The addition of managed futures to a client’s portfolio does not mean that a portfolio will be profitable or that it will not experience substantial losses and that the studies conducted in the past may not be indicative of current time periods or of the performance of any individual CTA.

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

The CISDM Equal Weighted CTA Index is an equal weighted index of CTAs maintained by The Center for International Securities and Derivatives Markets at the University of Massachusetts Amherst. It reflects the average performance of Commodity Trading Advisors reporting to the CISDM Hedge Fund/CTA Database. Each CTA must have at least $500,000 under management and at least a 12-month track record. The CISDM CTA Index is a continuation of the earlier MAR Index which was sold to Zurich Capital Markets in 2001 and was gifted by Zurich to the University of Massachusetts in 2002 and renamed the CISDM Indices.

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

THE RISK OF TRADING COMMODITY FUTURES, OPTIONS AND FOREIGN EXCHANGE (“FOREX”) IS SUBSTANTIAL. THE HIGH DEGREE OF LEVERAGE ASSOCIATED WITH COMMODITY FUTURES, OPTIONS AND FOREX CAN WORK AGAINST YOU AS WELL AS FOR YOU. THIS HIGH DEGREE OF LEVERAGE CAN RESULT IN SUBSTANTIAL LOSSES, AS WELL AS GAINS. YOU SHOULD CAREFULLY CONSIDER WHETHER COMMODITY FUTURES, OPTIONS AND FOREX IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. IF YOU ARE UNSURE YOU SHOULD SEEK PROFESSIONAL ADVICE. PAST PERFORMANCE DOES NOT GUARANTEE FUTURE SUCCESS. IN SOME CASES MANAGED ACCOUNTS ARE CHARGED SUBSTANTIAL COMMISSIONS AND ADVISORY FEES. THOSE ACCOUNTS SUBJECT TO THESE CHARGES MAY NEED TO MAKE SUBSTANTIAL TRADING PROFITS JUST TO AVOID DEPLETION OF THEIR ASSETS. EACH COMMODITY TRADING ADVISOR (“CTA”) IS REQUIRED BY THE COMMODITY FUTURES TRADING COMMISSION (“CFTC”) TO ISSUE TO PROSPECTIVE CLIENTS A RISK DISCLOSURE DOCUMENT OUTLINING THESE FEES, CONFLICTS OF INTEREST AND OTHER ASSOCIATED RISKS. THE FULL RISK OF COMMODITY FUTURES, OPTIONS AND FOREX TRADING CANNOT BE ADDRESSED IN THIS RISK DISCLOSURE STATEMENT. NO CONSIDERATION TO INVEST SHOULD BE MADE WITHOUT THOROUGHLY READING THE DISCLOSURE DOCUMENT OF EACH OF THE CTAs IN WHICH YOU MAY HAVE AN INTEREST. REQUESTING A DISCLOSURE DOCUMENT PLACES YOU UNDER NO OBLIGATION AND EACH DISCLOSURE STATEMENTS ARE REQUIRED TO BE PROVIDED TO YOU BEFORE AN ACCOUNT MAY BE OPENED FOR YOU.

THIS MATERIAL MENTIONS SERVICES WHICH RANK THE PERFORMANCE OF COMMODITY TRADING ADVISORS. PLEASE NOTE THAT THE RANKINGS APPLY ONLY TO THOSE CTAs WHO SUBMIT THEIR TRADING RESULTS. THE RANKINGS IN NO WAY PURPORT TO BE REPRESENTATIVE OF THE ENTIRE UNIVERSE OF COMMODITY TRADING ADVISORS. THE MATERIAL IN NO WAY IMPLIES THAT THESE RESULTS ARE OFFICIALLY SANCTIONED RESULTS OF THE COMMODITY INDUSTRY. BE ADVISED THAT AN INDIVIDUAL CANNOT INVEST IN THE INDEX ITSELF AND THE ACTUAL RATES OF RETURN FOR AN INDIVIDUAL PROGRAM MAY SIGNIFICANTLY DIFFER AND BE MORE VOLATILE THAN THE INDEX.
The Effect of Reallocation 20% of a Traditional Stock/Bond Portfolio to Managed Futures (from Jan. 1990 - Apr. 2020)

Managed Futures are represented by the Autumn Gold CTA Index. The Autumn Gold CTA Index is comprised of the client performance of all CTA programs included in the AG database and does not represent the complete universe of CTAs. CTA programs with proprietary performance are not included. Monthly numbers are updated until 45 days after the end of the month.

