Beware Low Vol...

OR

Long Live Low Vol

Managed Futures / Global Macro **Outlook 2018**

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Managed Futures / Global Macro 2018 Outlook

Forget all this alternative investment stuff... buy a basket of cheap ETFs covering the US and world stock markets, then go golf or paint or race cars or whatever you're into. Life's too short to be worrying about a correction that may never come. That was the message conveyed by markets in 2017. Volatility? Ha. We didn't even see a down month in the S&P 500 for the first time.... ever. The trade was buy and hold. Or even better – sell and hold (volatility that is), rinsing and repeating monthly, or even better, better, buy some Bitcoin. Here's what the final scoreboard looked like (Fig.1):

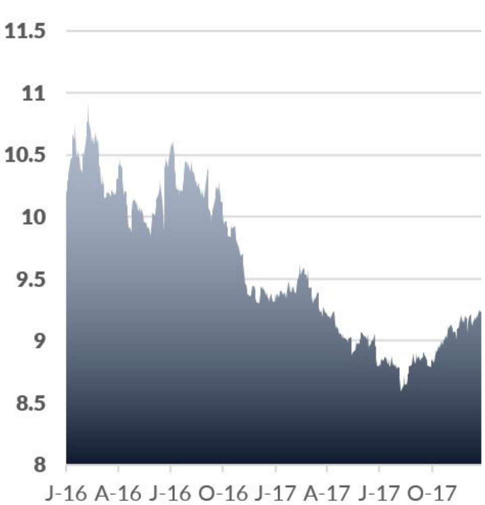
Fig. 1: Asset Class Performance 2017

ASSET CLASS	2017
World Stocks	27.03%
U.S Stocks	21.63%
U.S. Real Estate	9.37%
Hedge Funds	6.23%
Commodities	4.49%
Bonds	3.57%
Managed Futures	**2.48%**
Cash	0.93%
Also of interest Bitcoin	1356.00%
VIX	-21.37%

Past performance is not indicative of future results.
*Source information can be found on pg. 18

For those scoring at home (if not, try flowers... to borrow an old Sportscenter line), that's a third straight unimpressive year for macro/managed futures. 2017 did manage to post a positive performance, up +2.48%, while bellwethers such as AQR's Managed Futures Mutual Fund AQMIX –(1.19%) notched a second consecutive losing year. Speaking of AQR, it appears even that brand isn't immune to some performance chasing, with two losing years (Fig. 2) seeing assets falling from a high of about $14 Billion in the managed futures program to around $11 Billion. Of course, losing more in assets than most others can dream of ever managing is a good problem to have. Other large names unable to post a black number for the year included P/E Investments, Quest, and Revolution. Of course, you can't underperform for too long, as evidenced by some rather notable closures - like Tudor shuttering their discretionary macro fund.

Fig. 2: AQMIX Performance

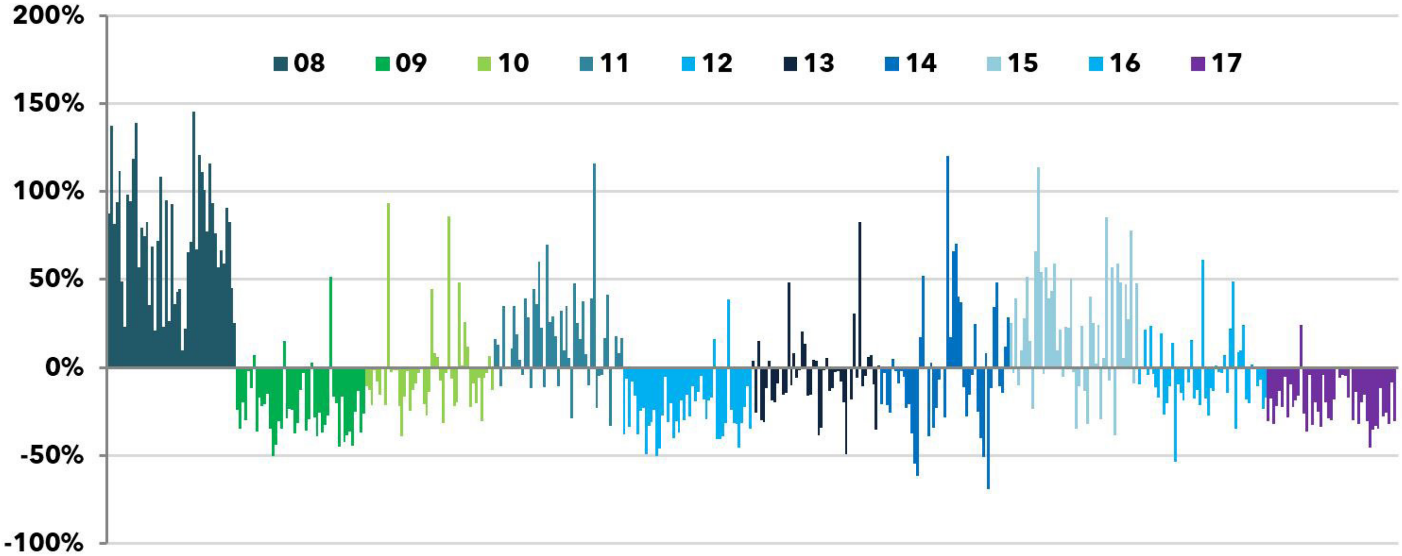


But more so than '15 or '16, there seemed to be more winners this year, and a bigger dispersion in returns amongst the asset class. Perhaps stemming from the need for managers to move further afield to perform – lest they have to close up shop. Performing above average once again was QIM, while behemoths like Winton mailed in their low single digit returns for another year.

