RCM Alternatives:
Whitepaper

Performance Profile

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The strength of many Managed Futures investments lies in their low correlation to the stock and bond markets, meaning you can make money whether stocks go up or down (or lose). This ability to post "absolute returns," paired with low correlation makes managed futures a perfect candidate for portfolio diversification.

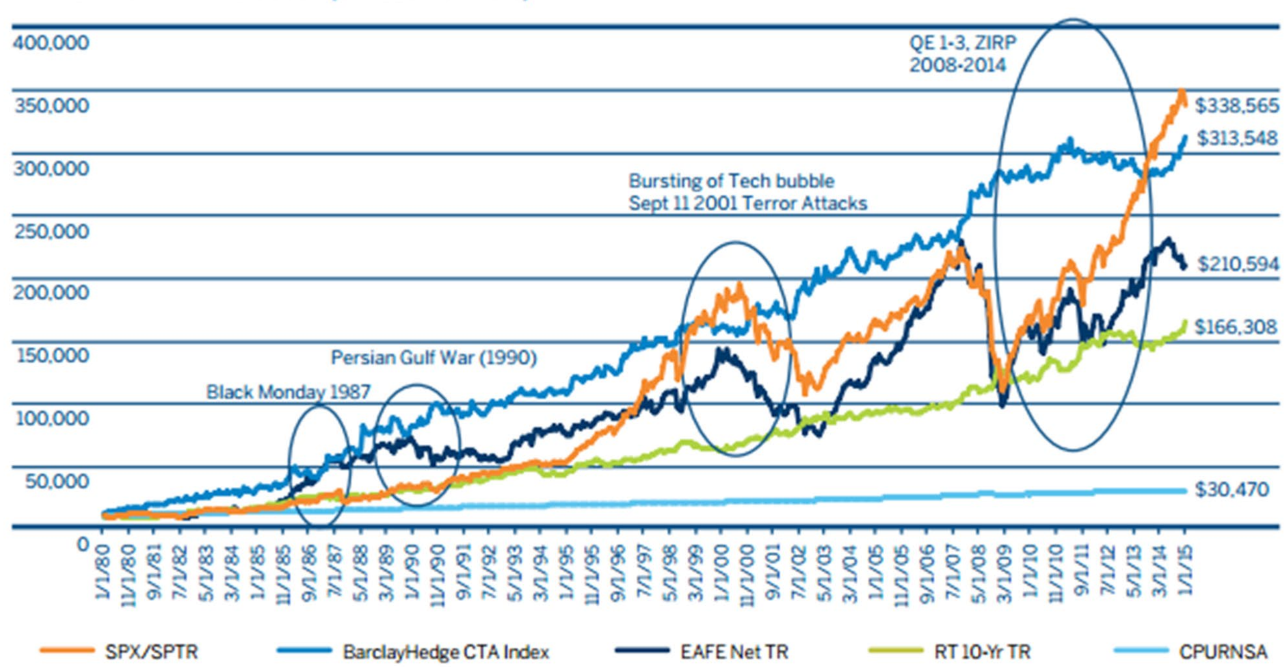
Absolute Returns

Commodity Trading Advisors can make absolute returns by being able to play both sides of any market. They can buy futures positions in anticipation of a rising market or sell futures positions if they anticipate a falling market. Trading advisors can even use strategies employing options on futures contracts that allow for profit potential in flat or neutral markets.

This ability of managed futures to provide absolute returns and provide true diversification to a portfolio come from their exposure to commodity markets, which rely on supply and demand factors instead of factors such as a strong economy, credit conditions, or corporate profits as their price drivers.

- **Returns independent of Stock Market Performance**
- **Reduction of risk via portfolio diversification**
- **Have performed well historically during market crises (Oct. 1987, Asian crisis 1998, 9/11 tragedy, current credit crisis 2007-2008)**
- **Low correlation to traditional investments such as stocks, real-estate, and bonds**

WHEN CRITICAL EVENTS OCCUR (01/1980 – 01/2015)