Note how the portfolio including 20% Managed Futures could have increased performance by 28.2% ($14,300 vs. $11,100).

S&P 500 TR Index - The S&P 500 indices are designed to reflect all sectors of the U.S. equity markets. The S&P 500 includes 500 blue chip, large cap stocks, which together represent about 75% of the total U.S. equities market. Companies eligible for addition to the S&P 500 have market capitalization of at least US$3.5 billion. The TR Index accounts for the reinvestment of dividends.

Trading futures and options involves substantial risk of loss and is not suitable for all investors. An individual must read and understand the Commodity Trading Advisors current disclosure document before investing. Past performance is not necessarily indicative of future results. The addition of managed futures to a client’s portfolio does not mean that a portfolio will be profitable or that it will not experience substantial losses and that the studies conducted in the past may not be indicative of current time periods or of the performance of any individual CTA.

Bonds are represented by the Barclay's US Aggregate Bond Index (formerly known as the Lehman US Aggregate Bond Index). The U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS. The U.S. Aggregate rolls up into other Barclays Capital flagship indices such as the multi-currency Global Aggregate Index and the U.S. Universal Index, which includes high yield and emerging markets debt. The U.S. Aggregate Index was created in 1986, with index history backfilled to January 1, 1976.

Source: Autumn Gold
Performance Results of a 40 Year Study Comparing Managed Futures*, U.S Stocks And International Stocks (from Jan. 1980 - Mar. 2020)

Comparison of Performance (1/1980 - 3/2020)
Past performance is not necessarily indicative of future results.

Over the past 40 years, managed futures have substantially outperformed U.S. Stocks by 30.4% and International Stocks by 818%.

1- Managed Futures: The CISDM Equal Weighted CTA Index is an equal weighted index of CTAs maintained by The Center for International Securities and Derivatives Markets at the University of Massachusetts Amherst. It reflects the average performance of Commodity Trading Advisors reporting to the CISDM Hedge Fund/CTA Database. Each CTA must have at least $500,000 under management and at least a 12-month track record. The CISDM CTA Index is a continuation of the earlier MAR Index which was sold to Zurich Capital Markets in 2001 and was gifted by Zurich to the University of Massachusetts in 2002 and renamed the CISDM Indices.

2- US Stocks: The S&P 500 Total Return Index from December 1990 to the end of Data and the S&P 500 Price Index is adjusted for dividends from January 1990 through November 1990. The S&P 500 indices are designed to reflect all sectors of the U.S. equity markets. The S&P 500 includes 500 blue chip, large cap stocks, which together represent about 75% of the total U.S. equities market. Companies eligible for addition to the S&P 500 have market capitalization of at least US$3.5 billion. The TR Index accounts for the reinvestment of dividends.

3- International Stocks: The MSCI EAFE Index is a stock market index that is designed to measure the equity market performance of 22 major developed markets excluding the US & Canada.

Source: Autumn Gold.

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Trading futures and options involves substantial risk of loss no matter who is managing your money. Such and investment is not suitable for all investors. Past performance is not necessarily indicative of future results. The addition of managed futures to a client’s portfolio does not mean that a portfolio will be profitable or that it will not experience substantial losses and that the studies conducted in the past may not be indicative of current time periods or of the performance of any individual CTA.
Managed Futures Risk Reduction and Performance Enhancement Benefits

While managed futures can decrease portfolio risk, they can also simultaneously enhance overall portfolio performance. The potential for managed futures to increase performance and reduce risk in a stock and bond portfolio has been substantiated by an extensive bank of academic research, beginning with the landmark study by Dr. John Lintner of Harvard University in which he wrote: “… the combined portfolios of stocks (or stocks and bonds) after including judicious investments … in leveraged managed futures accounts show substantially less risk at every possible level of expected return than portfolios of stocks (or stocks and bonds) alone.”*


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We believe the most prudent way to participate in the commodities markets is with the professional Commodity Trading Advisors (CTAs).

