



Performance Report – May 2018

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

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



May 2018

May turned out to be a strong month for US equities despite the turmoil surrounding Italy's elections and their bond market. The turmoil stems from Italian President Sergio Mattarella's decision to block the formation of a new Eurosceptic government. The moves alarmed investors and the Eurozone was hit hard; Italian bond yields jumped from slightly negative to 2.69% before stabilizing. US financials were hit hard, as they fell 3.4% before regaining some ground. Investors will be keeping an eye on the strength of the USD versus the Euro as events continue to unfold. Markets seemed to move past the European worries relatively quickly, as the S&P 500 ended the month up over 2%. The short volatility trade thrived up until the Italian market jitters, as the VIX jumped from a close of 13.22 to a close of 17.02 in a single trading day. Regardless, the BCK strategies managed to perform well for the month.

Our Volatility Strategy was short volatility (SVXY) for nearly the entire month; the strategy returned 5.35% and continues to outperform the S&P 500 and buy and hold SVXY throughout live trading. The strategy has returned over 55% over the course of the past nine months while taking on minimal risk. Its Sharpe Ratio sits at 3.71 during live trading because of the strategy's ability to quickly move to cash if it senses any underlying market weakness.

Our Conservative Volatility Strategy held ZIV for a large portion of the month; it returned 6.86% in May. This followed a strong April in which the strategy also returned over 6%. YTD, our Conservative Volatility Strategy is up 13.43% and has easily beat the S&P 500 and buy and hold ZIV. Throughout live trading, the strategy has returned over 25% while maintaining a Sharpe Ratio of 3.90.

Our Traditional Asset Strategy, which trades stocks, bonds, and gold, returned 4.12% in May and is up 2.74% YTD. For reference, the S&P 500 (SPY ETF) is up roughly 1.5% YTD. The purpose of the Traditional Asset Strategy is to stay on pace with US equities in a bull market and reduce downside risk and outperform US equities in times of market weakness. Throughout live trading, the strategy is up 11.33% with a maximum drawdown of 6.76% versus the S&P 500 (SPY ETF) returns of 9.32% with a maximum drawdown of 10.16%.

Our Comprehensive Portfolio Strategy, which diversifies across each of our strategies, finished May up 5.11% and is now up 6.31% YTD. The strategy has returned 26.49% with a maximum drawdown of 3.77% throughout live trading.

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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%								7.23%

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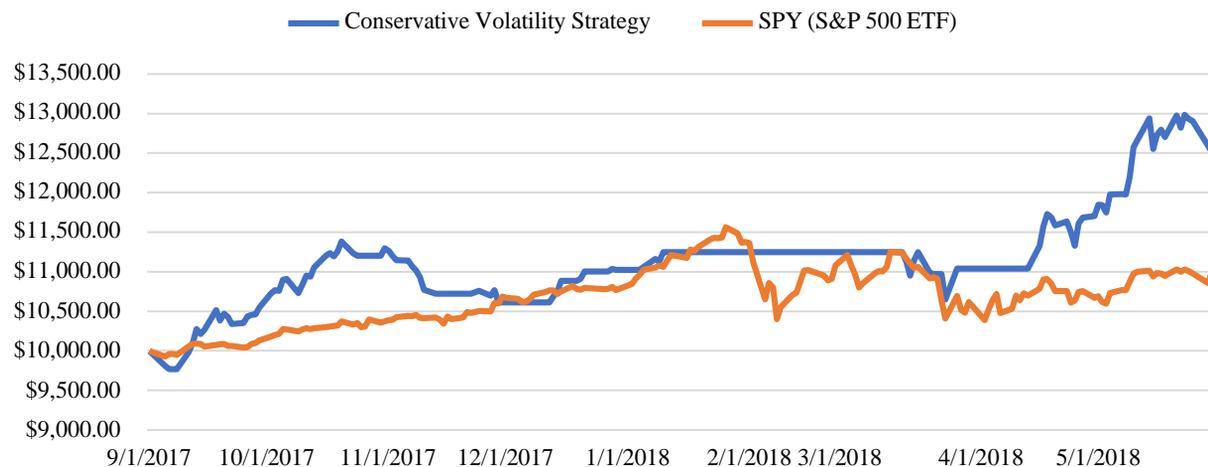
Conservative Volatility Strategy

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%								13.43%

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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%								2.74%

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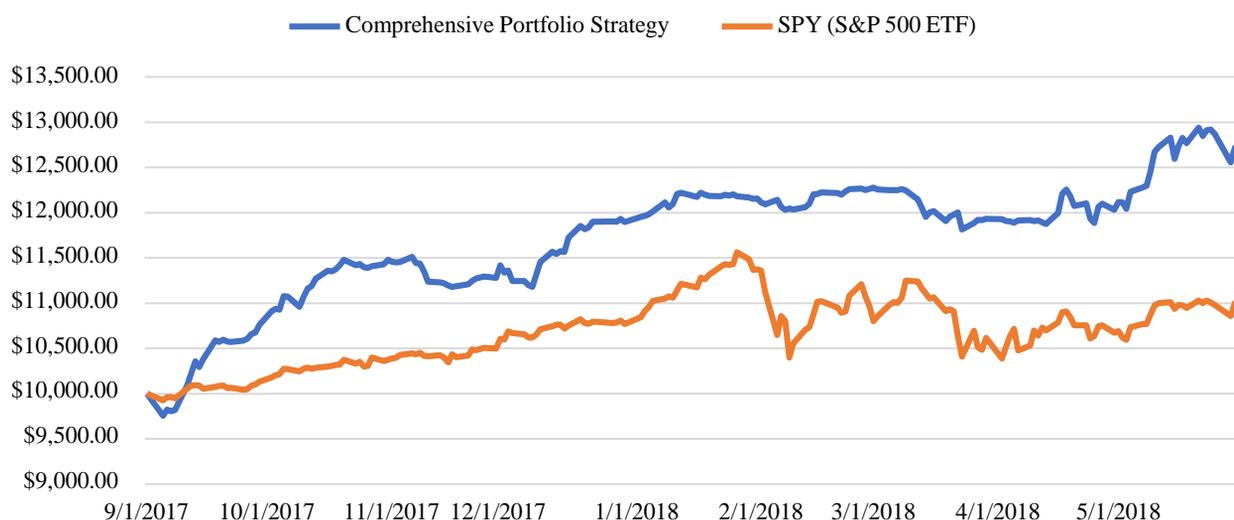
Comprehensive Portfolio Strategy

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%								6.31%

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