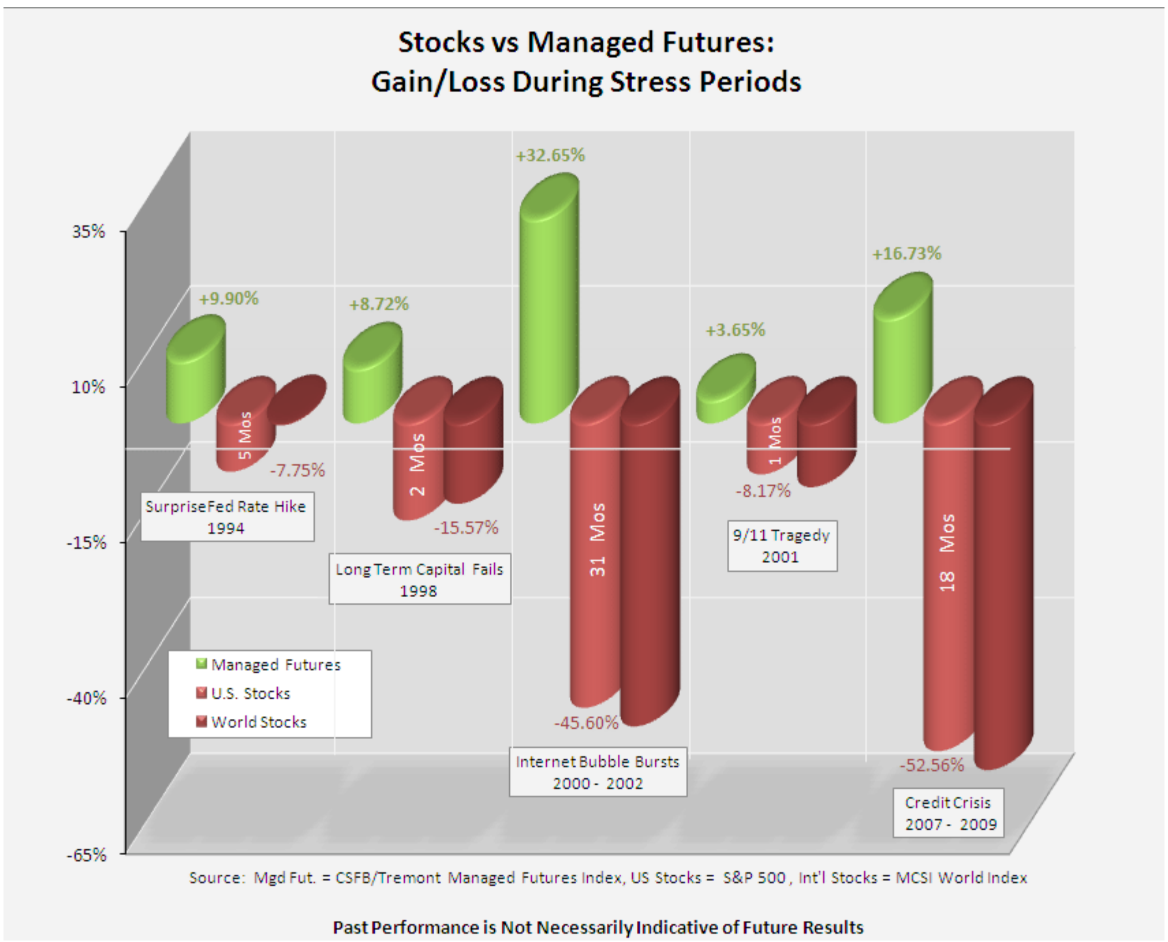


Bear Market Protection

Futures based investments are often viewed as a way to generate oversized returns due to the leverage built into futures contracts and potential for large moves, but it is their low correlation with traditional markets which causes managed futures investments to be volatility reducers and portfolio diversifies during the bad times.

Consider how managed futures as an asset class (using the Credit/Suisse Managed Futures Index) has reacted to different market "stress periods" as compared with the stock market (as measured by the S&P 500 index and MSCI World Index) over the past few decades in the chart below.* History shows us that managed futures are the place to be during bear markets and crisis situations.

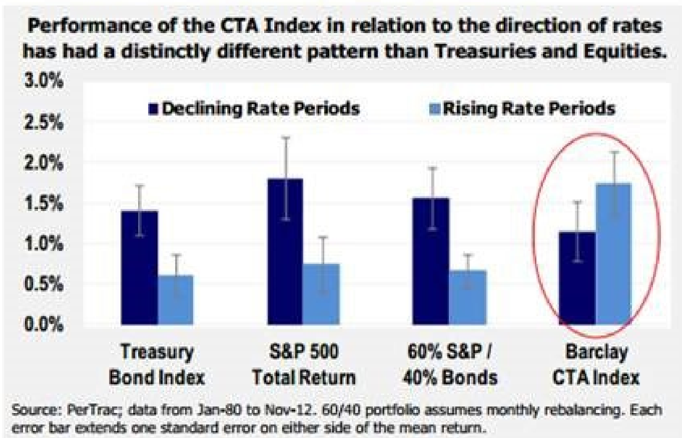
One caveat, if you are looking for the diversification benefits and outperformance of the stock market during stress periods represented by managed futures indices' historical returns - make sure your managed futures program is actually giving you managed futures exposure. Some managed futures programs which sell options or trade stock index futures exclusively may not give you the diversification you think you are getting with managed futures, or worse - doubling up on the risk in your traditional portfolio.



Independent Research

Given the current interest rate environment, Campbell & Co., a 40+ year veteran of the managed futures space, looked at what managed futures have done in past rising interest rate environments as compared to stocks, bonds, and a diversified portfolio of the two.

EXHIBIT 5 – Average Monthly Return since 1980



Source: Campbell& Co via [*CME managed futures research digest*]

Per their research, managed futures are the only asset class which has a higher monthly return, on average, during rising rate periods.

**Hypothetical performance results have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program.*

One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve 15 financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results and all of which can adversely affect actual trading results.