But why was there so-so performance in 2017 and what can we expect in 2018 as far as similar or different conditions? Well, we won't pretend that we can forecast with any accuracy where managed futures and global macro strategies will end up over the next 12 months, but we are interested in analyzing the conditions which caused these alternative investment styles to perform the way it did in the year gone by and discuss whether those conditions will persist, reverse course, or yield to different conditions in the New Year.

To start that discussion, we look in the engine room of managed futures/global macro programs, we look at volatility in the global markets the asset class tracks – and specifically, whether volatility is expanding or contracting. Managed futures and global macro funds are often referred to as a "long volatility investment," simply meaning that they are expected to do well when volatility is on the rise. So what was volatility doing?

Fig. 3: Volatility Increase/Decrease Across 47 Futures Markets



As measured by the difference in **'Average Daily True Range'** using each calendar year as the lookback period

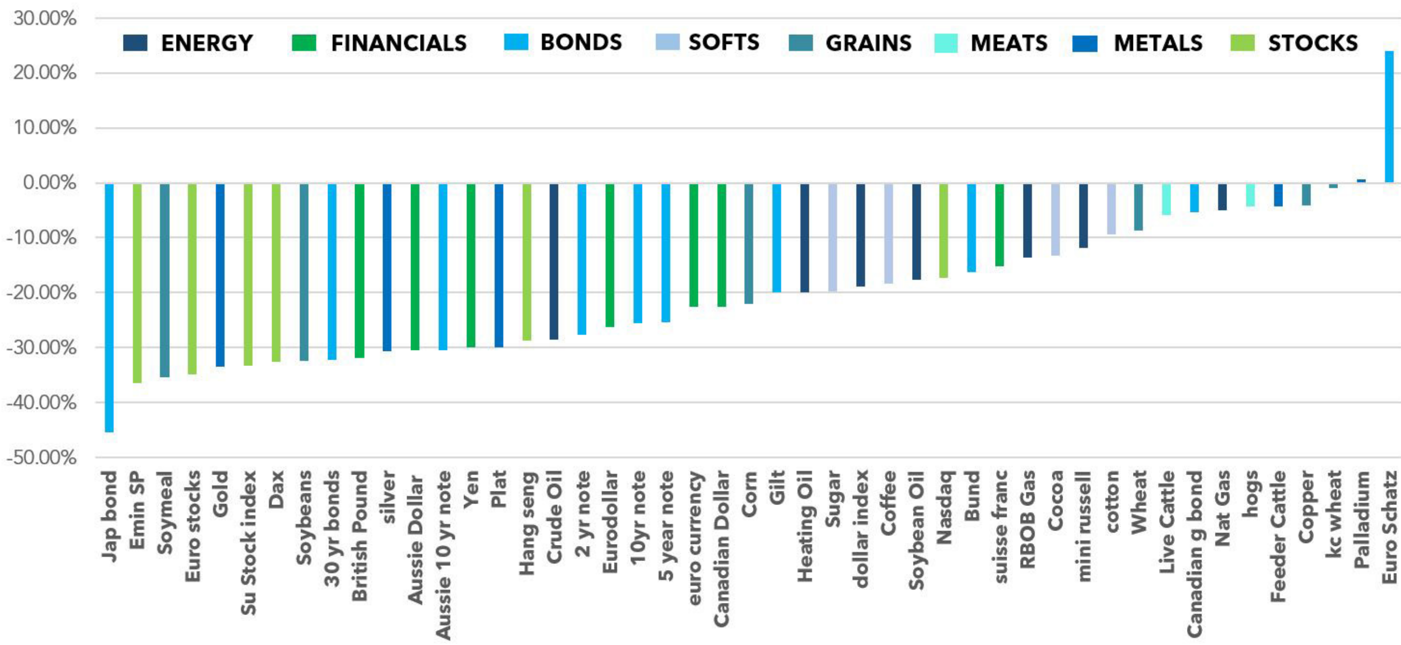
If you're looking for a simplistic answer to the poor Managed Futures performance, look no further than an overall volatility contraction (once again) in the various futures markets we track as a proxy for the typical managed futures portfolio. Per our simple year-over-year look at the difference in each market's average daily range, 94% of markets saw their ranges contract in 2017, with 45 markets contracting and 2 markets expanding. Last year, 68% of markets contracted. It's the most volatility compression we've seen since 2012. Here's what the 2017 volatility contraction/ expansion looks like compared to previous years (Fig.3).

This certainly helps explain the overall Managed Futures performance and a closer look drives that home even further. We know volatility contraction doesn't bode well for traditional systematic strategies, as less volatility means less price movement, meaning less opportunities for profit (and more whipsaws and false breakouts). Sure, we did see some rather strong moves in various markets, such as Oil pushing back above $60, Palladium gaining 50%, and even a downtrend in managed futures/macro's favorite market – the US Dollar.

But there was really only a single market with material volatility expansion - the Euro Schatz up 23% in volatility as measures by its average true range, with Palladium seeing an expansion of its range, but by only 55 basis despite a 50% gain in price. Sugar went from a 48% expansion in volatility in 2016 to 20% compression, the British Pound went from a 21% expansion in 2016 to a 32% compression, while the Yen went from a 49% expansion in

2016, to 30% compression in 2017. Here's a look at the various markets from the most contraction to the most expansion(Fig.4).

Fig. 4: Contraction to Expansion Comparison 2017



Last year we at least could say there was some volatility expansion, just not in the markets lots of systematic managers can take advantage of. This year, we are surprised Managed Futures was even able to pull away with a positive performance with only three markets experiencing any sort of volatility. The best performing sector in the Managed Futures realm, coincidently was Volatility traders, who look to capture returns based on the VIX futures curve, arbitrage opportunities, and relative values between assets. To read more about those strategies and others in the Managed Futures and Global Macro space, download our "Managed Futures / Global Macro 2017 Strategy Review."

