RCM Alternatives

It's time to **stick the landing**

Managed Futures / Global Macro **Outlook 2019**

318 W Adams St 10th FL | Chicago, IL 60606 | 855-726-0060
www.rcmalternatives.com | invest@rcmam.com

Managed Futures / Global Macro Outlook 2019

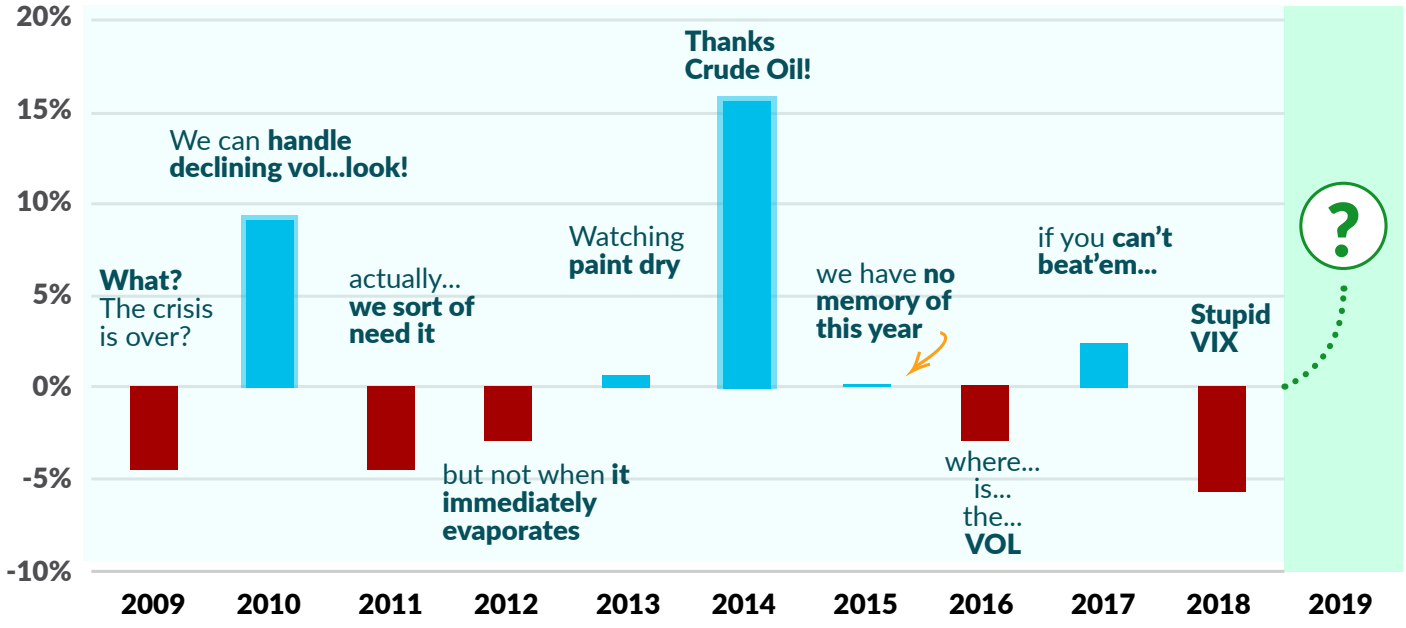
Is this asset class working for anyone? The past 10 years have been as mixed of a mixed bag as you can get, with some good performance, some poor performance (2018 chief among them), and a whole lot of middling performance ('11, '12, '15, '16). All for an end result, a total return, of just above even for the SocGen Managed Futures Index. 10 years, 79 basis points, and a return of -6.24% over the past four years. Is this working for you? (see Fig.1 below)

Investors have been answering no to that question of late. As witnessed by the new managed futures barometer, AQR's managed futures mutual fund, AQMIX, which shed more assets than most will ever manage. AQMIX had seen outflows of about $4.5 billion in 2018 as the fund lost -8.8%, and assets declined -40%. That leaves them around $7 billion, down from a high of nearly $14 billion, and shows investors are voting with their wallets.

What's irking investors in this particular alternative investment is that 2018 should have/could have been a good year for the asset class in the face of a stock market correction. You know, that one we've all been

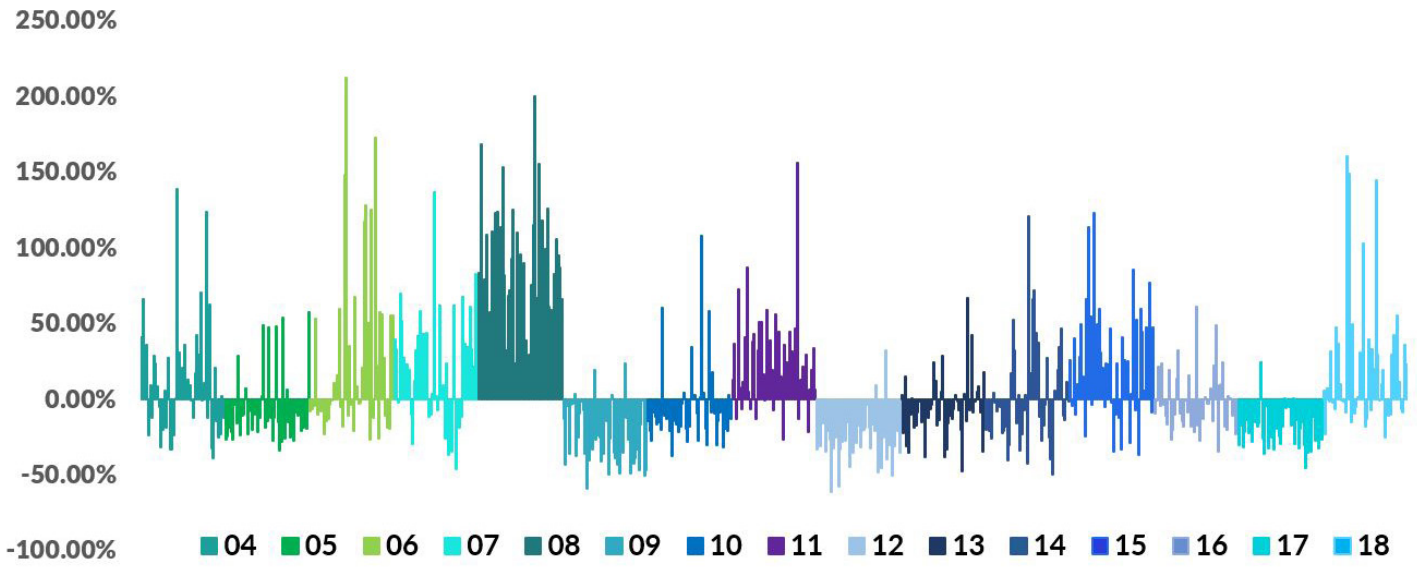
expecting around the bend for the better part of the last decade? The asset class has been bemoaning the lack of volatility, the lack of a correction, and central bank suppressed movement in markets; only to fumble at the goal line when volatility finally returned and markets started moving.

