RCM Alternatives:
Hedge Fund Managers

5 *Other* **Hedge Fund Managers** who **profited** during **"The Big Short"**

621 South Plymouth Court | Chicago, IL 60605 | 312.870.1500
www.rcmalternatives.com | invest@rcmam.com

5 *Other* **Hedge Fund Managers** who **profited** during **"The Big Short"**

You've read Michael Lewis' book "The Big Short," depicting the events that lead to the 2007-2008 credit crisis, you've watched the Oscar-nominated screen adaption directed by the same guy who directed Anchorman (see our movie review here), and you've mentally recorded the amount of money some hedge fund managers (the real names of the managers found here) made shorting sub-prime mortgages. Put all that together and you might believe there were just a handful of people in the world who profited from one of the most volatile periods in financial market history. But what if we told you "The Big Short" didn't tell it all?

What if we told you, there was an entire investment strategy not mentioned in the movie that was able to find returns during the financial crisis – to the tune of about $30 Billion in profits*. {Disclaimer: Past performance is not necessarily indicative of future results}. And what's better, they didn't have to do it betting against people being able to make their mortgage payments? And that normal investors like you and me can access that strategy. What is this mystery investment strategy?

We are talking about the Managed Futures asset class, of course, and the systematic trend following computerized strategies utilized by asset managers in this space. Their goal is to capture market moves no matter which direction they happen in; finding both up and down trends in stocks, bonds, commodities, and currencies. The financial crisis had plenty of down trends, of course, and managed futures thrived during the chaos – with the benchmark indices returning between 14% and 18%, with individual managers we track posting returns above 60% across 2007 and 2008 {Disclaimer: Past performance is not necessarily indicative of future results}. The beauty of it all is that these professional traders didn't need to travel to Florida to talk to home owners not paying the mortgages, they didn't need an insider at Deutsche Bank, or need an ex-big bank trader to get them in the door. They didn't need banks to create credit default swaps for them or worry about counter-party risk should they be correct. It wasn't a few hedge fund managers correctly guessing the direction of the markets.

No, it was much simpler than all of that for Managed Futures. Turns out, they are designed to act this way. Managed Futures strategies generally place small bets on every move up or down in multiple markets, losing often when those moves don't pan out; but insuring they capture the big move (the Big Short, if you will), when outlier move does happen. This is what we in the business call crisis period performance; and as a whole, Managed Futures has been an asset class that has historically thrived in chaotic and crisis environments. You can see evidence not only during the 2007-2008 crisis period, but also across a wide swath of other crisis periods in the stock market. {Disclaimer: Past performance is not necessarily indicative of future results}.

Of course – an investment that does well during crisis periods, but stinks the rest of the time isn't a huge help to a portfolio. To really add value, it should be able to hold its own during normal times as well. Turns out, Managed Futures is pretty good at that as well. In the past three years, Managed Futures has proved it follows no asset class in performance. Managed Futures made money while stocks did in 2014, they both were around flat in 2015, and they were ahead significantly while stocks were down sharply in early 2016. {Disclaimer: Past performance is not necessarily indicative of future results}

Let's meet the managers who found returns during "The Big Short" and more than held their own in the following stock market recovery.

*based on the BarclayHedge CTA index returning 14.1% on $206 Bilion in Assets as of the end of 2008, with profits reflecting the increase in AUM in the Managed Futures space.

Manager #1: eco Capital Management / Global Opportunities

There's more than one way to skin a cat, as the old saying goes; and more than one way to attack financial markets, as eco Capital Management embodies. Portfolio manager Kevin Doyle worked for some of the best in the business - Toby Crabel and Monroe Trout - and put those decades of experience to work in the eco approach to the markets. While traditional systematic hedge funds look to correctly pick a market's direction and hold a trade for weeks or even months - accepting the market's inevitable swings back and forth during that period of time; eco's short term model instead looks to capture the bulk of the same types of moves, but over an abbreviated time frame of just days. The best way to think of it is like the distance covered by a winding river versus the distance "as the crow flies." Traditional money managers are interested only in the distance between the start and end points (as the crow flies), while eco strives to capture value in those twists and bends. For more information and the program's full fact sheet, please call 312-870-1500.

AUM: $22mm
Track Record Length: 9 years
Comp ROR: 8.91%
Ann Vol: 17.00%
Max DD: -28.68%
2016 YTD*: +12.35%

*as of February 2016

	FINANCIAL CRISIS (2007 - 2008)	2009 - Present	MAX DD
ECO	62.48%	35.58%	-28.55%

Past Performance is Not Necessarily Indicative of Future Results.

Minimum Investment
Private Fund: $50K
Managed Account: $2mm

Manager #2: Red Rock Capital, LLC / Systematic Global Macro

From Marine to author to quant hedge fund manager, Red Rock's Tom Rollinger has a unique background that shows through in the Global Macro program. Add to that experience working with trading legend Edward O. Thorp, and there's a lot to like with Red Rock. Now, their Global Macro program is proving to be quite successful, with its systematic discipline and above-average exposure to commodity markets. Geared towards capturing high-value payoff trades in globally trending markets, the program uses three distinct aspects: Market Profiling, Alpha Generation, and Phase Discrimination, with the goal of producing as high as possible risk-adjusted returns that are uncorrelated to other major asset classes. For more information and the program's full fact sheet, please call 312-870-1500.

