



Trend Following

RCM Alternatives

621 South Plymouth Court
Chicago, IL 60605
312.870.1500

www.rcmalternatives.com

invest@rcmam.com

Even though managed futures growth over the past two decades has seen the dawn of other strategy types within the asset class, trend following is still the bread and butter of the world of managed futures. In fact, in our recent breakdown of the CTA industry, trend following was far and away the dominant strategy. However, not all trend followers necessarily cut from the same cloth.

What is Trend Following?

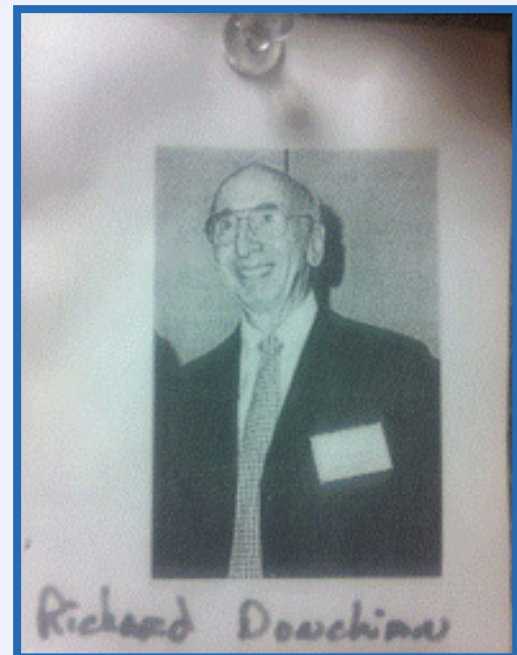
Trend following, by definition, is the process of recognizing and trading along with an up or down “trend” in market prices. A 6 month move in Oil prices from \$80/bl to \$120/bl, for example. However, there are multiple mechanisms for identifying both when a trend starts and when it ends, with technical indicators such as Bollinger Bands, Donchian Channels, and Moving Average Cross Overs. The different types of trend following methods are essentially broken up into two types: those that believe a new trend is triggered by a breakout of prices above/below a certain level, and strategies which use the relative movement of prices to determine whether a new trend has started.

Breakout Models

Perhaps most easily recognizable of the breakout trend following model methodologies is the Bollinger Band method, which we discussed rather extensively in our blog post series on crude oil, “Anatomy of a Trend Following Trade” ([Part 1](#), [Part 2](#), [Part 3](#), [Part 4](#), and [Part 5](#)). In this method, a program looks for a breakout above or below “bands” surrounding market prices at one standard deviation above and below the 60 to 100-day moving average to initiate a trade, and closes the trade when the market moves back to the 60 to 100-day moving average.

A variation of the Bollinger Band method is to create bands around market prices using the Average True Range (or ATR) of prices instead of the standard deviation of prices, setting

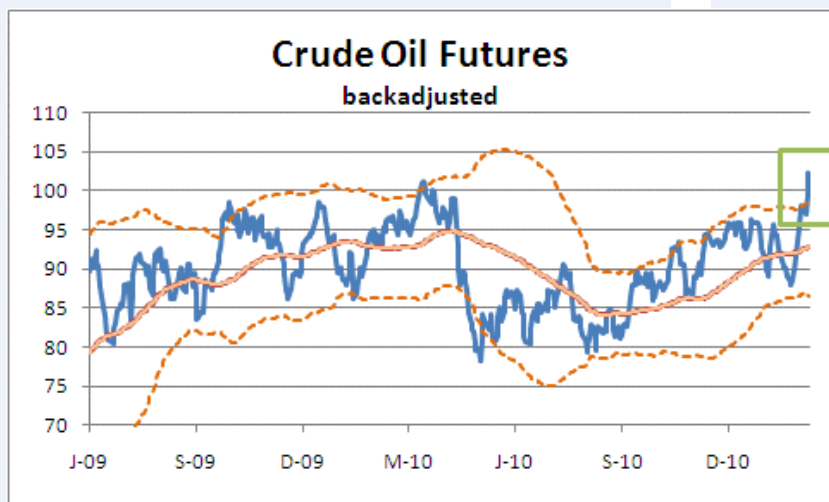
the bands 2 ATRs above/below the current price, for example. Another breakout model is the Donchian method, named after Richard Donchian (and before you ask, yes, we do have a picture of him tacked up on the bulletin board in our kitchen– we’ve told you before we’re nerds for this stuff).