Fig. 1: Managed Futures - The last 10 years



Data: SocGen CTA Index

Fig. 2: Volatility Increase/Decrease Across 47 Futures Markets



Data: RCM-X historical price database

Here's a look inside the "engine room" of managed futures/global macro programs; analyzing the volatility in the global markets these programs track – and specifically, whether that volatility was 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 across the markets in a typical systematic trading program track? (see Fig. 2 above)

It was on the rise, with 57% of the markets we track for this study seeing expansions in volatility as measured by their average true range, with those ranges increasing 43% on average (and 30% at the median). Now, that's a far cry from 2008 when all 47 markets we track saw vol expansions (averaging a whopping 89%), but still – it's a weird year to be sure when we don't see positive performance on the back of so many volatility expansions.

Turns out, it was a game of inches, indeed, in 2018, with just four days of activity sealing the fate for the asset class, despite in line performance and the ability to capture market moves across the other 250 or so market days. Those four days, two rather infamous ones in February and another two rather innocuous ones in October, resulted in losses of nearly -9% for the index, while the rest of the year clocked in a little above 3%. (see Fig. 3 below)

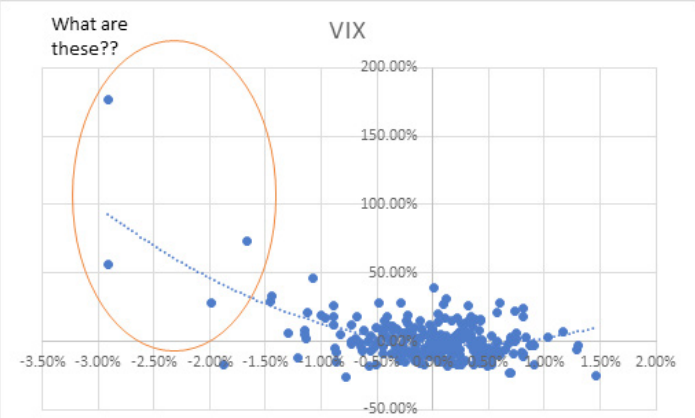
Fig. 3: CTA Index vs VIX

	2/2 - 2/5	10/10 - 10/11	Rest of Year
CTA Index	-4.88%	-3.99%	-3.08%
VIX Move	+177.06%	+56.61%	+1.82%

Data: SocGen CTA Index, CBOE VIX

This is the opposite of what we expect from managed futures. We expect the asset class to have a positive skew profile, seeing as how it is designed to risk small amounts in order to put itself in position to earn large amounts when and if there are outlier moves. (see Fig. 4 below) A handful of large negative outliers is sort of just the opposite, and reminds us more of the stock market's risk profile, or that of option selling strategies.

Fig. 4: Skewing the VIX



Data: Socgen CTA Index, CBOE VIX

All of this has led us to ask out loud more than a few times this year, did managed futures managers get caught adding a little more short vol/long equity exposure to their portfolios in 2018? After years and years of the short volatility and long equity trade adding real value to portfolios, was the allure of some extra return enough to remove some of their normal long volatility profile? Did they get caught with their hand in the cookie jar?

Fig. 5: Stocks VS Managed Futures

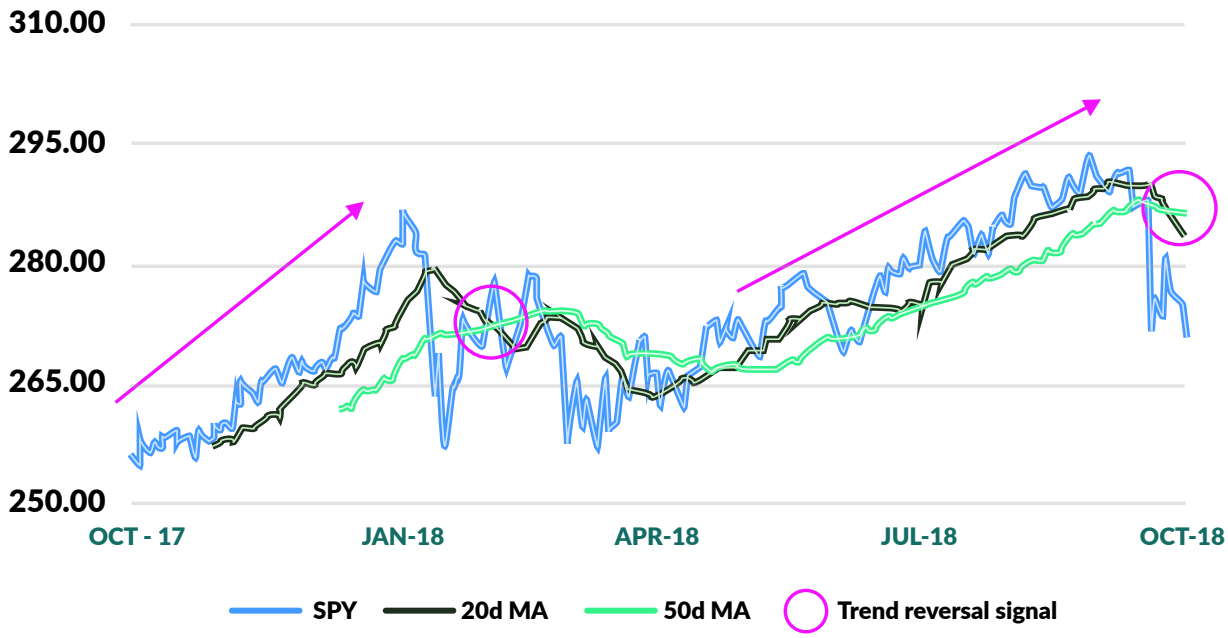
	1/26 - 2/8	10/4 - 10/22
STOCKS	-10.10%	-5.73%
MANAGED FUTURES	-9.20%	-4.82%

Data: Socgen CTA Index, S&P 500

The stats would seem to say yes to that charge, but in discussions with managers who had a poor February when the VIX spiked – there was a distinct disdain for that charge and denial that any losses were due to a change in risk profile.