But enough about 2017, what could 2018 look like??

What Could 2018 Look Like?

Well, we hope it looks a lot like January. Because as we were compiling this outlook over the past few weeks - stocks have been on a tear higher, with managed futures following suit – up around 6% for the month behind some strong trends in foreign currency markets as the US Dollar sells off.

However this short US Dollar move turns out – eventually all eyes will be on volatility, or lack thereof, to see how 2018 will turn out. We've been pushing the limits of how far volatility can contract before the loaded spring of market potential uncoils for much of the past few years – and the main question for 2018 is when and if this is finally the year we see some volatility expansion.

Of course - the devil's in the details. And there will be more storylines to this market play than just volatility. Like Oil, Amazon, and interest rates to mention a few. Here's our view on just what might help and hurt managed futures/global macro style investment programs in 2018:

Possibly Helping Managed Futures/Macro

1) Alexa, can you give me some volatility?

Many thought Mr. Donald J. Trump would inject some much-needed volatility into global markets in 2017… and boy, it sure seemed like he was trying his best to do that at times. But alas, no matter how much scandal or dysfunction and all the rest there was, volatility didn't blink. There wasn't a down month in the S&P 500 for the first time….. **EVER.**

Many people chalk this up to central bank intervention, vol sellers, or just plain FOMO taking hold in markets where they would rather buy and sort out the risks later than miss any more upside. But super-blogger/tweeter Josh Brown has a different take, basically arguing that the histrionics in Washington don't much matter – because America has shifted its faith to a new set of "American Gods" – namely the Four (as Scott Galloway labels them in his wonderful book): Amazon, Apple, Facebook, and Google.

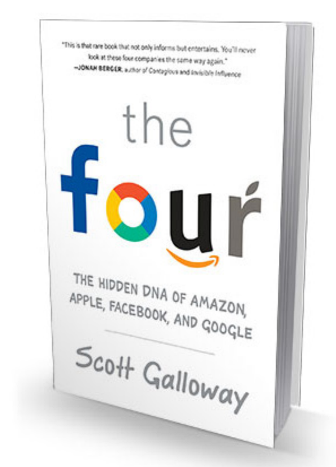
> *All of the things we once held sacred are being chipped away at and destroyed. Sometimes purposefully and sometimes just out of spite or for fun. Our faith in the conventions of American government and these institutions isn't just fading away…it is being transferred. …we've selected a new Pantheon [Apple, Facebook, Amazon, Google]. We have more faith in their ability, their capacity to learn and improve, their adaptability, than we have in the President or in Congress or in the courts.*

While macro economists and traders may be looking at tensions in the middle east, policy coming out of the White House, saber rattling with North Korea, and all the rest as reasons markets may do this or that. The new truth may be that none of that matters as much as NFLX subscriber growth, Tesla's Model 3 production, or iPhone sales.

Amazon doesn't much care if the government shuts down, people still want their order the next day and Amazon's servers and warehouses full of robots will get it to them. Tesla probably benefits if there's geopolitical unrest in the Middle East. Likewise, the crazier things are in Washington – the more searches and posts of interest on Facebook and Google.

And with near constant shift to passive index funds, the power of these companies in our real economy is becoming power in the markets, dictating how traders react to other influences. Put simply, it's going to take a lot for investors in these companies to sell, much less sell in panic to drive volatility across multiple asset classes.

The most obvious catalyst to drive selling like that is the threat of a breakup of the tech giants. The aforementioned Scott Galloway is a proponent of this (maybe he's long vol on the backend), saying we're letting these companies "avoid taxes, invade privacy, and destroy jobs." It's not too hard to see a politician or two



get upset with that trifecta of achievement, and make some noise in that direction.

Take Facebook for instance. A Statement from CEO Mark Zuckerberg details the social media companies plans to focus on friends and family content rather than from media outlets sent the stock down 5% in one day. Then there's Facebook pseudo-admitting that social media may not be healthy for democracy.


Source: TED.com

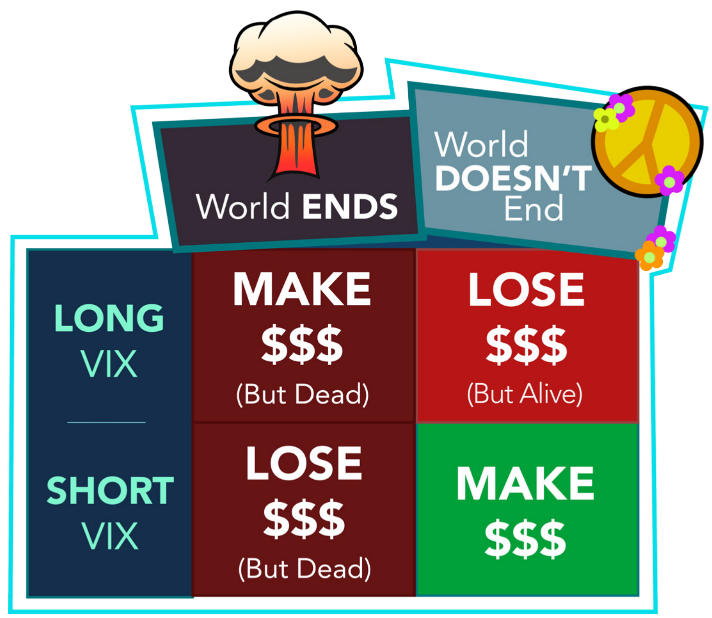
Then there's the Amazon Headquarters, debate. They've narrowed the list to 20 cities, but elected officials in these cities are falling over themselves to swoon Amazon to pick them. This includes video campaigns to get Amazon's attention. But it goes far beyond that. Cities are offering billions (yes, billions) in tax breaks to lure them. We are so obsessed with this HQ story, there's an article being written about whether the location of the HQ could impact the upcoming 2020 presidential election. How much longer until our elected officials start to realize their no longer in control? This, more than anything else, might be the eventual trigger to derail this low vol/slow crawl up to moon market environment. So, forget the monthly employment numbers – and focus instead on the FOUR and what threats, if any, appear to their respective monopolies.

