

## Deep Value's Sell-Side Services

Deep Value serves as the behind-the-scenes and in-house algorithmic trading desk for broker-dealers that have a need for these services.

With the proliferation of market centers, rise of block destinations, falling commissions, and competition among brokers, cash equity desks need algorithmic capabilities that (a) have excellent performance; (b) are cost-effective and (c) can uniquely accommodate custom needs of clients.

Deep Value stands out at offering white-labeled algorithmic trading strategies that offer very-high performance, extensive customizability, and competitive pricing.

## Deep Value's Service Model for the Sell-Side

### Standard Algorithmic Trading Strategies

Deep Value has a portfolio of algorithmic trading vehicles that its sell-side partners white-label. The portfolio includes high-performing variants of the two vehicles most commonly used in the industry: VWAP and Arrival Price algorithms (box).

### Custom Trading Strategies

Deep Value designs custom strategies to tailor algorithmic behavior and performance to meet unique needs. Custom strategies seeing significant use include vehicles that fill event-driven or news-driven orders with high intraday alpha; combine use of block destinations with traditional market centers; and others.

### Flexible Provisioning and Extensive Automation

The firm implements its algorithms on partner platforms, or has orders sent to its hosted FIX destination. Its systems are heavily automated, and handle most market exceptions and reporting requirements with minimal human intervention. The firm undertakes live monitoring and provides the usual real-time IM and phone support on all of its trading.

## Deep Value Algorithms

Deep Value algorithms are powered by underlying models that take into account the local liquidity, return and volatility profiles to determine when, where and how to place orders. Its strategies constantly look for hidden liquidity across destinations; exploit short-term forecastable price moves; dynamically update internal market impact models to forecast their own impact; and adjust behavior accordingly. Two commonly used algorithms are described below.

The Deep Value Arrival Price Algorithm is an arrival price strategy that seeks to minimize its slippage relative to the stock price at the time of arrival of the order, while leaving as small a footprint in the market as possible. It typically avoids paying the spread, does not overreact if there is a sudden and adverse price spike, and is seldom the price-setting participant in the market for the stock. While passive in its pricing, sizing and timing decisions, when there are contra-side liquidity spikes, however, or aggressive parties on the opposite side, the algorithm participates quickly, sizably and aggressively.

The Deep Value VWAP Algorithm uses the volume-weighted average price (VWAP) as its target benchmark. Deep Value's VWAP vehicle intelligently forecasts volumes and participates carefully in the markets. It delivers typically very good performance against the benchmark, and with low volatility.