Instead, they counseled, the February losses were a plain and simple result of existing trends reversing course. And because those reversals were far enough apart (eight months), the markets had time to establish new momentum in the same direction (equities up, energies up, metals up, foreign currencies up). So much for the old saying, fool me once, shame on me, fool me twice, shame on me.

Fig. 6: S&P Up/Down Trend



Data: SPY

Many systematic models were "fooled" into believing the March through September rally was a new uptrend, only to enter just as the nascent trend would unwind once again. (see Fig. 6 on page 4)

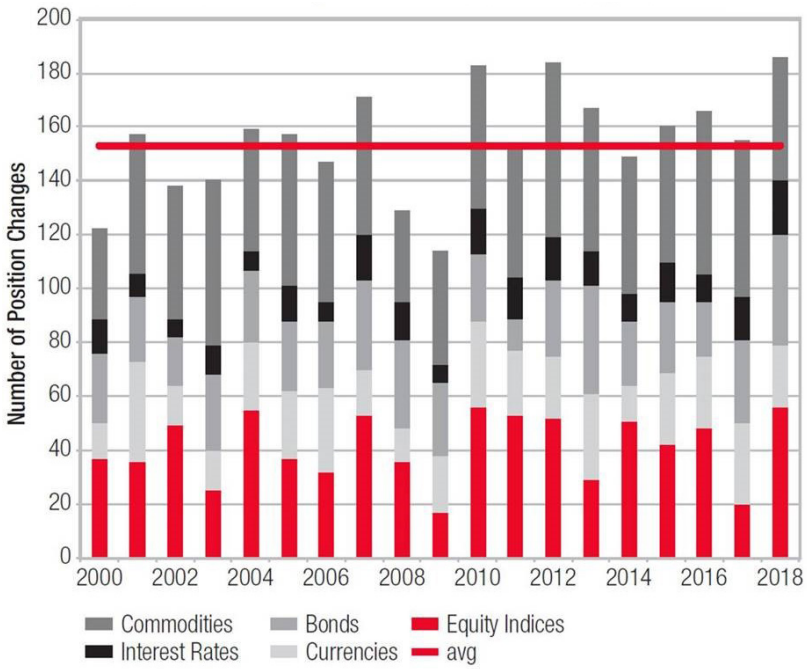
Of course, it isn't all about equities. The ability of managed futures and macro to perform during a stock market sell off ultimately comes from not just short equity exposure, but even more so from exposure in markets that react in kind (be it bonds up in a flight to safety, foreign currencies moving, energy markets reflecting new demand based on assumed economic progress reflected in stock prices, and so on). To perform in a crisis, managed futures need a bit of contagion, where the illness extends into other markets to drive them outside of their previous ranges either up or down.

As SocGen points out in their annual CTA review, that spreading of the illness was hard to come by in a consistent way in 2018. What most systematic programs want to see in that regard is not just sympathy moves in other markets like interest rates or currencies, but follow through on those moves and not quick new moves followed by trend reversals. Instead, we saw the most trend reversals in their trend indicator in 20 years

in 2018. Ouch! That's a lot of whiplashing around. (see Fig. 7 below)

So, that's 2018 in a nutshell (to borrow a line from Austin Powers). Lots and lots of small trend indicator flip flops between long and short, bookmarked by two large trend reversals in February and October which caused outsized losses because of their timing – unwinding quickly from the top of the trend (as opposed to a slow roll over of a trend). It was five steps up, seven down. Five more steps up, then seven more down, leaving investors a few ladder rungs below where they started. But enough of 2018, what's 2019 likely to look like?

Fig. 7: Number of position changes for trend indicator by year



Source: SG CIB, Bloomberg

What Could 2019 Look Like?

Well, with one month already in the books, we get to cheat a little here. As we write this, stocks have rallied more than 10% from their end of 2018 lows, crude oil has rallied more than 20% from its lows, and we are, generally speaking, in a bit of a transition period (technical analysis no man's land) between the down trends that started with the October sell off in stocks, and the bounce from those lows. That has meant a small bit of trouble for systematic models which had pivoted to the short side in many of these markets (equities, energies, industrial metals, US dollar, interest

rates), with managed futures looking at a loss of -1.90% for January, which is not the way we wanted to begin to recover from an ugly 2018.

So what can break us out of the malaise. Here are some factors which could help and hurt the asset class in 2019:

Possibly Helping: A **Higher Volatility** Regime

Orange is the new black. Different is the new normal. Is 20 VIX the new 15 VIX? That was the question put forward by Bloomberg at the end of the year in a piece titled: "Battered and Bruised, Wall Street Makes Peace With Volatility", where they have some juicy quotes like:

> ***Markets are "beginning to accept a shift in the volatility regime back to more historically average levels," said Patrick Hennessy, head trader at IPS Strategic Capital in Denver, Colorado.***
>
> ***Put simply, market players are wagering the gauge will remain higher for longer — but they also reckon it will be little changed down the line. – Wall Street Journal***

And that's just the topic that the VIX specialists over at Pearl Capital Advisors considered in their insightful whitepaper titled "Volatility in Transition". Pearl made noise in 2018 when they logged a +19% month during February's vol spike, and have performed well during falling and flat volatility periods as well (past performance is not necessarily indicative of future results). They live and breath this stuff, so it was interesting to hear them highlight some stats such as:

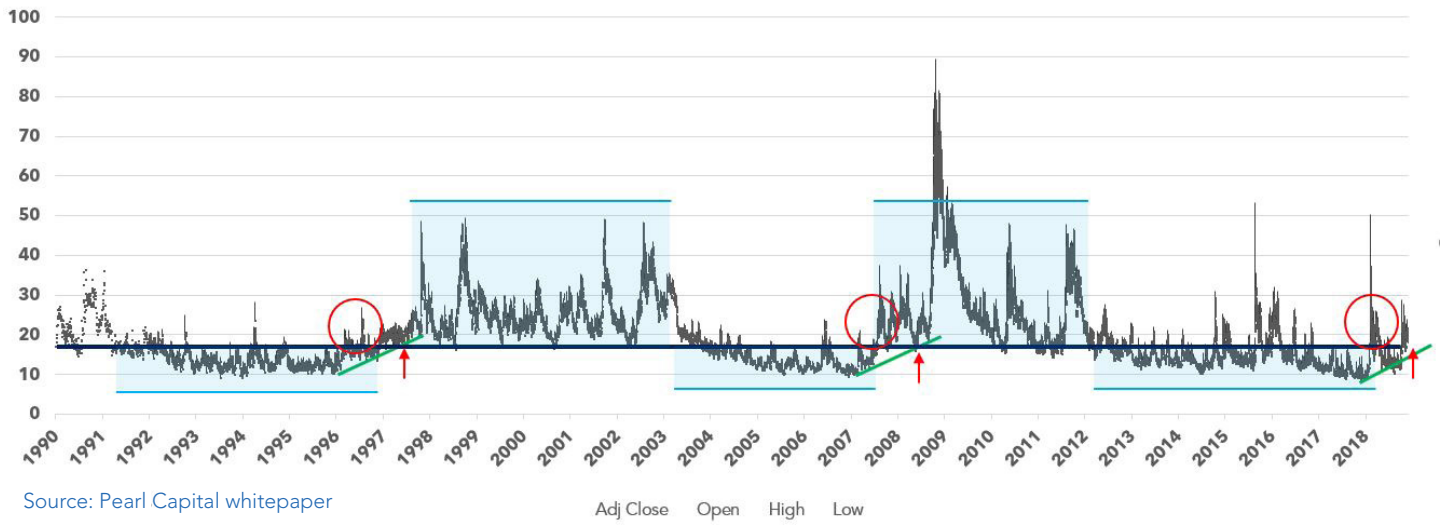
> ***We are in the 35th month since the bottom of our latest Realized Volatility period. On average, it has taken Realized Volatility approximately 41 months to then make a move into** [a new higher regime] **its 90th percentile.***

It sure feels like we're in a new, higher volatility regime, with the days of every vol spike being met with faster and faster evaporations of that volatility as sellers sold each spike en masse to capture the natural decay in volatility. And the question is whether we stay at these elevated levels in the VIX for quite some time, like we saw in the 2007 to 2012 period, where the good years were very good for managed futures.

Why would a higher volatility regime be a good thing? Well, taking some liberty with a big assumption that the equity market volatility as represented by the VIX would spill over into increased volatility in other markets like bonds, currencies, and commodities; a higher volatility regime would represent a greater opportunity set for traders.

Imagine the crude oil market, for example, having a volatility of $0.25 per day, representing a dollar value

Fig. 8: VIX levels and trends in transition: 1990 to present



Source: Pearl Capital whitepaper

of $250 per contract. Trading a single contract, the amount of money you could expect to make or lose each day, on average given that volatility level, would be $250. Now, assume the volatility jumps to $1.05 per day. Now you're looking at potential gains or losses of just over $1,000. Of course, the potential gain and the potential loss increase, but professional managers typically risk a small fraction of the amount they stand to gain should markets move in their direction. The result – you go from the possibility of risking $250 to make $500 in a low volatility regime, to risking $500 to make $1,500 per trade. The increase in volatility can lead to a non-linear increase in the trade's profit factor.

So, yeah, bring on a higher volatility regime.

Reversion to the **Premia Mean**

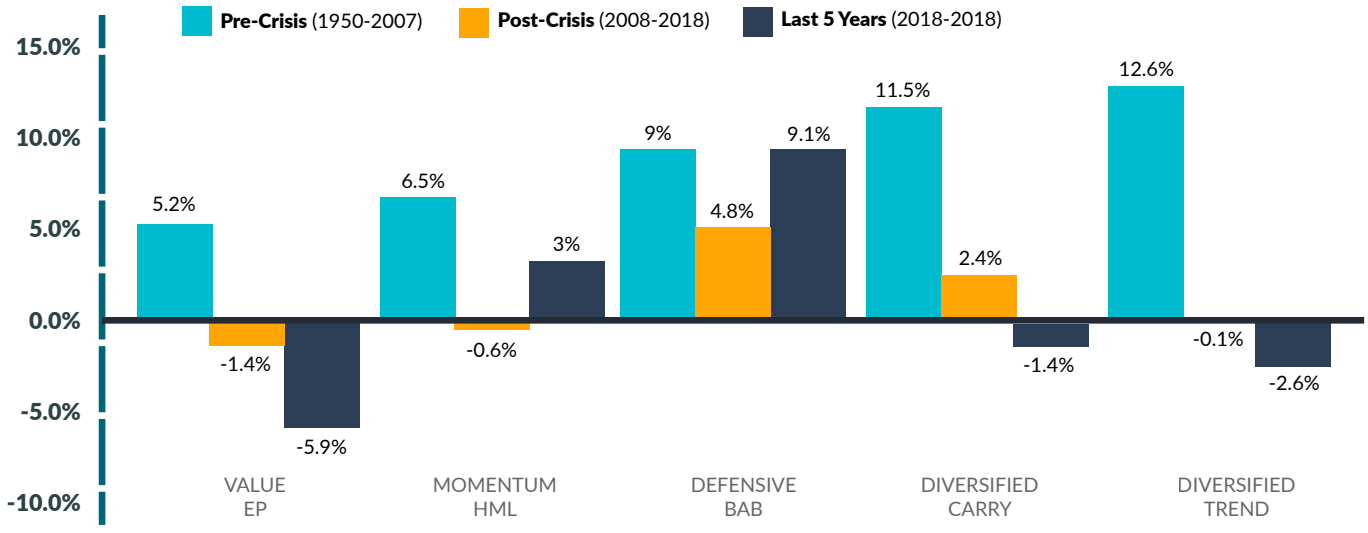
While a new, higher, volatilty regime may help, it's not enough these days to be able to rely on just an expansion of volatility with all of the diversification amongst managed futures/macro strategies. Indeed, this is what was seen in 2018. Higher vol alone didn't get the job done for the average CTA as represented by the indices.