2) **Continued** Low Vol

Of course, not everyone will be cheering for volatility. Especially the short vol folks. The managed futures/macro space has been evolving (out of sheer survival instinct) over the past few years, and now – by our estimation – includes the most short vol exposure ever for the asset class. That can either be outright vol trading strategies which may sell VIX futures or options (sometimes hedged, sometimes not), or the newest iteration which is positive skew, long vol type strategies adding negatively skewed/short vol strategies to their overall models to smooth out performance and capture some returns during years like the one just gone by.

We came up with the following advanced graphic to outline the logic behind this adding of short vol to the portfolio with so many seemingly big risks on the table. Turns out, when we all just want to live, there's only one green box on the decision matrix.

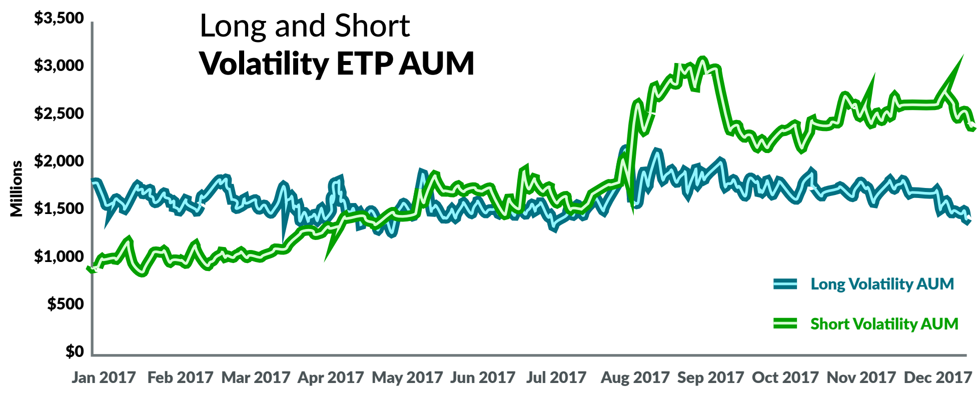
Fig. 5: Pascal Wager



Past performance is not indicative of future results.

More than a few programs out there will welcome the continued low vol environment, while some are indeed counting on it for their returns – in what has become a bit of a self-fulfilling prophecy. The more money selling

Fig. 6: Long and Short VOL ETP AUM



Source: TCW FactSet

vol, the more likely it is to meet selling pressure on every up move, which makes it sell off, leading to more money looking to sell vol, and so on and so forth.

The question on everyone's mind is when does the tail start to wag the dog? We can already see that there's now more money on short VIX exchange products than long VIX ETFs ($2.2 billion to $1.4 Billion per TCW's Will Lloyd) (Fig.6)

What happens when there's more insurance sellers than insurance buyers? The presumption is that it will cause a big dislocation where risk is underpriced and volatility is cheap, which would imply you should buy volatility. But what if it instead means that there is a near constant demand for short vol, which will cause every spike to be short lived as that demand rushes in to capitalize on the structural erosion of the VIX index.

As former Citigroup CEO Chuck Prince said back before the financial crisis hit:

"When the music stops, in terms of liquidity, things will be complicated. But as long as the music is playing, you've got to get up and dance. We're still dancing."

There's returns out there for managed futures and global macro if the short vol music keeps playing. The question is who's willing to get up and dance. And, more importantly, whether they can switch from the short vol foxtrot to a long vol tango when the music changes.

3) Fed tightening cycle (aka Short Bond trade)

Here's what a move from about 2.10% to 2.60% looked like in the futures market for US 10 Year Notes between September and the start of this year (Fig.7).

That's a dollar gain of about $4,000 per contract for anyone who happened to be short those futures. If we

Fig. 7: 10 Year Note Moves

assume a typical systematic manager using two time the Average True Range as a risk proxy and 0.25% as a risk budget, they would have traded 3 contracts and made $12,000 on a $1 million account for a profit of 1.2% on that position. Now imagine rates going from 2.50% to 4.00% or 5.00% or more, and you can see the potential power of the short bond (long rates) trade.

