



Performance Report – January 2019

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

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



January 2019

What a bounce! After a terrible December, the S&P 500 (SPY) returned nearly 8% to start off 2019. The markets, over the past year or so, have focused heavily on the trade talks between President Trump and President Xi Jinping. The talks, at times, have appeared to be going swimmingly and, at others, have appeared to be headed towards dire straits. So, why did markets fall over 20% as a result of a breakdown of trade talks? Could it be that other factors, including rising interest rates and the fed reducing the size of their portfolio, have finally had a downward impact on markets? Could it be a result of fear adding to the already large drawdown? The bounce, in our view, was a result of panic selling in December. The markets dropped far too quickly given the state of the economy. Quite frankly, it could be all of those things.

The point is that there are more factors that impact the overall markets than one could possibly imagine. Regardless of the messaging, our strategies will continue to trade markets based on quantitative measures that have worked extremely well throughout our trading. By relying solely on quantitative measures, we remove the negative impact humans tend to have on investment results. If anybody is curious to learn more about the negative impacts our cognitive biases have on our decisions and investment results, we recommend “Thinking, Fast and Slow” by Daniel Kahneman and “Misbehaving: The Making of Behavioral Economics” by Richard Thaler.

Having said that, our strategies performed well in January. Although it may not appear to be flashy, I was very excited with the Traditional Asset Strategy’s performance over the previous two months. In December, the strategy avoided the massive market fall, as it fell roughly 1%, while the S&P 500 fell 9%. January came and the S&P 500 rocketed upwards, and the strategy switched from bonds to stocks within a week. The Traditional Asset Strategy returned 4.30% in January and has returned 19.6% since live trading began versus the S&P 500’s roughly 11% return.

Our Volatility and Conservative Volatility strategies performed well, returning 2.67% and 4.23%, respectively. Our biggest hope is that volatility subsides a bit throughout 2019 so that these strategies can continue to generate high absolute returns.

We’ve enjoyed the ride so far and we wish everyone the best of luck in 2019!

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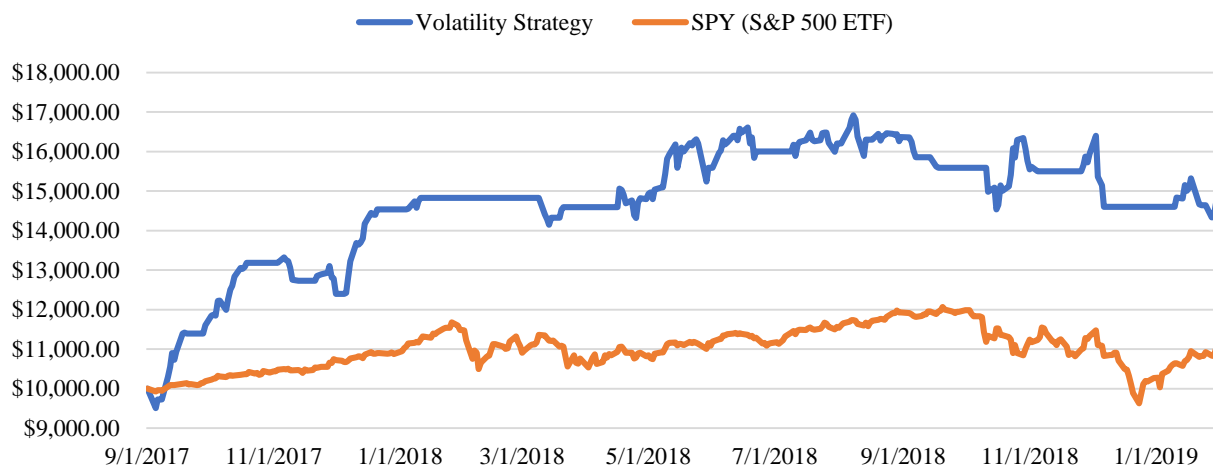
Volatility Strategy

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%												2.67%

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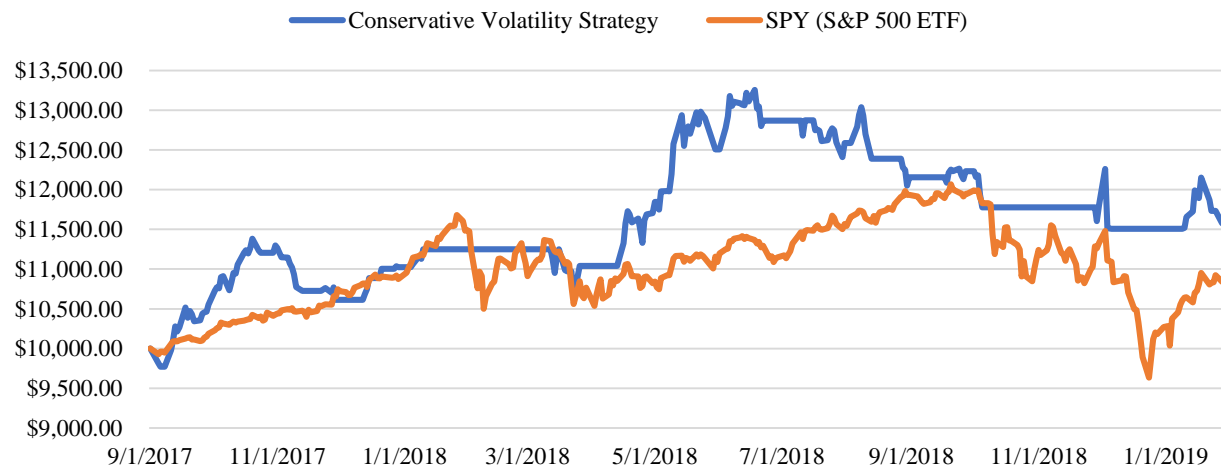
Conservative Volatility Strategy