Today's strategies range from pure trend following, to risk parity, to carry and defensive strategies designed to capture negative moves in equity markets. And guess what? While there have been performers in niche spaces like hog trading and energy focused funds, most of the strategies based on defined alternative premia have underperformed of late. Need some proof? The genius bar over at Resolve Asset Management came up with the following graphic (see Fig. 9 below) which shows plainly that base alternative strategies like carry, value, momentum, and trend have greatly under performed over the past 10 years as compared to the 27 years prior to that.

That's a shorter term observation just begging for some normal reversion to the mean within each of those strategy types, which should filter down into the myriad of systemic models based in whole or in part on those core principles.

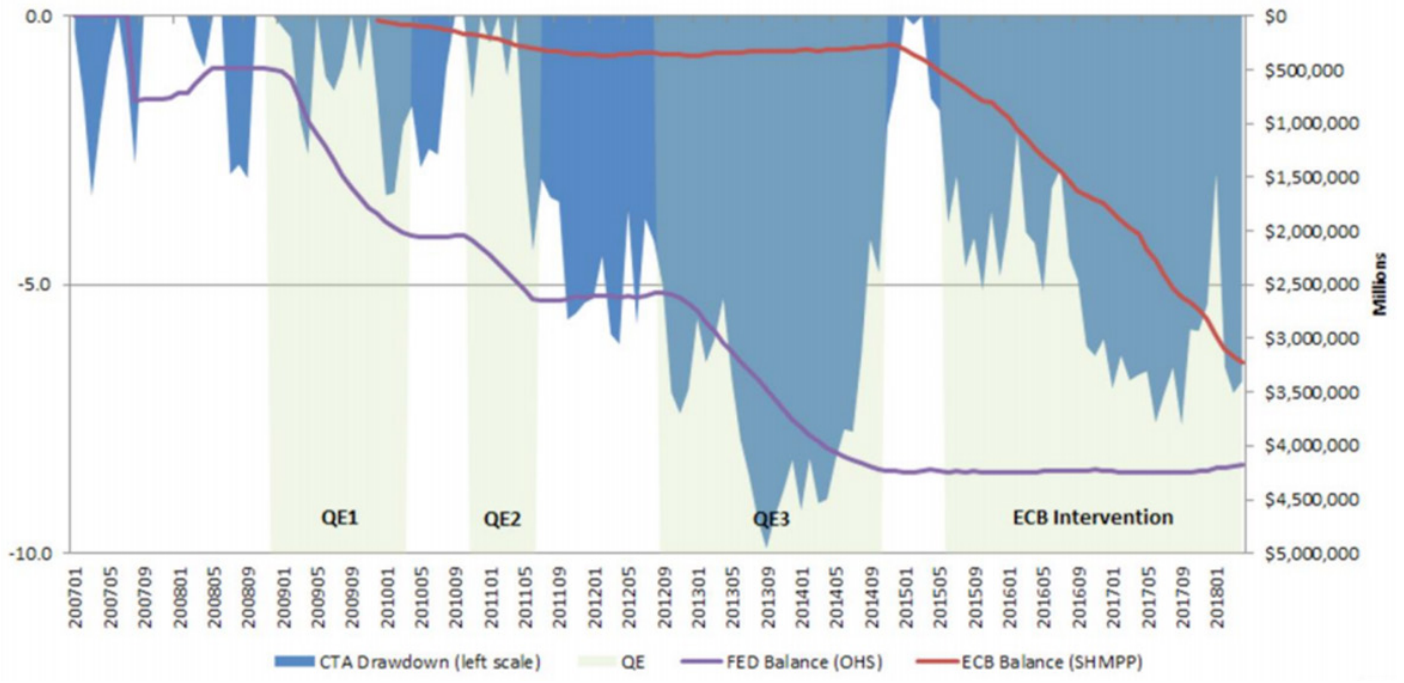
Now, trying to predict when this underperformance will revert to the mean, exactly, is a fool's errand to be sure. And, there's plenty of folks out there who would argue that there's some inherent problem in these alternaitve premia in the current market environment causing their underperformance, meaning they won't revert to the mean at all. But those are just the sort of attitudes that make contrarians salivate at the opportunities. And the timing need not be exact, considering that each of these sub strategies would need to out preform their longer term average over several years to bring the overall performance in line with the mean.

Fig. 9: Simulated returns for alternative premia since the Global Financial Crisis, scaled to 10% ex post volatility since inception



Source: Resolve Asset Management

Fig. 10: CTA drawdown and Central Bank activity



Source: Totem Asset Management

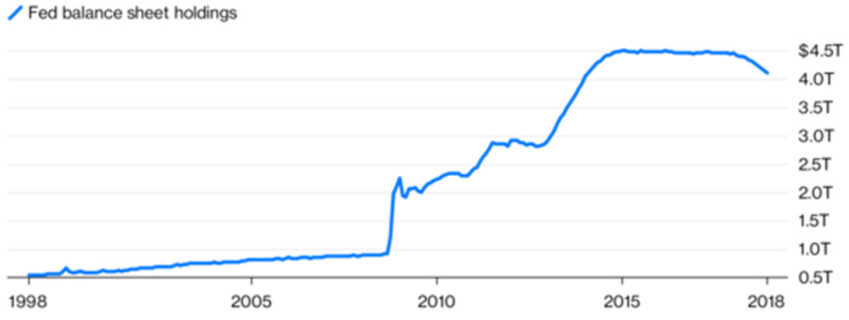
End of QE / **More QT**

One of the most interesting charts we came across in 2018 was courtesy of Andrew Strasman of Totem Asset Mgmt. He was looking to put numbers (and a chart) to the overarching feeling amongst many systematic trading advisors over the past 10 years that central bank intervention, known as Quantitative Easing (QE), was messing with the natural flow of markets resulting in issues for their models. See Fig. 10 above to view what he came up with.

You can clearly see a connection between the US's QE efforts from 2009 through 2014, as represented by the growth of the Fed's balance sheet (inverted for ease of comparison in the chart) and a healthy drawdown in the CTA indices. But perhaps more telling is the reversal of the drawdown and new equity highs as the Fed balance sheet stopped growing. And perhaps even more telling than that, is the resumption of the CTA index drawdown when a new QE player came to the plate in the form of the ECB. Their actions became known as an intervention instead of QE, but the effect was the same – a growing central bank balance sheet and eerily mirrored drawdown in systematic hedge funds.