4) **We're waaaay overdue** for a correction…

We were a little behind in getting this Outlook finished this year, but that just made it all the better for this chart, which basically tacked on all of January to post a new all-time record for longest streak without a 5% correction. 5%! That's nothing. That's a bathroom break for Bitcoin(Fig. 8). Of course, just because something's been going up for a very long time doesn't mean it's bound to come down tomorrow. This rally is proof enough of that. And there's plenty of voices, like Harvard's Ken Rogoff, saying we're in the heart of this bull market instead of the late innings. And here's the thing, both sides could be right. We can get a correction AND the bull market continues. All we're talking about here is a return to some normal level of volatility, which tends to happen after a period of extreme low volatility, per LPL research:

> *With only eight 1% daily changes, not a single 3% pullback, and the lowest average CBOE Volatility Index (VIX) for a full year ever - 2017 will go down in tranquility history.*

Fig. 8: Longest S&P 500 streaks without a 5% correction

#	Date	# of Trading Days	S&P 500 % Change
1	June 28th, 2016 - Present	395	40.5%
2	December 21st, 1994 - July 12th, 1996	394	41.4%
3	November 26th, 1963 - June 8th, 1965	386	23.4%
4	October 12th, 1992 - March 28th, 1994	370	14.2%
5	August 19th, 1958 - September 8th, 1959	266	22.2%
6	January 4th, 1961 - January 9th, 1962	255	20.1%
7	October 21st, 2014 - August 20th, 2015	210	6.8%
8	October 14th, 1985 - July 11th, 1986	188	31.4%
9	January 27th, 1972 - October 13th, 1972	182	5.3%
10	February 6th, 2014 - October 9th, 2014	171	10.1%
11	January 9th, 1985 - September 10th, 1985	170	13.9%
12	August 1st, 1996 - March 26th, 1997	165	23.5%
13	December 17th, 1982 - July 29th, 1983	156	19.9%
14	June 25th, 2013 - January 31st, 2014	153	13.3%
15	August 4th, 1965 - March 1st, 1966	145	5.4%
16	January 12, 1998 - July 28th, 1998	137	21.8%
17	March 15th, 1955 - September 23rd, 1955	135	30.5%
18	April 9th, 1992 - October 8th, 1992	127	3.4%
19	January 22nd, 2013 - June 21st, 2013	106	7.2%
20	June 6th, 1967 - October 31st, 1967	104	6.2%

Source: VolatilityTradingStrategies.com

Which brings us to an important question: What does it mean for 2018? *Per John Lynch, Chief Investment Strategist,*

"Historically, ***calm years like what we experienced last year have coincided with great bull markets, but history tells us to buckle up because the following year has tended to be a lot rockier.*** *That isn't a reason to panic though, as this may bring about opportunities for active investors."*

We looked at years with some of the smallest intra-year pullbacks ever and found that the average gain was nearly 26%. ***The next year, however, saw an average pullback of 12.1%, while the average number of 1% moves (closes either up or down 1%) spiked from under 13 to over 30.*** *But the good news is the S&P 500 managed to gain a respectable 8.5% on average. (see Fig. 9)*

PS - beware the managed futures programs who have 'cheated' a little over the past few years to get additional return by adding short vol exposure to their models. They've been smarter than their peers for doing so the past few years, but may underperform should we see a more normal vol pattern. Of course, if they're really, really smart -they'll know when to turn off that model feature just as they knew when to turn it on.

5) **More** Crypto-craziness

You can't have an investment discussion these days without talking about Bitcoin, and it's started to evolve quickly beyond even that, with tokens, ICOs, mining operations, blockchain ETFs, and more being added to the conversation. Whether any of that fits under the managed futures/global macro purview is up for debate, but we can tell you there's more than a few futures folks (including ourselves) building investment products around crypto-currencies, whether it be an ICO fund or utilizing the newly launched Bitcoin futures.

Fig. 9: Low volatility years tend to see more volatility the NEXT year

Year	S&P 500 Return	Max Pullback	Next Year Max Pullback	1% Moves	1% Moves Next Year	S&P 500 Return Next Year
1954	45.0%	-4.4%	-10.6%	15	42	26.4%
1958	38.1%	-4.4%	-9.2%	18	22	8.5%
1961	23.1%	-4.4%	-26.4%	14	58	-11.8%
1964	13.0%	-3.5%	-9.6%	3	8	9.1%
1993	7.1%	-5.0%	-8.9%	17	27	-1.5%
1995	34.1%	-2.5%	-7.6%	13	38	20.3%
2017	19.4%	-2.8%	?	8	?	?
Average	25.7%	-3.9%	-12.1%	12.6	32.5	8.5%
Median	23.1%	-4.4%	-9.4%	14.0	32.5	8.8%
% Positive	100.0%					66.7%

Source: LPL Research, FactSet 01/09/2018

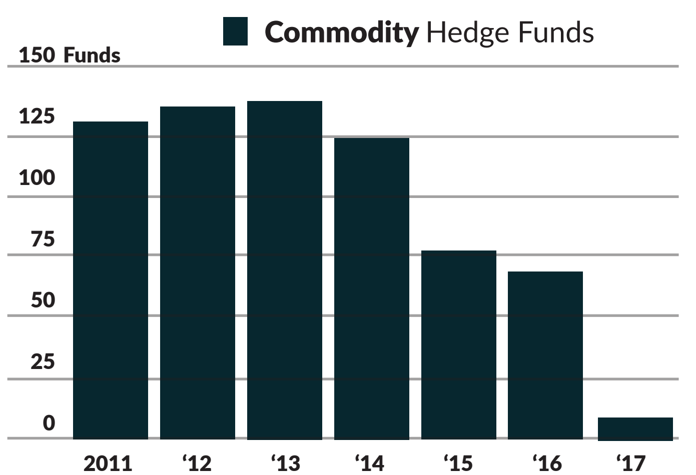
In fact, there were more crypto funds launched last year than commodity funds, per the WSJ:

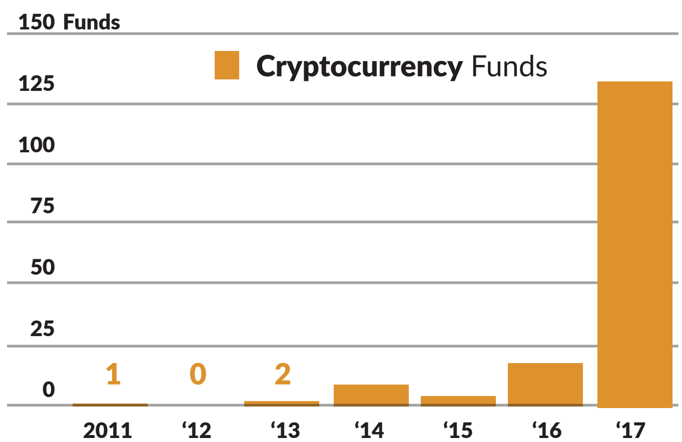
Fig. 10: Crypto Take Over

Switching Strategies

Some traders are seeing opportunity in the volatile bitcoin market, while making money in commodities has become more difficult.

