



## **Performance Report – February 2019**

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

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



## February 2019

The market continued its strong upward trend from January into February, with SPY returning 3.24% in the period. Much of the good news surrounding the market stems from President Trump's trade talks with China. With Trump pushing back the deal truce deadline to March 1<sup>st</sup>, SPY rallied its way to \$279 by February 25<sup>th</sup>. Fed chairman, Jerome Powell's, dovish comments in February have also helped the market move higher. The Fed has been hinting for the past few weeks now, that they have no planned interest rate hikes for the year. This of course could change if markets conditions begin to sway. To add to the Fed effect on the market, during the FOMC meeting in January, the Fed expressed that they would slow their quantitative tightening policy to maintain a larger balance sheet. As a result, long-term bond yields have suppressed as displayed with a slightly flatter bond yield curve. With bond yields depressing, investors have moved capital into riskier assets, like stocks, and have helped move the market higher

We have seen volatility hit its lowest mark of the year, as the VIX bottomed out at 13.51 on February 22<sup>nd</sup>. Shortly after President Trump resumed trade talks with China, we saw the front few months (those affecting our Volatility Strategy) of VIX futures trend upward, while the back few months (those affecting our Conservative Volatility Strategy) moved down. This may be a signal that the market is skeptical on how China and the current political environment may affect the market in the near term but shows little concern in the next six months.

Our strategies have been performing up to our expectations. Note, that while each of our strategies was able to outpace SPY in February, only the Conservative Volatility Strategy is outperforming the market YTD. This does not worry us; however, as many of you have heard us say time and time again, 'investing is a marathon, not a sprint.'

Strategy Returns	February Return	YTD
Volatility Strategy	5.91%	8.75%
Conservative Volatility Strategy	9.32%	13.94%
Traditional Asset Strategy	4.32%	8.81%
Comprehensive Portfolio Strategy	5.79%	9.85%
SPY	3.24%	11.51%

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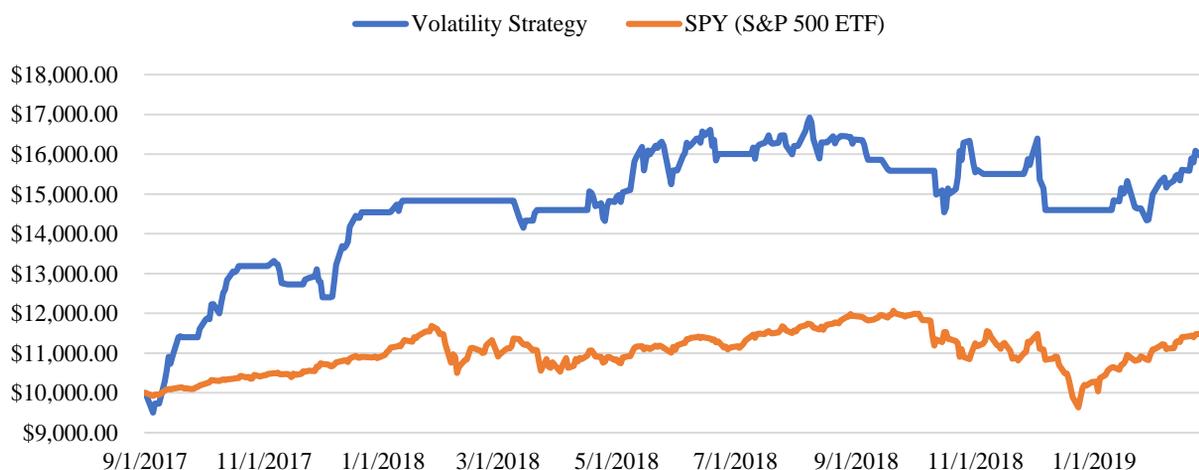
## Volatility Strategy

Live performance since September 2017

The Volatility Strategy trades the ETNs/ETFs SVXY and VXXB. SVXY seeks to track the .5x inverse of the performance of a synthetic 30 day weighted VIX future. VXXB, 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%	5.35%	2.66%	1.25%	1.00%	(4.78%)	1.18%	1.05%	(8.38%)	0.40%
2019	2.67%	5.91%											8.75%

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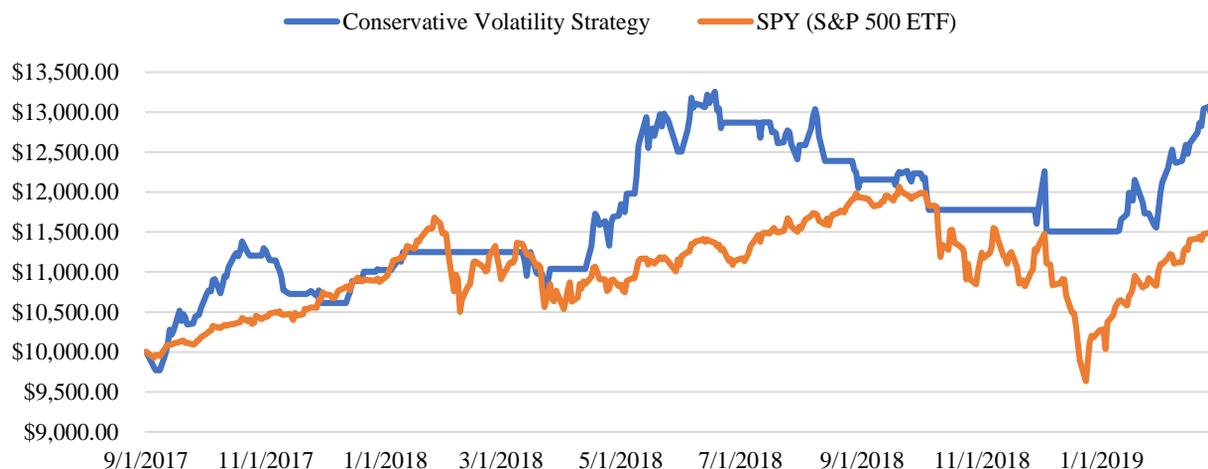
## Conservative Volatility Strategy