So, what happens when all of this cash pumped into the system comes back out in the form of QT, or quantitative tightening? We've only just begun the process, with barely a trickle coming off the Fed's balance sheet, and the ECB and others yet to start. (see Fig. 11 below) The billion dollar question is what happens when the tightening picks up speed and we sell off a trillion or more of these assets (in the form of treasuries and mortgage backed securities)? Will it provide a tailwind for managed futures and macro in a mirror image of the headwind it caused when being

Fig. 11: Fed balance sheet holdings



Source: Federal Reserve

put on? It surely won't match exactly – and the Fed won't tighten at the risk of knowingly plunging the US into recession or the like. They have choices on when and what to tighten. But we can't stop looking at the Totem Asset chart and thinking a reversal of the balance sheet trend could have a role in adding volatility and pushing longer duration trends in markets like interest rates and currencies.

The Return of Ag?

There's more than one market in the world of alternative investments, with most investment programs covering a universe upwards of 75+ markets spanning stock indices, currencies, interest rates, energies, softs, grains, metals, and more. What's more, most systematic programs risk balance their portfolios in order to ensure that they make roughly the same amount of money from a breakout in soybeans as the S&Ps. So when looking for catalysts for an uptick in performance in 2019, we need to consider the smaller markets like wheat and corn, right alongside the huge markets of crude oil and US 10-Year note futures.

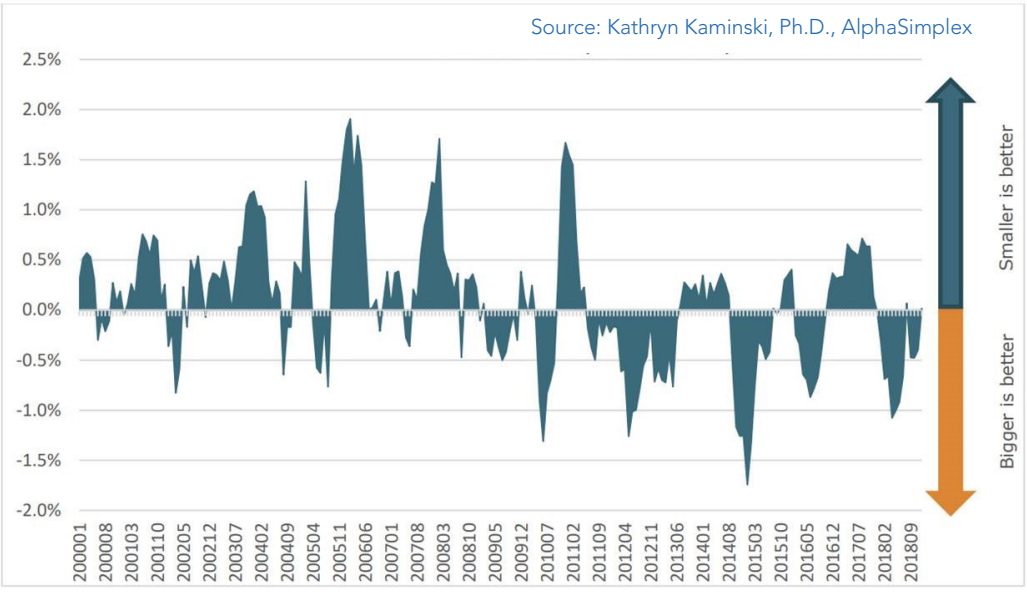
In theory, these smaller markets can help pick up the slack when and if there are periods lacking large macro moves, which would be reflected in markets like oil and bonds. A drought in Brazil, for example, is not a macro event driven by changes in capital flows and interest rate differentials. It just plain didn't rain there.

So it was with great interest that we read one of the latest pieces from one of the smartest people in the space – AlhpaSimplex's Kathryn Kamynski – highlighting the historical performance split between so called bigger and smaller markets covered by managed futures programs. (see Fig. 12 below)

You can't help but notice the left side of the chart representing roughly 2000 to 2009 (we need to talk to Kathryn about that date formatting...) has many more observations where smaller is better than the right side of the chart covering 2010 through 2018, where bigger is better.

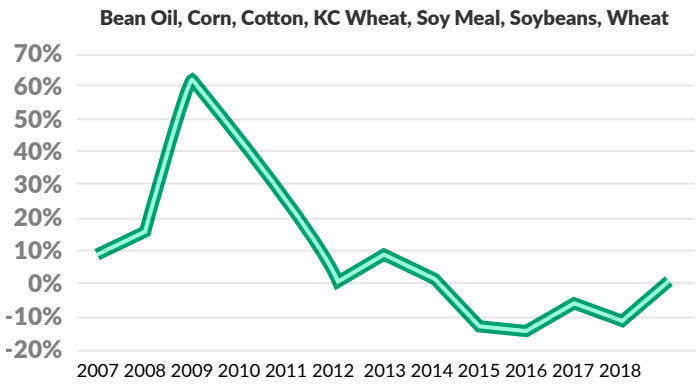
Now, some of that may have to do with the QE phenomenon mentioned above, but we also know that Ag traders in particular have been bemoaning the lack of opportunity for roughly the same amount of time the bigger markets have been outperforming – leading us to believe a lot of that smaller market underperformance of late is due in no small part

Fig. 12: CTA market size factor (2008-2018)



to a lack of opportunity in the ground agricultural commodity markets. We're talking row crops like corn, wheat, and soybeans. And we're talking the volatility expansion engine which drives opportunity in the space that has been particularly lacking amongst these so-called Ag markets: (see Fig. 13)

Fig.13: Avg 3yr volatility increase/decrease - Ag Markets



Data: RCM-X historical price database

That's four straight years of volatility contraction for the Ag markets, and a nasty bit of a down trend in the amount of vol since a spike in 2008. But there was that bit of a bounce last year, and we can't help but think that this lack of volatility doesn't mesh well with what we observe around us.

It sure seems like we're seeing an increase in volatility in the weather, which is one of the biggest price drivers of Ag prices. Record forest fires. Bigger and costlier hurricanes. Hotter and longer droughts, and so forth surely must cause some. And that's just the bit of speculation played out in an interesting Bloomberg piece titled The Pessimists Guide to 2019: Fire, Floods, and Famine which focuses on a sort of nightmare scenario for agriculture markets this year centering around an intense El Niño causing supply problems, and then those problems being exacerbated by some political posturing to cause bread lines and food inflation. It's as out there as you can get – and even admits that maybe it "...sounds farfetched" before pointing out that "all of the weather scenarios and most of the policy scenarios described here have happened in the past. Just not at once".