100 Years of Trend Following

$40+ billion hedge fund firm AQR Capital Management did a recent research piece titled "A Century of Evidence on Trend-Following Investing". Their research was all hypothetical* backtested data, so this is not representative of actual trading profits but rather a tool to see how a simple trend following strategy used as a proxy for managed futures performance might have performed over a very long look back. Their model analyzed the past 1, 3 and 12 month performance of markets in their portfolio, and if the performance is positive, consider that an uptrend and initiate a hypothetical long position, and vice versa if the performance is negative.

Our takeaways:

- They find "trend following" had an annualized return of 14.3% and annualized volaitlty of 9.9% over the past 100 years.
- They find "trend following" has had a -0.05 correlation to both equities and bonds over 100 years – impressive to say the least. It's hard to be much less correlated than that.
- When they plot their model's return against the return of the S&P 500, it forms a nice "smile" curve, showing that managed futures likes big moves up or down, not just market crisis periods. The largest returns for their model were during the largest S&P 500 moves – both positive and negative.
- Speaking of crisis periods, they show 10 of the biggest market crisis periods of the past 100 years. The trend following model remained positive in all but one (the 1987 crash).

Consistency

How consistent are managed futures returns as compared to the stock market? We took a look at the rolling returns of both the Newedge CTA Index and S&P 500 over 12, 36, and 60 month windows of time from January 2000 through December 2014; then measured what percentage of time each achieved results greater than 0, 5%, 10%, 20% and 30%.

PERIOD	Percent of Time 12mo Returns		Percent of Time 36mo Returns		Percent of Time 5yr Returns	
Qualifier	Newedge	S&P	Newedge	S&P	Newedge	S&P
>0%	71%	70%	93%	69%	99%	79%
>5%	51%	65%	84%	65%	95%	62%
>10%	33%	51%	76%	60%	90%	56%
>15%	15%	31%	59%	54%	85%	48%
>30%	2%	5%	26%	48%	69%	38%

We see the managed futures index has been positive in 99% of 5 year periods (versus just 79% for stocks), and has been above 20% in total return 79% of the time, too – while stocks only managed to earn up to 43% over five years.

To be fair, though, there's more to investing than positive returns. We'd be remiss to not also consider the downside of things. So we ran the numbers, using the same parameters, for negative results within the same windows of time:

PERIOD	Percent of Time 12mo Returns		Percent of Time 36mo Returns		Percent of Time 5yr Returns	
Qualifier	Newedge	S&P	Newedge	S&P	Newedge	S&P
<0%	27%	30%	7%	31%	1%	21%
<5%	5%	26%	2%	28%	0%	0%
<10%	0%	22%	0%	26%	0%	8%
<15%	0%	15%	0%	22%	0%	0%
<30%	0%	5%	0%	5%	0%	0%

Here is where we separate the mice from the men, so to speak. See, managed futures may not, in every time period, trounce stocks on the positive side, but they have demolished them on the downside (with no losses more than -10% in any of the 12, 36, or 60 month period). Put another way - if you could have mustered allocations to the components of the Newedge CTA Index at any point in the past fourteen years… you would never see losses more than -10% for ANY one, three, or five year stretch (and just a handful of periods below -5%). Stocks can't touch those statistics with a ten foot pole.

Impressive? Sure. But realistically, you can't invest in a CTA index. You invest in actual programs, some which have performed better than the benchmark indices, some which have done worse. Which leads us to…

Top Ranked Programs

Here are the Top 15 managed futures programs across Attain's "scrubbed" universe of managed futures programs (CTAs) using our unique ranking algorithms. We believe these programs are the best available managed futures programs overall- having consistently outperformed their peers across a host of performance and risk metrics across a host of different time frames.

Top 15 Overall (as of 8/20/2015)

Program	Minimum Investment	Compound ROR	MAX DD
Tanyard Creek Capital	$100K	28.71%	-14.17%
Quantica Capital AG (QEP)	$5MM	9.29%	-9.82%
SCT Capital - Adaptive Quant	$5MM	4.93%	-6.67%
QMS Capital LP (QEP)	$25MM	14.60%	-11.27%
Winton Capital (QEP)	$50MM	14.51%	-25.59
Quest Partners Tracker Index (QEP)	$10MM	9.37%	-11.48
J E Moody & Co - (QEP)	$20MM	6.27%	-5.63%
Revolution Capital - Alpha (QEP)	$5MM	9.58%	-13.77%
Typhon Capital - Plutus (QEP)	$250K	5.10%	-7.76%
Red Rock Capital - Global Macro	$500K	10.66%	-17.74%
Stenger Capital - Diversified	$200K	6.97%	-3.62%
Tlaloc Capital - Grains (QEP)	$1MM	5.38%	-6.88%
Cardwell Investment (QEP)	$1MM	5.12%	-10.11%
Bocken Trading	$100K	18.90%	-17.16%
Transtrend - Enhanced Risk (QEP)	$25MM	13.69%	-15.15%

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 verified 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 document 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. Investors 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.

RCM Alternatives ("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

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.

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