Live performance since September 2017

The Conservative Volatility Strategy trades the ETNs/ETFs ZIV and VXZB. ZIV seeks to track the inverse of the performance of a synthetic 4th-7th month weighted VIX future. VXZB, on the other hand, seeks to track the performance of a synthetic 4th-7th month weighted VIX future. These products are less volatile than SVXY 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%	6.86%	2.91%	(2.22%)	(3.41%)	0.64%	(3.73%)	0.28%	(2.57%)	4.36%
2019	4.23%	9.32%											13.94%

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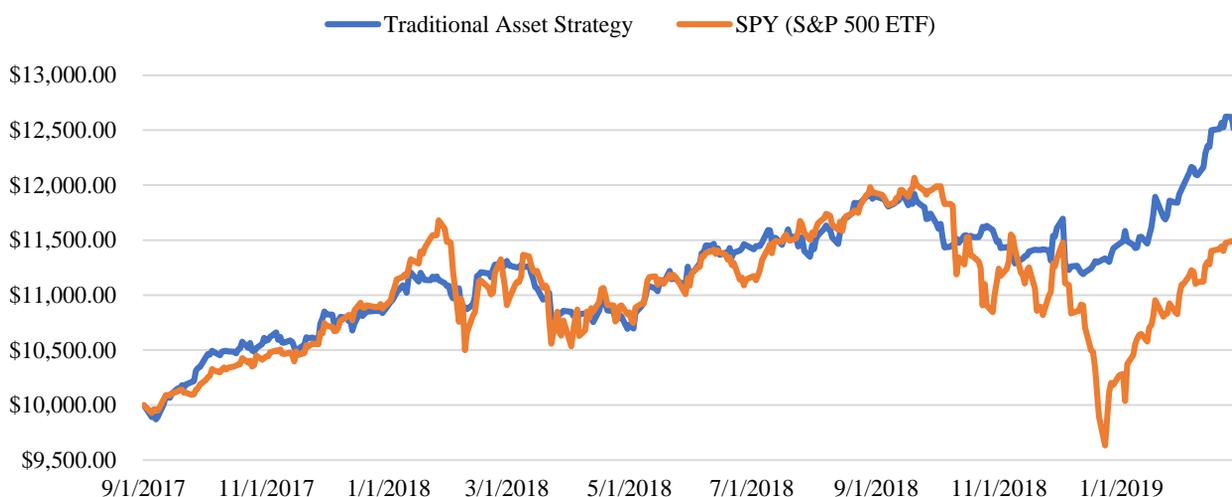
## Traditional Asset Strategy

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%)	4.12%	2.80%	0.09%	3.90%	(1.35%)	(2.20%)	1.10%	(1.23%)	5.82%
2019	4.30%	4.32%											8.81%

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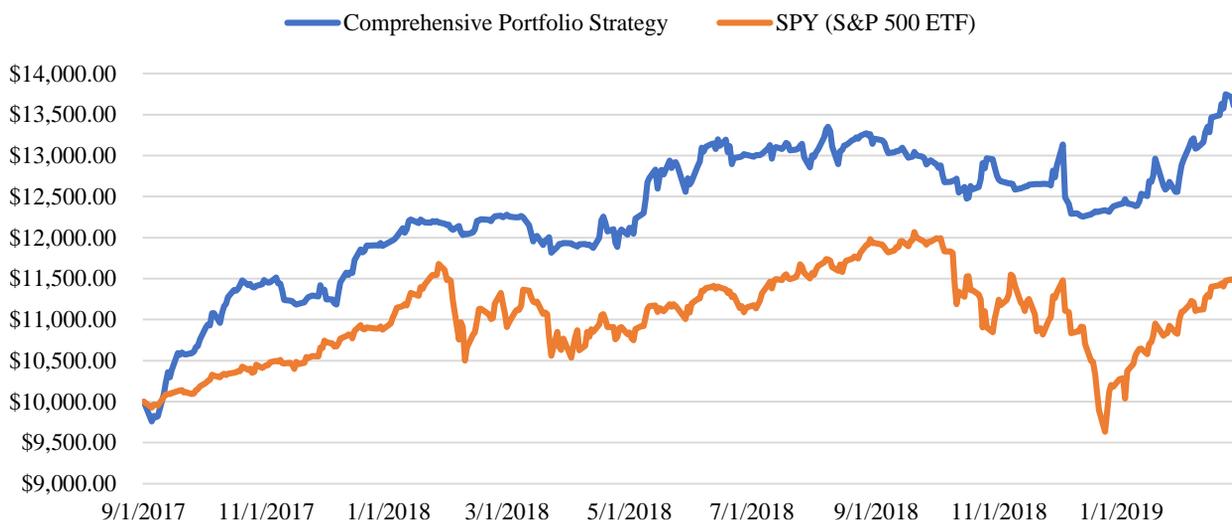
## Comprehensive Portfolio Strategy

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%	5.11%	2.80%	(0.01%)	1.56%	(1.99%)	(1.43%)	0.93%	(3.66%)	4.26%
2019	3.83%	5.79%											9.85%

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