The likely path is surely somewhere between that pessimists view and the declining volatility

environment of the past several years, but it wouldn't surprise us at all to see the smaller Ag markets awake out of their long slumber to add to the equation in 2019.

There you have it. Some possible tailwinds that could develop in 2019. What about some headwinds? What sort of environments could appear to hinder overall performance amongst the asset class? Next, let's talk about what sort of factors might be Possibly Hurting the market in 2019.

Possibly Hurting: **Lower Volatility**

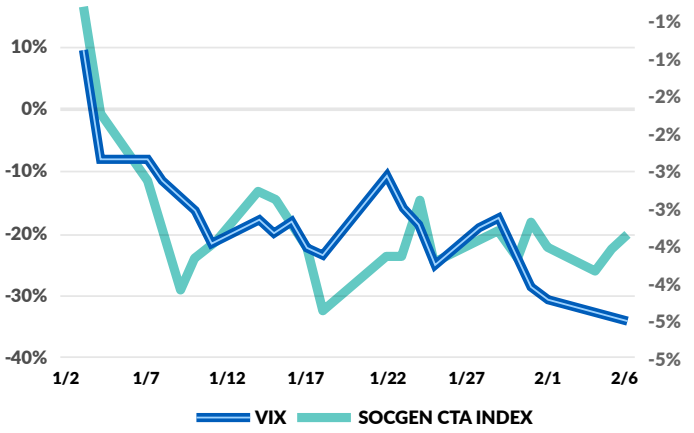
We touched on some of the arguments for why 2019 could be shaping up to move into a new, higher volatility regime. But, with a month+ of the year already under our belt, we also know that the year sure hasn't started out that way. We've gone down about -40% in the VIX, from around 25 back to the 15 level. Now, it could be argued that may be proof of a higher regime, with the VIX standing at 15 after a rather straight up move in equities of +15% to +20% or so from the Dec lows, instead of its previous levels around 12.

But even if we didn't have these 30 market days or so of observations, the 2018 volatility spike was shaping up

to be a bit of a sucker move for managed futures and macro in our view. The problem was that we got the statistical increase in vol just like the doctor ordered, but it was in wrong direction. And it didn't spill over completey into other markets and get the needed follow through. To paraphrase some stormtroopers: it wasn't the (vol) droids we were looking for.

That was bound to be bad news heading into 2019, because there was no buffer to absorb the inevitable contraction in volatility. The old model was a sort of two steps forward when vol expanded, one step back when it contracted. But with no forward momentum in 2018, we were bound to be looking at a two steps backwards, one more step backwards start to the year. The immediate issue is that the contraction in volatilty represented itself as reversals of the trends put in place at the end of last year, just as many managed futures programs were getting in line with those moves. Sitting here a week into February, we already know this happened, meaning we're starting out 2019 on the wrong foot right out of the gate.

Fig.14: CTA Index & VIX - 2019



Data: SocGen CTA Index, CBOE VIX

A Declining VVIX

What's more? A higher vol regime might not be the panacea we think for everyone in the space. The end of last year showed us that a higher volatilty can also come with declining volatilty of volatility - which caught out a few volatility traders who weren't seeing the VIX moves they expected given moves in the stock market. The volatilty of volatilty, or VVIX as its called, is worth

Fig.15: A Recent Divergence

Source: Bloomberg

keeping an eye on in 2019 as a barometer for just how well different strategy types are able to capture that vol expansion. Generally speaking, a declining VVIX, will signal a tougher environment for these strategies to harvest the increase (on a declining scale) of volatilty. (see Fig. 15 above)

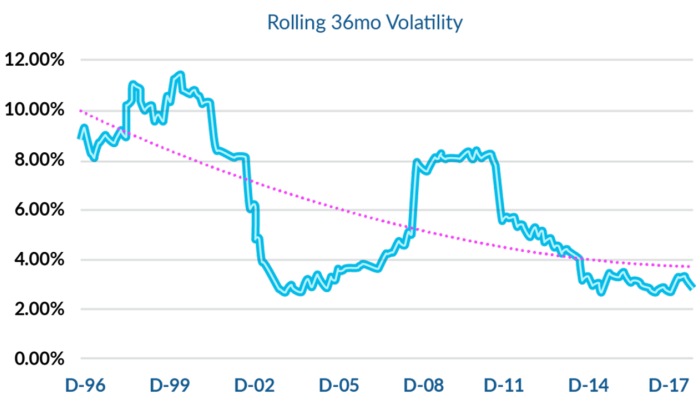
Investor Risk Appetites

We asked back in 2017 if the investors complaining about below average returns might be just the thing that is causing the below average returns by their (en masse) desire for lower volatility, and there's no denying the shift from the days of 30%+ volatility inside of managed futures and global macro programs to 10 vol targets, and the like as the investor base has shifted to more institutional. So, one headwind in 2019 might be that head staring at you in the mirror – you, the investor.

And as the desire for less risk has increased, so too has the ability of systematic investment programs to deliver an expected risk. Hedge funds and other alternative investments, especially in the managed futures and macro space, measure and target risk on a per trade, per market, per sector, and per portfolio basis. That's something a passive investment in the stock market can't do. We can't ask the S&P to just give us a 10 vol next year. You just get what you get.

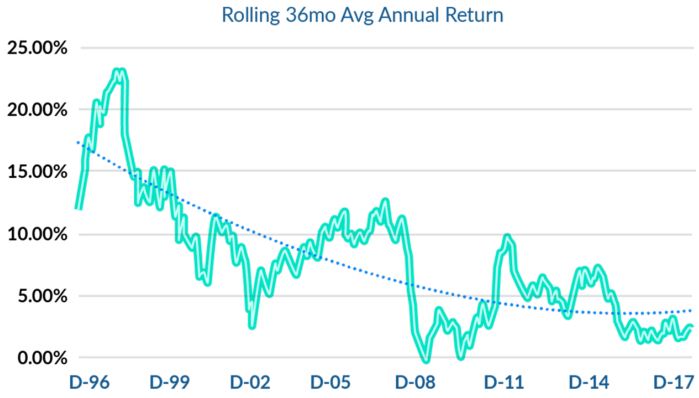
Will we continue to see lower returns because of less risk taking? Will investor appetite for less risk continue to result in less return? That's the trend, to be sure, as we highlighted in a 2018 blog post talking about this Great Reset in investor appetite.