The so-called “Father of Commodities Trading” developed what would become known as Donchian trading channels, which are simple channels surrounding recent price action with the top channel equal to the highest price of the last n days and the bottom channel the lowest price of the same period. You buy when prices break above the top channel (making a new 20 day high, for example), and sell when the market breaks below the bottom channel (a new 20 day low, for example). A typical period may be 20 to 50 days. This is a method similar to [the famous turtle method](#).

Another breakout method is to bracket the market with volatility adjusted bands, and when the market 'breaks out' above those bands, go long – when breaking out below the lower band – go short.

Our example in Crude Oil shows the market breaking above the upper band. The classic trend following trade is to go long on the open following that breakout, and risk down to the 60-100 day moving average. In our example, we're using the 80 day moving average (the lighter orange line), which sat \$6.57 away from the entry, representing \$6,570 of risk on the entry day.



Moving forward, the classic trend following model hopes prices will remain above the moving average long enough to pull that average above the entry price, thereby locking in a gain. If prices fall and the moving average doesn't advance, the trade will lose the difference between the entry and wherever the moving average is at the time prices close back below it. To see why and how trend following, and managed futures in general, are long volatility strategies where profits can be many times the amount risked on a trade – one only need imagine Crude Oil going to \$150 on the back of an uprising in Saudi Arabia or something. In such a case, the trade could make \$50+ (\$50,000) on the same initial risk of just \$6,500, for a risk/reward payoff of nearly 8

to 1. Conversely, if peace spreads across the Middle East over the next few weeks by some chance and Crude Oil sells off \$50 down to \$40 something, you still only lose the \$6,500 (ignoring slippage and the possibility you could be locked limit down and unable to get out).

This ability to make a great deal more than you risk when volatility explodes is the classic trend following model's calling card. The downsides, 1. Only a small percentage of such breakouts may succeed and 2. Crude may go up to \$140, and then all the way back down to \$110, making for an overall gain, but causing pain in that your account will have given back \$30 of open trade profits.

Relative Price Models

Relative price models are less concerned with if a market has broken out of a range and more concerned with whether recent prices are stronger or weaker than past prices. The Simple Moving Average Cross Over method (which is used more frequently in the stock market, in our experience) is the classic example of this, and it entails buying or selling when two moving averages of differing time periods (such as the 20-day and 100-day simple moving average) cross over one another. The shorter term moving average is used as the trigger, signaling a buy when it crosses above the longer term average, and a sell when crossing back below the average. CNBC and the twitter stream go all a flutter when the S&P 500's 50 day moving average crosses over its 200 day moving average to the upside, calling the move the "Golden Cross." A variation of the moving average cross over is the Triple Moving Average method which uses three moving averages instead of two (such as 10, 20, and 50-day simple moving average), where the smallest period crossing over the longest period acts as an early indicator of a trend, and the middle period crossing over the longest period

acts as confirmation of the trend. After that, there are a few lesser known methods which use singular indicators to divine whether a trend has begun or not. These include an ADX (average directional index) method and an RSI method where a move of the RSI above certain levels signals an uptrend and below certain levels a down trend. And as simple as it sounds, these are the basic building blocks behind strategies used to manage hundreds of billions of dollars across the world. Of course, in truth it's much more complicated than that. Every manager has their own unique variation on the basic trend following format, giving rise to hundreds of different programs with different styles – not to mention different performance and risk profiles, too.

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Why Trend Following?

Because it can offer positive performance in bear markets, be a hedge against inflation, provide tactical commodity exposure, and offer tremendous liquidity and transparency. Trend following is at its core a long volatility strategy which waits for infrequent large gains, while suffering frequent but small losses. The strategy attempts to keep its head above water until some market movement provides a large outlier move in which the strategy can profit. Investors primarily use trend following strategies to gain exposure to both up and down moves in exchange traded futures contracts in markets across asset classes in all corners of the world.

Performance when Stocks are Down:

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 diversifiers during the bad times for traditional investments.

When Stocks are up:

Trend Following struggled between 2009 and 2013 while the stock market rallied off its lows, leading many to believe trend following will always go down when stocks go up. But non correlation does not equal negative correlation, meaning there will be periods when stocks and trend following both go up in tandem, and periods when they go down in tandem, as well as the periods where the moves opposite one another.

Transparency & Liquidity:

With investments such as distressed debt and practices such as gates, lockups, and length required holding periods; many alternatives investments suffer from a lack of transparency into positions and inability to quickly cash out of the investment should the need arise.