According to a report published by CME Group: “Some individual investors – those who have the know-how, time, access to information and necessary temperament – are highly successful in directing their own futures trading. Unfortunately, however, the record suggests that only a small percentage of do it yourself futures traders possess these requisites for success. Studies indicate that somewhere between 2 out of 3 and 9 out of 10 lose money”. However, some CTAs have been shown to achieve consistent returns, even in volatile markets.
Managed Futures vs. Hedge Funds

The differences between managed futures and hedge funds are substantial. Managed futures are 100% transparent. With hedge funds, investors are often unaware of the holdings of the fund. At times their positions are very hard to value and estimate. When liquidated, hedge fund positions can be much lower than their estimated value. On the other hand the holdings of managed futures managers and the corresponding profit/loss of the positions can be viewed in real time every day at their exact value.

Additionally, managed futures typically trade in the most liquid markets in the world. Hedge funds often venture into illiquid securities (such as mortgage backed securities or over-the-counter products) which aren’t traded on many exchanges.
Managed Futures vs. Commodities

In our opinion, investors often make no differentiation between commodities and professionally managed futures. Commodities are an asset class. Professionally managed futures are an investment vehicle which uses the commodity futures and options markets in an attempt to capitalize on a rise or fall in commodity prices.

In professionally managed futures, performance results are more dependent on the skill of the manager, not the investment vehicle. For example, 2008 was one of the worst years on record for not only stocks, but also commodities: commodities fell 46%. However, professionally managed futures were up 14% to 18% according to the Credit Suisse/Tremont Managed Futures Index* and the Barclay CTA Index due to Commodity Trading Advisors (“CTAs”) capitalizing on significant declines in commodity prices!

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A Common Mistake

Most investors consider themselves diversified if their investment portfolio includes a percentage mix of stocks and bonds. Their stock holdings may include corporate stocks, index funds, preferred stocks mutual funds, international and emerging market funds. Bond holdings may include treasuries, corporate and municipal bonds. If an investor follows the guidance of most financial advisors, these blends of stocks and bonds would be considered “diversified”. We believe this is a common mistake among most investors.

Furthermore we believe the real test for a diversified portfolio is not in up markets when gains correlate with stock market indexes, but rather in bear markets where investors have found that they are extremely exposed to declining asset values, despite their perceived “diversification”.

See slide numbers 5 and 6 to see how managed futures performed in stock market declines.

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Hypothetical Examples of Adding Managed Futures to a Stock and Bond Portfolio

The chart below should prove helpful in understanding how a relatively small investment in managed futures can increase overall portfolio performance:

Let’s assume your total portfolio is $250,000 and you invest 80% in stocks and bonds ($200,000) and 20% in managed futures ($50,000). Let’s also assume at the end of the year you realize a 5% return on your stocks and bonds and a 25% return on managed futures. The result would be as follows:

<table>
<thead>
<tr>
<th>$250,000 Portfolio</th>
<th>% of Portfolio</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stocks &amp; Bonds</td>
<td>$200,000</td>
<td>80%</td>
</tr>
<tr>
<td>Managed Futures</td>
<td>$50,000</td>
<td>20%</td>
</tr>
<tr>
<td>Total Profit</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Now let’s assume you earn 10% on the 80% of your portfolio invested in stocks and bonds, but lose 25% in managed futures. The results would be as follows:

<table>
<thead>
<tr>
<th>$250,000 Portfolio</th>
<th>% of Portfolio</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stocks &amp; Bonds</td>
<td>$200,000</td>
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<td>Managed Futures</td>
<td>$50,000</td>
<td>20%</td>
</tr>
<tr>
<td>Total Profit</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

You can see, in these hypothetical examples, by investing only 20% of your portfolio in futures, if you were to earn 25%, it would outperform 80% of your portfolio invested in stocks and bonds if the stocks and bonds earned 5%.

You can also see that a 25% loss in futures would still leave you with a net profit of $7,500 if your stock and bond allocation returned 10%. These hypothetical examples both show a positive result. The risk associated with futures trading could potentially result in a loss greater than the initial investment, and the overall results could be negative.

Note: No matter what the size of your portfolio, 80% invested in stocks and bonds and 20% invested in managed futures, with the same percentage returns, would produce the same percentage results in our hypothetical examples.

**Important Disclaimer:** The above hypothetical examples are strictly for illustration purposes only, to help you better understand the potential impact of portfolio diversification. In no way are the examples to be construed as the returns you might receive in stocks and commodities. Of course, in actual investing, your results can be better or worse.

Trading futures and options involves substantial risk of loss and is not suitable for all investors. Past performance is not necessarily indicative of future results. This matter is intended as a solicitation.