Fig.16: Hedge Fund Risk



Data: Credit Suisse Hedge Fund Index

Fig.17: Hedge Fund Returns



Data: Credit Suisse Hedge Fund Index

Of course, many investors don't care all that much if they're lowering the return by allocating assets to those who meet their strict sets of parameters and mandates. Because their return is decreasing, less than the volatility is decreasing, causing a risk adjusted win.

QT

We showed earlier how well managed futures drawdowns have tracked the increase in central bank balance sheets, positing that perhaps the unwinding of those huge balance sheets would undo some of that effect. But what if the issues the increase in these balance sheets caused for alternative investment programs wasn't about the easing part, but instead about the intervention?

If it's not about easing or tightening, and instead about the creation of artificial demand or supply via central bank operations 'confusing' systematic models, then 2019 could be problematic. We may need to get through the QT portion of this historic policy experiment, running off $50 billion a month on the way to trillions less on the balance sheet, before a systematic 'all clear is signaled.'

Sharper Yield Curve

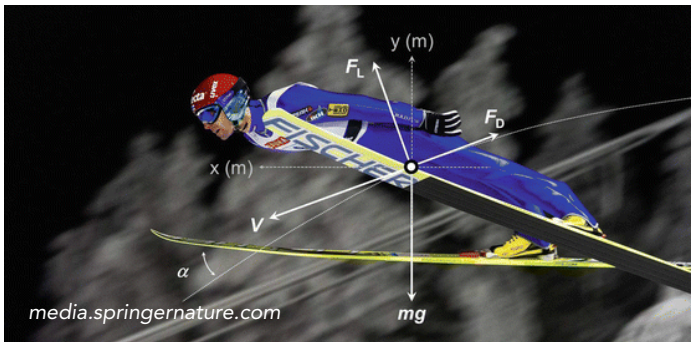
We've mentioned the issues with the short bond trade (rates up) in both the 2017 and 2018 outlooks, where research by Niederhoffer showed the annual roll cost to be significant enough to turn profits from having the right direction on a short bond trade, to losses when reflected through the contract by contract holding of that short position. But an analysis of a simple short trade in 10-Year Notes during all of 2018 showed that the roll cost was a factor, but not much of a factor at all. Perhaps because a flattening of the yield curve overall percolated down into flatter futures curves for individual fixed income futures markets, making for a negligible roll cost. A re-steepening of the yield curve and reflection in individual markets that future rates across each duration will be higher may result in enough of a roll cost to feel it in 2019.

Two Outside the Box **Thoughts**

One, managed futures and macro have long survived as the go-to example for diversification through an alternative investment, providing long term non-correlation to equity and bond markets. But that's become a little problematic of late, because investors (seemingly no matter their sophisticaiton level) continue to confuse non-correlation with negative correlation. They buy non-correlation expecting negative correlation, and then get upset when their alternative investment is down in the same month

equity markets are. This has led to a shift in investor attitudes looking for something different out of their alternatives. People are moving towards wanting immediate diversification, not just non-correlation, which sometimes provides negative correlation and sometimes doesn't. Strategies are rolling out left and right to try and provide this, knowing all the while that it is a bit of a holy grail – wanting guaranteed insurance, but not wanting to pay the monthly premiums. How will this end? We're not sure, but it could skew the return profile of managed futures away from what we traditionally attribute to it, leaving investors a little wanting when and if the old profile comes back with a vengeance absent a stock market route (like agriculture markets moving as mentioned above).

Two, to blame the quants and/or algos drumbeat, which seems to be getting louder and louder with each new time the stock markets fall a bit. Introducing headlines like: "Did robot algorithms trigger market plunge?" and "This sell-off was caused by a computer driven footrace" and "A down day in the markets? Analysts say blame the machines". This is likely just



fear of the new and fear of the unknown. But a small part of us thinks there could be some push back and blow back by the general public against such "machines" and "algos" that could result in some sort of new regulations or the like limiting progam's ability to efficiently trade their models.

Conclusion

As always, it's a hard year to handicap, especially when we know that the first move in this chess match was a contraction of the late 2018 volatility and reversals in those trends. That's starting us off down -3% out of the gate, but also resetting markets to a more neutral stance where they aren't overbought as were heading into 2018, or oversold as they were heading into 2019. From here (Feb) on, we'll need new market movements to develop to drive returns. We're looking at you Ag markets. And you, bonds – there's 30 years of upside to those rates, after all.

In the end, managed futures and global macro won't be poring over analysts' reports and economic projections to identify where to position portfolios for the remainder of 2019. They'll do what they've always done (albeit perhaps with a little more machine learning as an assist). They'll analyze prices in all sorts of markets and get into tons of moves, some false, and some true breakouts. Some on a very short day to day basis. Some on a much longer month to month basis. They'll hope for some sort of catalyst (like a drought or El Niño) to awaken the good kind of directional volatility, and hope we enter a new higher vol regime more akin to the pre 2008 days.

Of course, a big year would come from true Black Swan events that don't already have 20 articles written on it by different financial journalists. And certainly not ones covered here. The biggest outliers come from way off the radar. One thing's for certain. There's not much room to the downside for the asset class as a whole (as we know it). One bad year is just a bad year, not a trend. Four in a row. That's worrisome. Eight out of 10 being subpar – that's pretty much a crisis (if not for how the models work, at least for investor confidence in them). Another year of poor returns could see the likes of AQR's managed futures fund get cut in half again, and hasten investor's appetites for a more strategic diversification approach where it isn't just passive diversification. But a new sort of on-demand active diversification which looks to cushion what seemingly everyone believes will be more frequent and more violent equity market sell-offs.

We don't believe investors should be ready to throw in the towel on the old model of passive diversification just yet, but we'll be analyzing this new type of model day in and day out in 2019 just in case.

Jeff Malec, CAIA
Managing Director & Partner

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: https://www.cftc.gov/ConsumerProtection/index.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 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.

RCM Alternatives

318 W Adams St 10th FL
Chicago, IL 60606
855-726-0060

www.rcmalternatives.com
invest@rcmam.com