



25 Questions **Every Investor Should Know** About

Protec Energy Partners

*ET1 program**

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*This program is only available to Qualified Eligible Persons ("QEP") as that term is defined by CFTC regulation 4.7

Protec Energy Partners ET1 program* depends on both technical and fundamental considerations. Technical analysis involves the study of price charts, volume and momentum to determine the future course of prices. Other analysis will be performed on the prices of various options, both in absolute terms in relation to their historic price level, and in relative terms comparing the prices of puts to the prices of similar calls.

1.) What is the name of the program/programs and who are the listed Principals?

Protec Energy ET1 / Todd Garner, Andrew Greenberg and Cate Wylie

2.) Can you provide us with some details of your corporate background?

Todd Garner and Andrew Greenberg are the founders and managing members of Protec Energy Partners LLC ("PEP"). The PEP management team has extensive experience in developing managing and operating energy commodity-based business.

Principals Todd Garner and Andrew Greenberg are the founders and managing members of Protec Fuel Management LLC. Cate Wylie is the Director of Compliance and Risk and now collaborates with Mr. Garner in trade formulation and execution. Founded in 1999, Protec Fuel Management ("PFM") is a fuel distribution and risk management company specializing in the supply, distribution and risk management of energy commodities including diesel fuel, gasoline, natural gas and ethanol. Protec serves a broad client base throughout the United States, including energy producers, refiners, wholesalers, manufacturing companies and transportation companies not to mention the United States Military.

Mr. Garner and Mr. Greenberg have over 50 years combined experience in both the physical and financial side of the energy industry as well as an extensive track record managing energy trading desks at companies including The Williams Companies, Conagra and Exco-Intracaptial. Ms. Wylie came to

PFM in 2006 from FCStone with 17 years of trading experience in agricultural and energy commodities.

3.) Who are the Principals with trading authority?

Todd Garner
Cate Wylie
Andrew Greenberg

4.) Can you provide details on the principal and/or manager's education, career and trading background?

Todd Garner: Mr. Garner has over 30 years of trading experience in the energy industry and has managed risk for several large oil/ gas producers, refineries and end users of refined products. Prior to forming Protec Fuel Management LLC in 1999, Mr. Garner held the position of Vice President of Trading and Risk Management with the Williams Companies. While at Williams, Mr. Garner oversaw the development and implementation of structured risk management and procurement for wholesalers, retailers, and pipeline shippers of refined products and natural gas

Andrew Greenberg: Mr. Greenberg has over 33 years in the energy industry. Prior to forming Protec Fuel Management in 1999, Mr. Greenberg was Director of Trading and Marketing for Exco-Intracaptial and Berisford Capital Markets, where he directed the physical and financial trading of crude oil, refined products and natural gas. Mr. Greenberg began his career as a grain and precious metals trader and was a floor trader for crude and refined products for Conagra's Gelderman.

Cate Wylie: Ms. Wylie has 27 years experience in risk management, starting in the agricultural market at Cargill Investor Services. While trading under the auspices of Merrill Lynch, she began trading in the energy market and directed the energy trading for the St. Louis branch of FCStone prior to her employment at Protec Fuel Management.

Ms. Wylie joined Protec Fuel Management in May 2006 and served as its Director of Fuel Procurement and Distribution. Ms. Wylie assisted Messrs. Greenberg and Garner with risk management, trading policy, oversight of back office administrative and compliance for Protec Energy Partners. In August of 2013, she relinquished her PFM duties to devote her entire attention to PEP as Director of Compliance and Risk.

5.) Which firm calculates your performance numbers?

Hedgefacts

6.) What is the minimum investment for your program?

\$200,000

7.) Do you accept notional funding?

Yes, Up to 50% notional

8.) What is your management and incentive fee structure?

Management fee- 2% annually assessed monthly
Performance Fee- 20% assessed quarterly

9.) What is your program's capacity?

\$400,000,000

10.) When did you start trading this program?

April 2010



TODD GARNER Principal of Protec Energy Partners

11.) What type of accounts do you manage?

QEP only, High Net Worth Individuals, Family Offices, Fund of Funds and Funds, all are managed accounts

12.) Can you give a brief description of your program?

Formed in April 2010, the Protec Energy Partners ("PEP") ET1 program depends on both technical and fundamental considerations. Technical analysis involves the study of price charts, volume and momentum to determine the future course of prices. Other analysis will be performed on the prices of various options, both in absolute terms in relation to their historic price level, and in relative terms comparing the prices of puts to the prices of similar calls. Implied and historical volatility of both the option and its underlying commodity are also studied. Fundamental considerations, utilized on a commodity-by-commodity basis, include supply and demand, seasonal movements, business and economic factors, governmental policies, weather and other worldwide events, which can influence the energy commodity markets.

From April 2010 through May 2015, the ET1 program focused on implementing medium-term strategies (one to six months) involving Asian option-spread structures, strangles and straddles. In addition, PEP purchased or sold futures to offset an open option position. PEP's ongoing re-balancing process is designed to keep an account's degree of leverage relatively constant, even in volatile markets. Late in 2014, PEP observed a change in market dynamics and regulatory issues made Asian options less lucrative and longer term trading more risky.

