



## **Performance Report – April 2018**

Past performance, monthly reviews and investment cases are provided for the following:

- Volatility Strategy
- Conservative Volatility Strategy
- Traditional Asset Strategy
- Comprehensive Portfolio Strategy



## April 2018

At the risk of sounding like a broken record, markets behaved in “choppy” fashion in the month of April. That has been the dominant theme since equity markets sold off at the beginning of February of this year. Earnings season has begun and will continue throughout March; the reports have been strong and suggest that recent market movements are not indicative of the broader economy. Having said that, the BCK portfolio of strategies performed well over the course of the month.

Our Conservative Volatility Strategy led the way, as it finished the month up 6.01%. The strategy entered a ZIV trade mid-month and will continue to hold the position as we head into March. The primary driver behind the ZIV trade ended up being the suppression of the VIX3M/VIX ratio and the return of more consistent contango. Short volatility products face a headwind when the VIX futures term structure is in backwardation and are boosted by a tailwind when the term structure is in contango.

Our Volatility Strategy entered into an SVXY trade mid-month as well; the strategy gained 1.40% after a rough March. Typically, the Volatility Strategy outperforms the Conservative Volatility Strategy; 2018 has been an anomaly. SVXY is short the front two months of the VIX futures term structure and, as a result, tends to benefit from contango more than ZIV (short 4<sup>th</sup>-7<sup>th</sup> months of the VIX futures term structure). At the same time, SVXY’s performance is hindered to a greater degree than ZIV’s in periods of backwardation. Average contango throughout 2018 sits at (.82%); without contango, it makes sense that SVXY would underperform ZIV.

Our Traditional Asset Strategy, which is designed to reduce volatility and drawdowns during poor market performance and keep pace with the S&P 500 during periods of growth, has performed as expected throughout 2018. The strategy finished the month of April down (1.51%). Throughout live trading, our Traditional Asset Strategy has returned .19% more than the S&P 500; at the same time, its volatility is lower than that of the S&P 500 and has experienced a much smaller drawdown.

Our Comprehensive Portfolio Strategy, which is a diversified collection of the previous three strategies, finished April up .85%. Throughout live trading, it is beating the S&P 500 (SPY) by over 13%. The S&P 500 has experienced a 10% drawdown in that timeframe, while our Comprehensive Portfolio Strategy has only experienced a 3.77% drawdown and is near all-time highs. Its Sharpe Ratio during live trading sits at 2.94.

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## Volatility Strategy

Live performance since September 2017

The Volatility Strategy trades the ETNs/ETFs SVXY and VXX. SVXY seeks to track the .5x inverse of the performance of a synthetic 30 day weighted VIX future. VXX, on the other hand, seeks to track the performance of a synthetic 30 day weighted VIX future. These products are volatile, so a forward-looking strategy must focus on risk management above all else. Volatility is more predictable than day-to-day returns of the S&P 500 and this trend will, in all likelihood, continue.

The strategy aims to beat benchmark returns over a complete market cycle. While this is attainable in the volatility industry, maintaining these returns while reducing risk is the challenge. The strategy uses proprietary volatility signals to determine ideal market conditions for long volatility/short volatility trades. These signals are designed to adapt to any market condition, as we strive for performance over a long time horizon.

### Volatility Strategy - Live Performance



### Live Performance Report - Volatility Strategy

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	-	-	-	-	-	-	-	-	16.08%	13.60%	-3.00%	13.68%	45.42%
2018	2.00%	0.00%	(1.60%)	1.40%									1.78%

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## Conservative Volatility Strategy

Live performance since September 2017

The Conservative Volatility Strategy trades the ETNs/ETFs ZIV and VXZ. ZIV seeks to track the inverse of the performance of a synthetic 4th-7th month weighted VIX future. VXZ, on the otherhand, seeks to track the performance of a synthetic 4th-7th month weighted VIX future. These products are less volatile than XIV and VXX, but still volatile, so a forward-looking strategy must focus on performance and risk management.

Volatility is more predictable than day-to-day returns of the S&P 500 and this trend will, in all likelihood, continue. The strategy aims to beat benchmark returns over a complete market cycle. While this is attainable in the volatility industry, maintaining these returns while reducing risk is the challenge. Our strategy uses volatility signals to determine ideal market conditions for long volatility/short volatility trades. These signals are designed to adapt to any market condition, as we strive for performance over a long time horizon.

### Conservative Volatility Strategy - Live Performance



#### Live Performance Report - Conservative Volatility Strategy

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	-	-	-	-	-	-	-	-	5.51%	7.08%	-6.06%	3.89%	10.26%
2018	2.03%	0.00%	(1.86%)	6.01%									6.15%

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## Traditional Asset Strategy

Live performance since September 2017

The Traditional Asset Strategy trades the ETNs/ETFs MDY, IEF, and IAU. MDY seeks to track the performance of the S&P Midcap 400. IEF seeks to track the returns of 7-10 year US Treasury Bonds. IAU aims to reflect the returns of the price of gold. These benchmarks can be purchased interchangeably to enhance returns while trading traditional assets.

Volatility is more predictable than day-to-day returns of the S&P 500 and this trend will, in all likelihood, continue. Having said that, there is a strong correlation between equities, bonds, gold, and volatility. Because of this, the Traditional Asset Strategy uses volatility signals to determine ideal market conditions for long equity, long gold, and long bond trades. This strategy aims to beat benchmark returns over a complete market cycle. These signals are designed to adapt to any market condition, as we strive for performance over a long time horizon.

### Traditional Asset Strategy - Live Performance



Live Performance Report - Traditional Asset Strategy

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	-	-	-	-	-	-	-	-	3.48%	2.55%	2.26%	-0.14%	8.36%
2018	2.31%	1.75%	(3.76%)	(1.51%)									(1.33%)

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## Comprehensive Portfolio Strategy

Live performance since September 2017

The Comprehensive Portfolio Strategy combines the Volatility, Traditional Asset, and Conservative Volatility strategies into a single, diversified portfolio. The weightings for each strategy are as follows: 50% allocated to the Traditional Asset Strategy, 30% allocated to the Volatility Strategy, and 20% allocated to the Conservative Volatility Strategy.

The Comprehensive Portfolio Strategy aims to reduce risk by diversifying across strategies. In addition, the strategy aims to beat benchmark returns over a complete market cycle.

### Comprehensive Portfolio Strategy - Live Performance



#### Live Performance Report - Comprehensive Portfolio Strategy

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	-	-	-	-	-	-	-	-	7.61%	6.70%	-1.02%	4.69%	18.98%
2018	2.17%	0.88%	(2.70%)	0.85%									1.15%

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