AUM : $26 mm
Track Record Length: 13 Years
Comp RoR: 9.83%
Annzd Vol: 12.59%
Max DD: -13.32%
2016 YTD*: +5.12%

*as of February 2016

	FINANCIAL CRISIS (2007 - 2008)	2009 - Present	MAX DD
Red Rock	62.58%	45.33%	-13.32%

Past Performance is Not Necessarily Indicative of Future Results.

Minimum Investment
Managed Account: $500K

Manager #3: IMFC / Global Investment

There's plenty of Managed Futures managers out there that highlight their research infrastructure, but not too many are approaching ongoing research into financial market modeling quite like IMFC. With ties to the Center for Advanced Studies in Finance, Faculty of Mathematics and the University of Waterloo, the IMFC team is able to lever the resources of the University into its research efforts. With this power, the IMFC team has been able to build something far greater than a simplistic trend following strategy. By adding elements of relative value and options hedging on top on a traditional trend following program, the IMFC fund has been able to provide more alpha and global exposure all in one place. You'll also be hard pressed to find a systematic fund manager more up on the global market forces than CIO Roland Austrup. Their belief is to constantly evolve with the markets - to "skate where the puck is going to be, not where it is", in the parlance of their compatriot Wayne Gretzky. For more information and the program's full fact sheet, please call 312-870-1500.

AUM: $41mm
Track Record Length: 9 years
Comp ROR: 9.06%
Ann Vol: 15.59%
Max DD: -20.27%
2016 YTD*: +4.28%

*as of February 2016

	FINANCIAL CRISIS (2007 - 2008)	2009 - Present	MAX DD
IMFC	73.57%	26.64%	-20.27%

Past Performance is Not Necessarily Indicative of Future Results.

Minimum Investment
Mutual Fund: $2,500 (IMIXIX)
Managed Account: $2mm

Manager #4: Quest / Alpha Quest Original

In the world of poker, they say if you can't spot the sucker at the table - you're probably it. That's not too far off from the competitive world of hedge funds, where it can be a zero sum game with the gains of one manager coming at the expense of another. Quest Partners understands this dynamic better than most in applying game theory and realizing they don't just have to beat the markets, they have to beat the other players trying to beat the markets as well. That means modeling what the other players are doing, and creating a return profile that captures the good when others do, but does a better job of avoiding the bad. Mathematically, they kind of think of it as achieving the same return distribution, but with a positive skew instead of a negative skew. The resulting systematic trading methodology employs lower capacity trades with shorter-term systems and multi-dimensional diversification. For more information and the program's full fact sheet, please call 312-870-1500.

AUM: $257mm
Track Record Length: 17 years
Comp ROR: 14.08%
Ann Vol: 20.78%
Max DD: -20.20%
2016 YTD*: +24.60%

*as of February 2016

	FINANCIAL CRISIS (2007 - 2008)	2009 - Present	MAX DD
Quest	84.01%	81.87%	-20.20%

Past Performance is Not Necessarily Indicative of Future Results.

Minimum Investment
Managed Account: $5mm

Manager #5: Auctos Capital Management / Global Diversified

Auctos embodies the phrase, "There's safety in numbers," by not only trading 70 global markets, but trading eight separate models that all fit into one multi-strategy approach. Owner Kevin Jamali stresses having uncorrelated sources of Alpha besides the traditional trend following strategy. These other sources include models such as Calendar spreads, Volatility trading, Probabilistic models, and pattern recognition. And for those that think research is key, Auctos dedicates 80% of the company's budget to research and development, emphasizing a cohesive research team, in order to maintain continuous evolution of the firm and models. Finally, this fund would win in a battle of managers competition, with Mr Jamali having won multiple international medals in the art of Brazilian Jiu- Jitsu. For more information and the program's full fact sheet, please call 312-870-1500.

AUM: $44mm
Track Record Length: 9 years
Comp ROR: 6.73%
Ann Vol: 9.73%
Max DD: -12.22%
2016 YTD*: +7.18%

*as of February 2016

	FINANCIAL CRISIS (2007 - 2008)	2009 - Present	MAX DD
Auctos	17.92%	45.92%	-11.79%

Past Performance is Not Necessarily Indicative of Future Results.

Minimum Investment
Mutual Fund: $2,500 (ACXIX)
Managed Account: $2mm

Disclaimer

The information contained in this report is intended for informational purposes only. While the information and statistics given are believed to be complete and accurate, we cannot guarantee their completeness or accuracy. RCM Alternatives has not undertaken to verify the completeness or accuracy of any of the information and statistics provided by third parties.

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.htm 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 are 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.

WHAT WE DO

We build great Managed Futures portfolios with clients looking to access the managed futures 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 managers 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.

RCM Alternatives
621 S. Plymouth Ct. Floor 1
Chicago, IL 60605

rcmAlternatives.com
managed-futures-blog.attaincapital.com

invest@rcmam.com
312-870-1500

rcm alternatives

621 South Plymouth Court
Chicago, IL 60605
312.870.1500

www.rcmalternatives.com
invest@rcmam.com