Messrs. Garner and Greenberg recognized the importance of short-term trading that required agility which made the prior "trade by committee" approach less advantageous. They agreed that, in the current trading environment, Mr. Garner's trade desk experience in short-term structures and strategies should be utilized. In May 2015, Mr. Garner agreed to assume sole oversight of the PEP trading with the help of Ms. Wylie for trade formulation and execution.

13.) Do you have a systematic or discretionary approach to the market?

Protec Energy Partners is discretionary. We have a yearly goal to provide a ROR to our investors of around 20%

14.) What is the average holding period for each trade?

At this time, short-term holds are 15 to 30 days and long-term holds are about 45 to 60 days

15.) Do you trade options within your program? If yes, please describe the types of options traded and how options risk is monitored.

Yes our program is mainly options based. The ET1

program strategies consist of trading spreads using options. Our options risk is aggressively monitored and adjusted with the help of a program called Super Derivatives.

It allows us to monitor daily risk as well as back test our strategies in previous market conditions before executing. We also monitor Asian options, which had been lucrative

at the beginning of PEP's trading, for a time when they might once again come into play.

16.) Are there any liquidity constraints in the markets you trade?

No, we don't see any liquidity constraints until we reach our capacity

17.) In what types of market environments does your trading program do well and/or struggle?

As with any options trading, our program responds well in periods of high volatility. We have developed a variety of options strategies each designed to take advantage of different types of market movement

18.) What is the standard range of margin-to-equity usage for the program and how long do you hold the average trade?

We target a margin to equity of no greater than 20%. On average our margin to equity is about 12-15%

19.) How do you manage risk/reward and what metrics are employed?

All of our strategies have a predetermined risk/reward based on the commodity, time of year, and length of the trade. 75% of our strategies are high probability low-return trades with a 3 to 1 risk/reward ratio and a low M/E ratio of 7 to 12 %. The remainder of the portfolio is made up of seasonal trades that

"75% of our strategies are high probability low-return trades, with a 3 to 1 risk reward ratio and a low M/E ratio of 7 to 12 %."

produce higher returns with a 5 to 1 risk reward ratio utilizing less leverage but the same M/E ratio. The firm employs strict proprietary risk control procedures in an effort to preserve capital and protect against material forecasting errors.

Particular attention is given to the adequate sizing of positions prior to execution, and the need to assess the current and anticipated liquidity of the segment of the market. We calculate a predetermined level of acceptable loss per position based on volatility and risk-reward dynamics. If this predetermined acceptable loss is exceeded, the position is closed.

20.) What are the optimal market conditions for your strategy?

High volatility works best in our options strategies

21.) Describe your worst drawdown to date, how did it happen and what actions have been taken (if any) to prevent similar drawdowns?

The programs largest DD of -23.80% occurred from June of 2014 through June of 2015. Many global macro issues had a profound effect on our ability to get a good foothold on the longer-term upward direction of the energy market. OPEC, Greece, China and the end of QE3 created headwinds in a seasonal up-trending market.

The gasoline market moved in 10–12 cent fluctuations, forcing us to adhere to our risk parameters and exit positions with losses. The market would then quickly continue its normal trend only to come up against another bearish news story forcing another heavy correction. During this period we used the previously discussed Asian or Average Price Options in our strategies.

These instruments, under normal circumstances, were very effective and served us well in the past, but due to the very unusual geopolitical situation during the first half of 2015, they were not only ineffective, but cumbersome. The parameters and averaging mechanisms normally utilized had to be adjusted and



CATE WYLIE Principal of Protec Energy Partners

corrected, leading to arithmetic, tenor and personnel changes as previously discussed. Even though the monthly losses fell within our risk parameters; the number of monthly losses ultimately lead to our largest Peak-to-Valley DD. Since that DD, however, Protec has drastically limited its use of average price options and reduced its trading tenor to keep our positions nearby. Those changes were completed by the end of June 2015. We are proud to say that, in the 11 months from July 2015 to May 2015, we have a linear calculated ROR gain of 14.49% .

22.) What are your investment goals?

Protec Energy Partners goal is to provide our clients with a yearly return of 20% while keeping our peak to valley drawdown below 5%

23.) What makes your program unique and different from other managers in your sector?

Protec Energy Partners LLC is a discretionary energy-only CTA. PEP's principals' years of experience in the physical petroleum and natural gas markets enable them to better understand the external forces that

affect the trading markets. Our day-to-day interaction and experience in the physical market through Protec Fuel Management gives us a fundamental insight not common in most CTA programs. This perspective combined with our risk management and trading background makes Protec Energy Partners unique.

24.) Do you feel you have an edge if so what is it?

Yes, we have developed various options structures to mirror the price movement found in each of the different energy commodities. Our 50 years of combined experience in both the physical and financial energy market gives us an edge to manage each market condition as it occurs.

This is achieved by using the knowledge that we are gathering daily through our interaction in the marketing and trading of physical product at Protec Fuel Management.

25.) What is the one piece of advice that you would give to a new start-up CTA?

Protec Fuel Management has been in business for 13 years so we were fortunate to already have the administrative and back office processes in place when we formed Protec Energy Partners in 2009. Based on our growth the last 9 months I don't see how we could have handled the growth without those processes in place. It's hard enough to manage the trading and marketing much less having to worry about processing new accounts and accounting.

That being said, my advice would be to spend the time before you start up to establish your back office and administration. I can't think of anything worse than to have a successful track record and not be able to handle the growth of a new CTA.

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For Investors



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