.

In other words, suppose someone with only \$10,000 to invest could suddenly afford to hire a team of seasoned financial advisors. Then throw in access to the top mathematicians and software developers needed to write and execute complex algorithms that make computerized trades in such investments as stocks, options, foreign exchange and futures.

Enter Collective2, which houses the Internet's largest collection of trading systems. With more than 25,000 subscribers and several times that many visitors, Collective2 has clearly struck a chord with the investing public.

Then again, Collective2 offers investors nearly 8,000 trading systems from which to choose. The Web site automatically monitors, tracks and evaluates each system. The company's technology works effectively for investors of any size -- from institutions handling millions of dollars, to part-time swing traders with just a few thousand dollars of risk capital.

Because the sheer number of strategies may prove daunting at first, Collective2 also provides several user-friendly tools to help investors discover the systems best suited for their investment objectives and risk profiles. These include Portfolio Maker, System Finder, Hot Hands, Worst Systems, Most Popular and a My Analyst Page.

Collective2 finds itself at the center of the rapid transformation of financial markets over the past decade from power vested in a few large firms toward true investment democracy. In the old days, only the largest institutions could sift through thousands of strategies and automatically execute trades. Collective2 and its powerful Web 2.0 technology have changed all that.

For that reason, hundreds of developers have flocked to Collective2 to offer their systems directly to investors. These developers make their money by charging clients for access to the trading systems. In turn, Collective2 earns revenue from system developer fees, from a portion of monthly fees paid by system subscribers, and from brokers to whom automated trades are routed.

Collective2 Pioneers AutoTrading

Simply put, a trading system is a collection of formulas and rules that generate buy and sell recommendations based on price, volume or other data. Among other items, these rules typically include exit strategies for adverse conditions and orders to take profits after a certain amount of market gains.

It's important to note, however, that Collective2 does not provide investment advice nor conduct actual trades for its members. Collective2 delivers a unique service in the financial markets but makes no claims to be a registered broker-dealer.

Instead, the Web site tracks the success of "hypothetical trades" that investors can use to determine which systems would work for them. Members then choose the systems they like, typically paying developers a monthly fee for the service, and then have their brokers execute the relevant trades.

The website's members can select a process as complex as an algorithmic black box previously reserved for large hedge funds or as old-fashioned as a stock-picking newsletter. In any event, Collective2 makes conducting the real-life trades simple with its AutoTrading service.

Harnessing the power of its Gen3 technology, Collective2's AutoTrading means investors can turn their computers off and go about their routines without fear of missing a trade. Furthermore, the

service does not require any special software -- it's as seamless as it is automatic.

Freed from the constraints of constantly monitoring prices on a computer screen, traders can thus focus on the value-added activities of selecting profitable systems and maximizing returns.

A Serial Entrepreneur Returns

Based in the New York City suburb of Rye Brook, Collective2 is the brainchild of Matthew Klein, a serial technology entrepreneur whose experience includes stints in California's Silicon Valley. Collective2 caps Mr. Klein's life-long interest in trading systems, one he developed by observing his father create his own systems in the days before personal computers.

Mr. Klein founded Collective2 in 2002 after leaving Silicon Valley. Previously, he founded and served as CEO of TechPlanet, an information technology consulting company serving small business. He began his active technology career in 1994 when he left graduate school at Stanford University to found Release Software Corp., which used the Internet to create a sales channel for digital products that totaled 3,000 titles by more than 200 software publishers.

Besides his exploits in technology, Mr. Klein also is a critically acclaimed author of business thrillers. To date he has published two novels, *Con Ed* and *Switchback*. Mr. Klein also is adept at writing software: he personally wrote the code for the early version of Collective2.

Having run technology startups with venture funding and employee overhead, Mr. Klein decided on a leaner business model for Collective2. The self-funded company has no full-time employees and hires consultants, web authors, software developers and graphic designers on a contract basis.

A Host of Useful Features

Nevertheless, Collective2 remains a robust site with plenty of useful features that appeal to a wide range of investors, from professionals to part-time day traders. Here is a look at several of them:

- **Portfolio Maker** -- Users drag and drop various trading systems into a large grid that provides graphical results of theoretical trades based on an initial investment of \$10,000. Collective2 users can compare an individual system or a portfolio of systems against the performance of the S&P 500.
- **My Analyst Page** -- After selecting trading systems of interest to them, users can track results as well as write notes and comments on this page. In turn, they can share their observations with others and also read other peoples' Analyst Page to discover other systems and follow the advice of those they trust.
- **Ratings** -- Collective2 rates every trading advisor in its database and assigns a score of between 100 and 1000. The company recommends users look up and verify the trading advisor's Collective2 Rating before engaging his or her services. In general, a rating above 500 is good. A rating above 700 is excellent.

Collective2 recalculates ratings every month based on the entire performance history in its database. The exact formula remains proprietary, but there are several key variables that go into the Collective2 Rating. One of the more important is the length of time the company has observed the trader's results.

- **System Finder** -- This tool allows users to search for trading systems based on specific criteria, such as level of risk, popularity on the site or the most successful ones in the past 30 days. Users can then narrow down the search further by picking types of trades, for example stocks or foreign exchange, and risk per trade.
- **Hot Hand Report** -- By displaying the two top-performing systems for each of several time periods, this tool makes it easy to measure results, which are updated every thirty minutes. Time frames cover periods of from five days to one year.
- **Worst Systems** -- Let's face it, some systems will encounter a period of poor performance. This tool allows Collective2 users

to determine quickly which systems did significantly worse than the S&P 500. Users can subdivide the searches by length of term and speed of trade.

- **Slow and Steady** -- For some, the old adage that "slow and steady wins the race" rings true when it comes to investing their money. Here users find a list of systems with consistent profit growth.

New visitors to the site, meanwhile, can watch a useful video that explains how Collective2 operates. The site also will give visitors a tour of Collective2 and its features. Furthermore, Collective2 maintains a robust and active forum where developers and users can exchange comments about particular systems.

Finally, with its host of useful web tools and the sheer number of available systems, Collective2 offers a unique investment experience. In short, Collective2 harnesses the power of the Internet to truly level the investment playing field.