Total Funds launched by year





***Through Dec. 8**
Sources: EurekaHedge (commodity hedge funds); Autonomous Next (cryptocurrency funds)

How forward-looking managers look to incorporate these new futures markets, if they do at all, into their portfolios could have a profound effect on performance in the year ahead. We doubt anyone's going to bet the farm on it one way or the other – that's not how managers attack the markets in the first place. But surely there will be a manager or two who looks to design an asymmetrical bet on prices where they can risk a small amount in hopes of making a large amount in an extended rally or sell off. That's what most managed futures programs are built to do, in the first place. The fact that Bitcoin is so volatile may be worth zero will simply be worked into their trading models. While Man Group's AHL made headlines this year for making money in esoteric markets like Cheese – it wouldn't surprise us in the least to see those articles read 'Bitcoin futures' in the near future.

Possibly Hurting Managed Futures/ Macro

1) Donald Trump

We listed Mr. Trump in this section last year, and were way off base on that one. He was essentially a non-event for markets, never showing something like banning all cocoa imports because he bit into the wrong piece in a box of chocolate.

The idea was that quick, impulse statements and directives out of the White House would cause prices to jump from one level to another, and not allow prices to build into different levels based on

underlying fundamentals. That's a problem for systematic and discretionary traders in our space who can identify and structure trades around the latter, while the former are just coin flips where you have to guess right to be profitable.

It didn't happen that way in 2017, but this risk seems to still be here. And perhaps more so now that we've all been sort of lulled to sleep by the drama in Washington not having any effect on markets (see our 1st point in the section above). But that's not to say Trump threatening to pull out of something like NAFTA or placing tariffs on solar panels (predominately coming out of China) couldn't cause a market reaction.

Bottom line, the more ultimatums and deadlines we see out of Mr. Trump, the more binary market movement could become – with prices moving quickly to meet the new reality instead of building into a new reality over time.

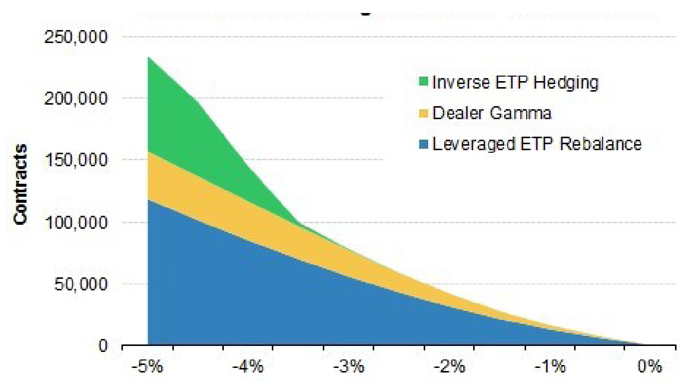
2) A Short VIX bloodbath

As noted above, with more and more managers adding short volatility to their portfolios – more and more attention must be paid to not just VIX levels, but also the structure of the VIX itself. As we noted in our "How to Trade the VIX infographic," if you can't see the VIX futures curve in your head – you're going to lose money.

There's two sides to this issue. First, there's the risk of an outright market sell off which sees the VIX spike 100% or more in a day, wiping out most of the value of inverse VIX ETFs such as $XIV. There will be some blood in the streets there, to be sure (especially among the weekly option sellers). And the size of the suite of exchange traded VIX products could exacerbate things – pushing VIX higher and higher as leveraged VIX ETFs keep buying to match the move higher (Fig.11).

But most volatility traders we've done due diligence on aren't just taking naked shorts on the VIX. They are hedging with short S&P futures, or longer dated

Fig. 11: VIX Futures to be bought as the S&P 500 Declines



Source: Morgan Stanley QDS

VIX futures, or European VIX, or the like. The bigger danger for these hedged strategies to us is the possibility of a dislocation between the VIX and S&P, where the proverbial tail starts to wag the VIX product dog. We're talking some scenario where VIX futures spike much more than could be expected for just a small down move in the S&P, or when the S&P is rising, because of the need for one of the VIX tracking products to match exposure or liquidate or some other unforeseen reason.

Here's a good primer on the dangers of this dislocation from way back in 2014 (interestingly, the short VIX products are up several hundred percent since the warnings in that post):

> *The ETF industry has yet to be tested in any trial by fire.* ***Given the systemic nature of volatility markets, the effects of a forced liquidation could spill well beyond the VIX futures market.*** *Liquidity providers would be hard pressed to handle tens of thousands of VIX futures contracts without moving the price significantly.*
>
> *Moreover, this would overwhelm the capacity for hedging in the futures market itself;* ***market makers would race to other markets to hedge their unwanted short volatility exposure.***

3) A non-trending dollar

Managed futures and global macro love a trending Dollar – as we've shown here and here. First, because the index is measured up against a basket of other currencies, with the Euro having the largest percentage against the dollar index. When the Dollar rises, the top currencies fall and vice versa. Second, because commodities markets are priced in U.S. Dollars. Meaning, if a falling U.S. Dollar means rising commodity prices.

