



Performance Report – June 2018

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

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



June 2018

The S&P 500 (SPY ETF) gained 0.57% in the month of June, as markets continued their choppy trading. There haven't been too many developments of late; trade war worries continue to be on the forefront of investors' minds and have been the narrative for most of the pricing changes in the market. Near the beginning of the month, volatility metrics suggested that we had weathered the storm and made it out the other side; contango in the VIX futures term structure was over 8% for a brief period. Eventually, the term structure reverted into backwardation, as we've seen numerous times in 2018, and signaled traders' alarms. VXX ended the month up 0.57%, indicating sustained volatility and unrest in the market. Even more telling was the fact that VXX closed the month up 18.44% from its lowest monthly close as a result of a quick reversal caused by the ever-looming trade war and the Fed's interest rate move. Fed Chairman Jerome Powell continued his hawkish approach to monetary policy and raised rates to a range of 1.75% to 2.00%. The ECB added to the hawkish monetary policy approach by indicating that they are approaching the end of their massive bond-buying program. With added market volatility, investors could be looking to treasuries and bonds because of their rising yields.

Our Volatility Strategy performed well and avoided the -7.2% overnight drop that erased a lot of SVXY's gains for the month. The strategy returned 2.66% in June, while SVXY fell -1.62%. The Volatility Strategy is up 10.08% YTD, far surpassing SVXY's -90% performance YTD. It ended the month in cash, as the strategy's signals suggest there is still weakness in the volatility landscape.

Our Conservative Volatility Strategy closed the month up 2.91%, as it continued its strong 2018 in a tremendously difficult volatility trading environment. YTD, the strategy is up 16.73% and is our top performer. Typically, the Volatility Strategy will outperform the Conservative Volatility Strategy, but because of the sustained volatility and low spread between the first and second months of the term structure, ZIV has been a much more stable option than SVXY. The strategy also ended the month in cash.

Our Traditional Asset Strategy, which alternates between positions in stocks, bonds, and gold, gained 2.80% on the month and closed its 50 day position in stocks (MDY ETF). The strategy is up 5.62% YTD versus SPY's 2.52% total return. Throughout live trading, the strategy is beating the S&P 500. It closed out the month positioned in bonds (IEF ETF).

Our Comprehensive Portfolio Strategy, a combination of our three strategies, ended June up 2.80%. YTD, the strategy is up 9.30%. Since live trading began in September 2017, the strategy is up 30.04% and has traded with a Sharpe Ratio of 3.13.

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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%	5.35%	2.66%							10.08%

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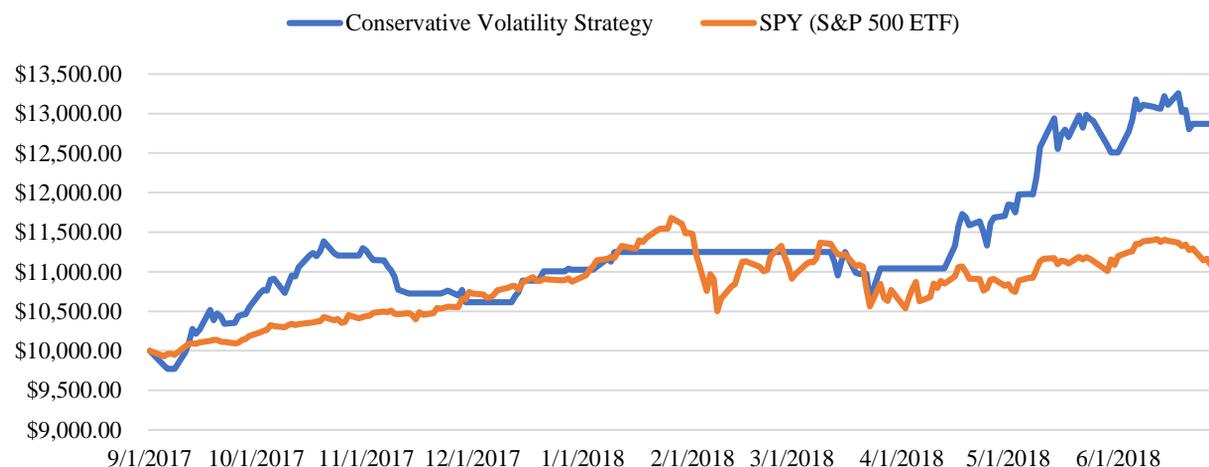
Conservative Volatility Strategy

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 other hand, 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%	6.86%	2.91%	-	-	-	-	-	-	16.73%

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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%							5.62%

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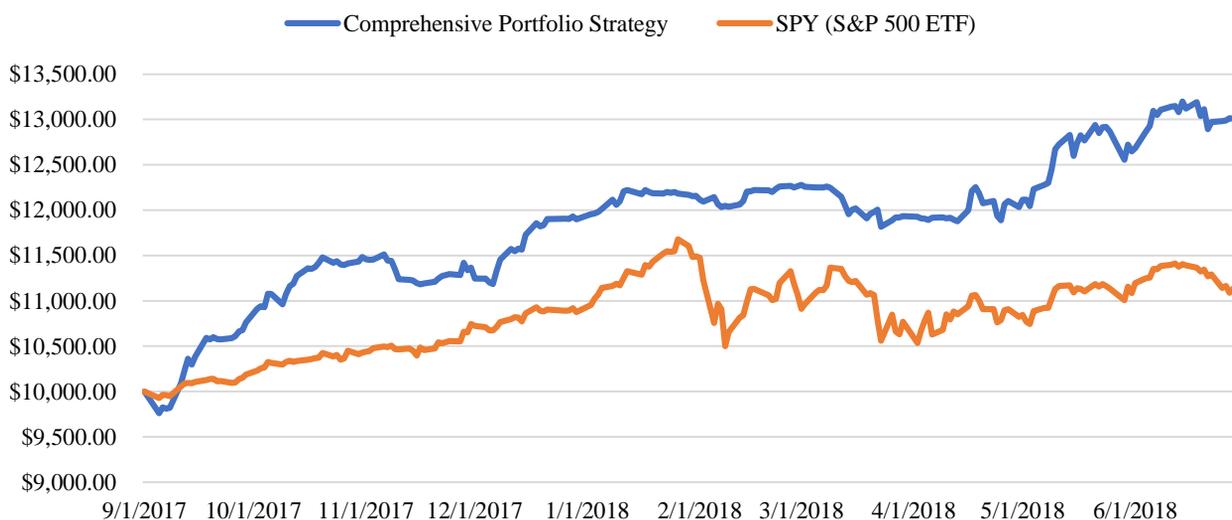
Comprehensive Portfolio Strategy

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%							9.30%

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