

## What Is a Drawdown?

By definition:

„A drawdown is a peak-to-trough decline during a specific period for an investment, trading account, or fund. A drawdown measures the historical risk of different investments, compares fund performance, or monitors personal trading performance. It is usually quoted as the percentage between the peak and the subsequent trough. If a trading account has \$10,000 in it, and the funds drop to \$9,000 before moving back above \$10,000, then the trading account witnessed a 10% drawdown.“ Source: Investopedia.

Basically:

Drawdown is the maximum loss a trader might experience in a given time horizon.

Octrado uses 2 types of Drawdown.

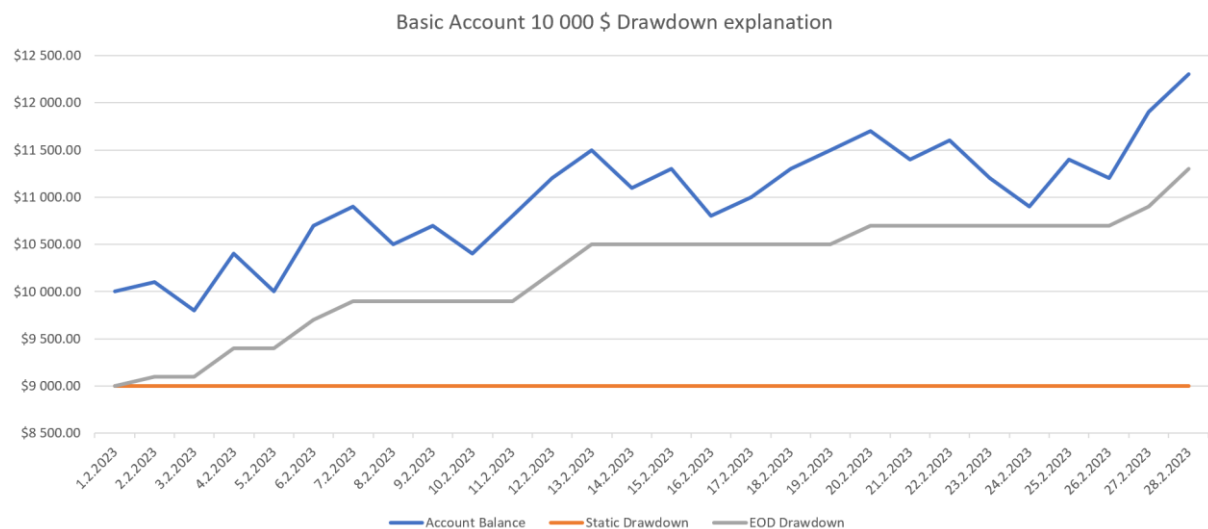
- Static Drawdown (Phase 1 and Phase 2)
- End of Day Drawdown using Balance (Funded Account)

Note:

Balance: Account balance is the amount of trader’s money at the moment without considering opened positions.

Equity: Current value of your account including the value of any open positions.

Here is a graph representing both types of drawdown on the Basic account with 10 000\$ value.



Static Drawdown: Drawdown never moves.

Example: By buying the Basic package, you get a trading account of 10 000 \$. Drawdown is set at 10% of the initial capital, which is 1000 \$. That means if your account value (equity) reaches 9 000 \$, your account has reached Drawdown and your position will be force-closed. Drawdown never moves during your trading, unless of course is violated.

End of Day Drawdown using Balance: Drawdown line only moves up at the End of the day if a new account balance high is made. What happens during the day does not affect the drawdown, unless of course it is violated.

Example: By buying the Basic package, you get a trading account of 10 000 \$.

- Scenario 1: The trader has realized a profit of \$500 during the day, and then give is up later in the day. Drawdown stays at \$9 000.
- Scenario 2: Trader makes \$250 in profits by the end of the day - drawdown trails up by \$250 to \$9 250.

In Octrado client-zone you can find your Max. Drawdown level for certain day.