Thing is, we've just had a pretty good down trend in the US Dollar, pretty much going straight down throughout 2017, ignoring the little bounce in September and October (see Fig.12 below).

While it would be easy to think this trend will continue unabated to the benefit of the overall space, the contrarian in us can't help but feel we're more due for a bout of consolidation in the US Dollar than a continued down trend or sharp reversal to the upside. How much lower can the U.S. Dollar go, really?

4) Short Bonds in a Bear Market isn't the Mirror Image of Long Bonds in a Bull Market

We mentioned this negative threat last year, and will keep it as a problem for as long as we're in a rising rate environment. And that is that bonds' price structure might look much different on the way down (rates up) than it did on the way up (rates down). We turn to Roy Niederhoffer for this view (Fig.13), who argues that a downtrend in bonds/rise in yields would not be as profitable as the previous bond rally because


Source: **businessinsider.com**

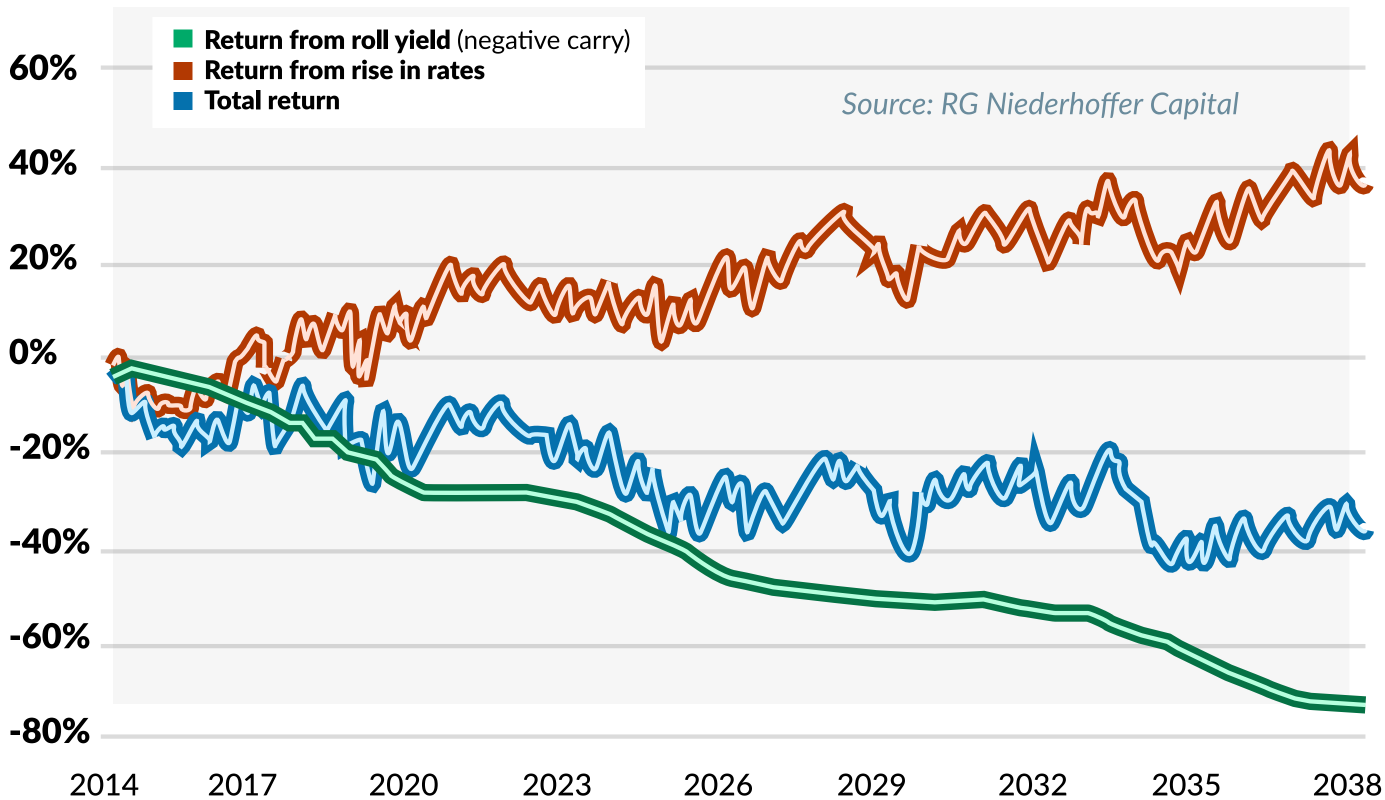
of the negative carry associated with the trade. The red line shows the return on a hypothetical sell-and hold position in the US 10-Year note futures contract (the return is positive because the price has dropped).

Niederhoffer goes on to show that if bonds remain in backwardation while interest rates go up – managed futures managers could lose that roll yield.

> *"This short position yields a return of 36% from the rise in interest rates. The return from the negative roll yield, shown in green, is -73%. Obviously this vastly exceeds the 36% profit from being correct on the direction of interest rates. The blue line in Figure 3 shows the total return of a sell-and-hold strategy. Obviously, the -36% total return is not particularly attractive."*

Fig. 12: U.S. Dollar Decline

Fig. 13: Negative Carry & Roll yield



The bottom line, says Niederhoffer, is:

> *"An investor shorting fixed income futures in a rising rate environment will face a headwind of -6% per year compared with an investor being long the same futures markets in a declining rate period, all else being equal."*

Conclusion

There's so many plot lines to tackle, we didn't even get the chance to discuss the growing use of machine learning and AI in our space, advanced execution algorithms becoming a standard best practice, and the Chinese futures markets showing the type of directional price momentum systematic trading models crave. In the end, managed futures and global macro won't be polishing their crystal balls, they'll analyze prices in all sorts of markets and crave breakouts and outlier moves. They'll hope for some sort of catalyst to awaken the good kind of volatility, and try and survive (or thrive, depending on the short vol exposure) should we remain in this 'the stock market's not allowed to go down' environment for another year. Of course, a big year would come from true Black Swan events, events that don't already have 20 articles written on it by different financial journalists, and ones not covered here. The biggest outliers come from way off the radar.