Trend Following's use of exchanges traded futures creates investments which are highly transparent and liquid, with exchange markets having universally accepted settlement prices posted each day and the exchange guaranteeing the counterparties on the other side of any trades through the use of performance bonds held at the clearinghouse. This results in positions accurately priced minute by minute (transparency), and the ability to convert positions into cash within days (liquidity).

MANAGER SPOTLIGHT: COVENANT CAPITAL

Covenant Capital started as rising start in the Alternatives space. Over the years, they have overcome difficulties, added great assets to their team, and now stands as a giant compared to where they started. Now with a +10 year track record, it is one of the more established trend following (not only in name) out there. The Covenant Aggressive program, which has been a favorite of Attain clients, has grown even more rapidly to \$151 million (from \$5mm) since we first met with program manager Scot Billington in our office in late 2009.

The Manager

The managers of Covenant Capital are Scot Billington and Brince Wilford, both of whom have a 45% ownership stake in the company. Scot is credited with the trading ideas and system development, while Brince has been responsible for managing day-to-day operations and more importantly the substantial asset growth the program has seen over the last 20 months.

Scot and Brince met in 1995 as a matter of circumstance as executives in banking (Scot) and healthcare (Brince) respectively. Scot convinced Brince to take a look at his trading models for potential investment and the rest, as they say, was history.

Mr. Billington got started in trading as an assistant trader for a division of J.C. Bradford & Co in 1993, and eventually wound up on the Chicago Board Options Exchange trading floor as an options trader in the OEX 100 options as late as 2002 as they continued to work on the Covenant program. Mr. Billington is the Chief Manager, Head Trader, and is responsible for all system development at Covenant.

Assets Under Management
\$271 Million

Founded
1999

Location
Nashville, TN

Minimum Investment
\$250,000

"Covenant is a perennial member of RCM's Top 15 rankings of managed futures programs."

Mr. Wilford switched his efforts full time towards Covenant in 2006, after previously working a Chief Operating Officer in healthcare. Mr. Wilford was the sole underwriter of Covenant in 1999 and is currently responsible for all

activities of the company including research, development, and testing; as well as accounting and compliance.

Scot and Brince launched Covenant in 1999 (Covenant Original Program) with the goal

of having the best risk adjusted returns in the industry. Those lofty expectations were quickly tempered when the program finished 2000 at -3.31% and 2001 at -22.16%, leaving Scot and Brince no choice but to continue with their day jobs while the program worked its way out of drawdown. Looking back on their early struggles gives them perspective on their current success, and is one of the main reasons why they continue to reinvest in the company by adding staff in critical areas like research and customer support. Scot and Brince have grown Covenant from a part time job to a thriving CTA and they have added the necessary pieces along the way to support their growth.

One of the key additions to the Covenant team is Scott England who was brought on in 2009 as Director of Marketing. Scott worked the floor of the Chicago Board Options Exchange as a market maker in the S&P 100 (OEX) trading pit, where he befriended Scot Billington. Before working on the floor, Mr. England was a stockbroker with a national retail brokerage firm, which gives him a unique perspective into how a managed futures program fits with traditional stock portfolios. Scott received his bachelor's degree from the University of Illinois at Urbana-Champaign, and has an MBA from the Kellogg Graduate School of Management at Northwestern University.

More recent additions to Covenant include Robert Matthews as Director of Research and Kelli Turner as Operations Director. Robert came to Covenant in 2011 after spending the majority of his career as a senior engineer with VEXTEC Corporation where he helped design software used by medical device manufacturers as well as the US Department of Defense.

Mr. Matthews holds advanced degrees in mechanical engineering and finance, including a M.S. in Quantitative and Computational Finance from the Georgia Institute of Technology. Kelli Turner is responsible for all office operations including trading administration and compliance within Covenant's operations. Ms. Turner has had extensive experience working in the banking and investment industry. She has also taught computer and other business-related courses at the high school and post secondary levels. Ms. Turner received her B.S. in Business Education from Auburn University.

"Covenant's goal is to have the best risk-adjusted returns in the industry after 20 years."

The Program

Covenant's goal is to have the best risk adjusted returns in the industry after 20 years, and that goal tells you a lot about how the Covenant program works. It tells us they are in it for the long haul, value risk avoidance, and believe there will be opportunity for their program well out into the future. To the naked eye, Covenant appears to be a classic multi-market trend follower reliant on expanding volatility and several trends per year to make money. But, a closer look (and those positive 2009 & 2010 returns) reveals that there is more going on here than a simplistic trend following approach.