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%												4.23%

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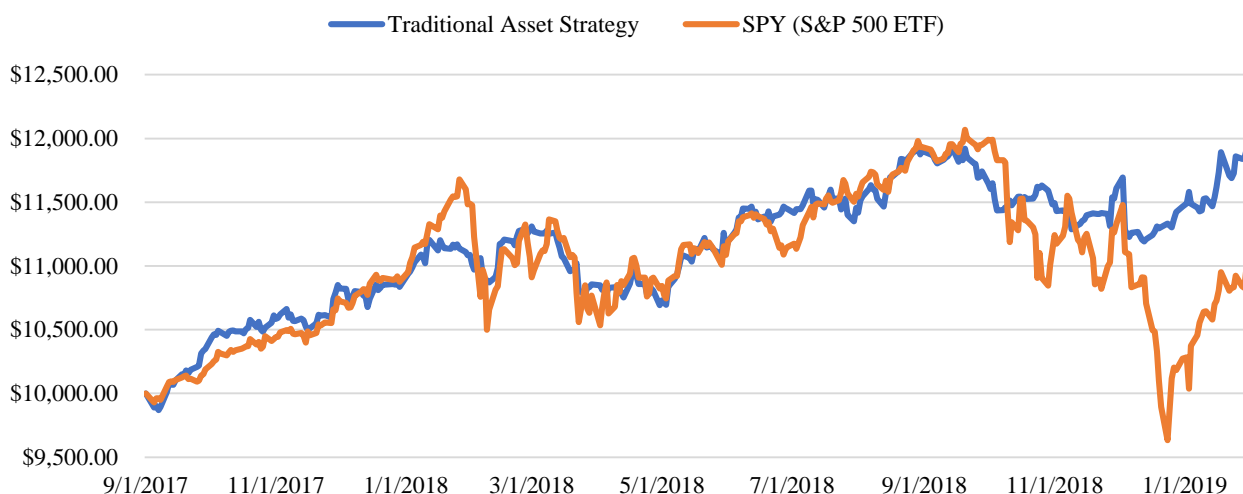
Traditional Asset Strategy

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%												4.30%

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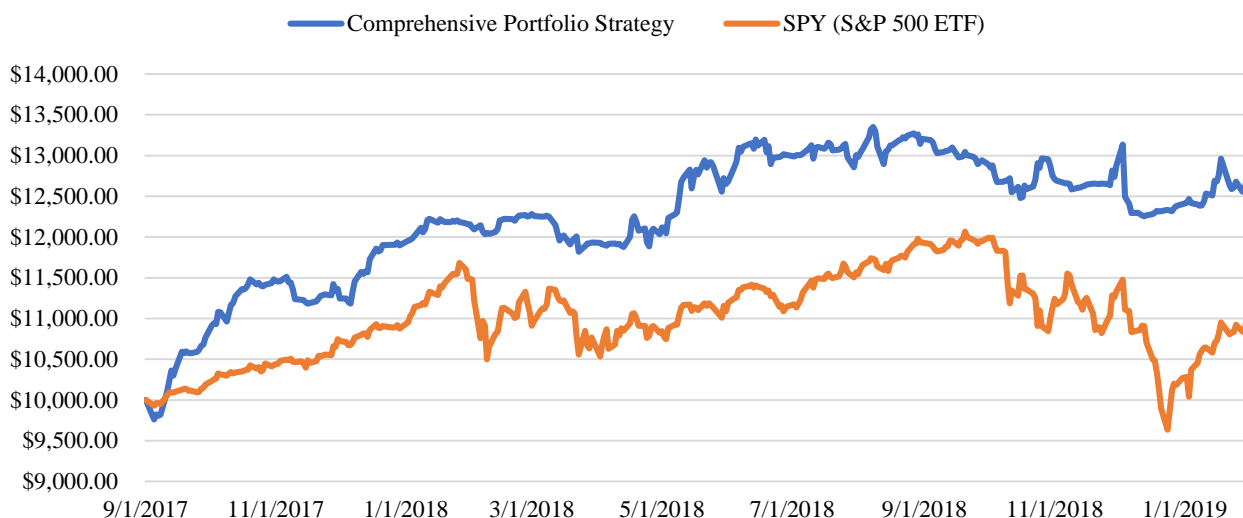
Comprehensive Portfolio Strategy

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%												3.83%

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