It feels like we're right back at the start of last year, with stock markets at all-time highs, the Fed looking to tighten, and chaos/dysfunction in Washington – all while VIX readings hover at historic lows. Maybe this is the same play, and we're now entering Act 2 of a tranquil, soothing, make you smile piece of theater. Or maybe the cast has changed over during intermission, and we're in for a completely different type of entertainment in 2018 with tears and pain and drama… you know, what used to be known as volatility.

Jeff Malec, CAIA
Managing Director & Partner

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As past performance does not guarantee future results, these results may have no bearing on, and may not be indicative of, any individual returns realized through participation in this or any other investment. The risk of loss in trading commodity futures, whether on one's own or through a managed account, can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. You may sustain a total loss of the initial margin funds and any additional funds that you deposit with your broker to establish or maintain a position in the commodity futures market.

Any specific investment or investment service contained or referred to in this report may not be suitable for all investors. You should not rely on any of the information as a substitute for the exercise of your own skill and judgment in making such a decision on the appropriateness of such investments. Finally, the ability to withstand losses and to adhere to a particular trading program in spite of trading losses are material points which can adversely affect investor performance.We recommend investors visit the Commodity Futures Trading Commission ("CFTC") website at the following address before trading: http://www.cftc.gov/cftc/cftcbeforetrade.html. Managed futures accounts can subject to substantial charges for management and advisory fees. The numbers within this website include all such fees, but it may be necessary for those accounts that are subject to these charges to make substantial trading profits in the future to avoid depletion or exhaustion of their assets.

Investors interested in investing with a managed futures program (excepting those programs which are offered exclusively to qualified eligible persons as that term is defined by CFTC regulation 4.7) will be required to receive and sign off on a disclosure document in compliance with certain CFTC rules The disclosure documents contains a complete description of the principal risk factors and each fee to be charged to your account by the CTA, as well as the composite performance of accounts under the CTA's management over at least the most recent five years. Investor interested in investing in any of the programs on this website are urged to carefully read these disclosure documents, including, but not limited to the performance information, before investing in any such programs.

Those investors who are qualified eligible persons as that term is defined by CFTC regulation 4.7 and interested in investing in a program exempt from having to provide a disclosure document and considered by the regulations to be sophisticated enough to understand the risks and be able to interpret the accuracy and completeness of any performance information on their own.

Reliance Capital Markets II LLC ("RCM") receives a portion of the commodity brokerage commissions you pay in connection with your futures trading and/or a portion of the interest income (if any) earned on an account's assets. CTAs may also pay RCM a portion of the fees they receive from accounts introduced to them by RCM.

RCM Alternatives is a registered DBA of Reliance Capital Markets II LLC.

*Pg. 2 Source: All ETF performance data from Morningstar.com
Sources: Managed Futures = SG CTA Index, Cash = 13 week T-Bill rate,
Bonds = Vanguard Total Bond Market ETF (BND),
Hedge Funds= IQ Hedge Multi-Strategy (QAI)
Commodities = iShares GSCI ETF (GSG);
Real Estate = iShares DJ Real Estate ETF (IYR);
World Stocks = iShares MSCI ACWI ex US Index Fund ETF (ACWX);
US Stocks = SPDR S&P 500 ETF (SPY)

WHAT WE DO

We build diversified portfolios with clients looking to access the Alternative Investment space in a meaningful way. That's been our specialty for more than a decade, with our experienced team up to the challenge of finding unique investments to fit unique needs.

For Investors

Research & Educate

We believe education means more than just a glossy brochure showing how managed futures is non-correlated to the stock market. We believe it means ongoing analysis of what's happening now, not just what happened over the past decade; and we provide daily research and commentary via our popular 'Attain Alternatives' blog covering all things alternative investments, as well as periodic whitepapers digging deeper into topics, guest posts by fund managers, and more.

Scout Talent

You can think of us as talent scouts, helping investors scour the world of alternative investment opportunities in an effort to identify those with robust, consistent performance, sophisticated risk management processes, and well-developed operational infrastructure. This selection is done through our proprietary filtering algorithm before performing one-on-one meetings and "real-time due diligence" where we analyze daily trading.

Tailor Portfolios

Armed with a menu of talented managers, we then provide customized portfolio and strategy advice to better generate target returns and protect principal while meeting the diversification, return, and risk needs of investors ranging from high net worth individuals to pension funds. Clients invest in these portfolios by opening a brokerage account with us, where we earn a portion of the trade-by-trade costs and fees paid to the portfolio managers you enlist. There are never any add-on, portfolio-level fees for our services.

Make It Easier

We make the actual investment part, with the paperwork and funding and all the rest, as easy as possible. We do this by eschewing a 'one size fits all' approach in favor of a consultative approach where we work with clients to find solutions that work for them in terms of structuring the investment. These include vanilla individual futures accounts, to the creation of 'Funds of One' or direct access to managers. The choice of clearing firms considers the investor's requirements for credit rating, balance sheet, and more; while consideration is given to smart collateral options via T-Bills, Notes, Corp. Debt, & Stocks.

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