Perhaps the easiest way to explain how Covenant is different is to look at what they don't do. Most trend following models use a wide net, and try to catch as many trends as they can within that net. While that

method is assured of catching any trends that happen, the problem inherent with it is that you will get a lot of bycatch (losers you didn't want in your net), which leads to increased volatility in the portfolio. In contrast, Covenant uses a rod and reel instead of a net and cast in specific spots only, spots that they have identified as good fishing holes, which more often than not produce a catch.

Without the fishing metaphor, Covenant does not believe all trends are created equal. They believe some trends have a much better success of being profitable, and that some have a greater chance of losing. Covenant strives to identify those trades with a higher than average chance for success and avoid those which have a greater chance of being a loser (no matter the profit potential). This attempt to identify those trades with the highest probability of success is just one of three main components of the Covenant model

which they believe sets them apart from the competition: few trades per year, a bias toward long rather than short positions, and an ultra-long term philosophy.

Low Volume of Trades

Covenant strives to only take those trades which their models signal as having the highest probability of success, and in doing so only take a very low 20-25 trades per year. This allows them to “conserve their bullets”, in Scot Billington’s lingo, for when a high probability trade comes along. To do this Mr. Billington has developed proprietary filters that prevent trades from being taken during periods of higher than average volatility for that market, preferring instead to enter trends at lower volatility points typically just before the market breaks out of its trading range.

Long Versus Short

Covenant has intentionally built a long bias into their trading program with the underlying belief that long trades have a better chance at success than short trades. According to their research, long positions will out-perform short positions over a statistically significant set of trades. The logic behind this assertion is strikingly simple, and centers on the fact that there is no cap on how high a market can go.

While we may view the Covenant program as a trend following model, which looks to profit from market trends emerging, Covenant will tell you that their trading model is based more on the tendency of people to undervalue outliers in the markets, or in their undervaluing of a potential trend. If we think of trends as things which can be bought and sold, Covenant looks to always buy those trends low and sell them higher. Conversely, most other trend followers simply look to buy any trend which emerges (no matter how expensive) in the hopes of selling it back at a higher price.

As an example, Covenant believes there is a much better chance of success going long Crude Oil at \$30 in hopes it rises to \$40, than there is buying Crude at \$80 in hopes it rises to \$90. For most, this is the same trade, a breakout trend higher which can make \$10, but Covenant views the lower priced trade as having a much higher probability of success.

This short trade avoidance was more than just a bias for most of their track record, with Covenant having no short trades in their model from 2002 to mid-2008. The huge sell off in 2008 caused them to reconsider, however; and as a result,

Covenant reduced the time frame of the volatility filter and reintroduced short trades in a limited scope. Moving forward, Covenant believes somewhere around one in every five trades will be a short trade. With the rest of the

industry mostly believing in having a balanced model in which the logic is the same for long and short trades, the unintentional benefit of Covenant taking more long trades than short is that it helps “de-correlate” Covenant returns from those of other trend followers.

Ultra-Long Term Philosophy

The average hold time for Covenant is 270 days for winning trades, and approximately 20 days for losing trades. These numbers are interesting, in that a “normal” trend follower has roughly the same hold time for a losing trade (20 days), but is out of winning trades much sooner (about 120 days on average). A longer hold time usually brings with it higher risk (you have to give the trade more room to operate), but Covenant’s volatility filter and selection of trades only with a high probability of success appear to have given it the ability to reap the benefits of a longer hold time without adding significant additional risk. Holding for a longer period can also help cut down on costs, as there are much fewer trades (only 20-35 per year). Covenant believes they are saving approximately 6% per year on operating

“Taking more long trades than short helps de-correlate Covenant returns from those of other trend followers.”

costs versus traditional trend following programs thanks to the smaller number of trades. Covenant takes a systematic approach to market selection and trades in Currencies, Grain Markets, Softs, Energies, Stock indices, Meats, and Metals.

These markets have been selected based on their ability to produce viable trends and changes can be made at any time. The manager expects to

“We recommend working with your broker to determine optimal start trade points.”

add more foreign markets as assets continue to grow. Average risk per trade is approximately 1% and stops are used on all trades. Covenant does not use profit targets for any trades. Instead, Covenant attempts to capture as much of a trend as possible and exits a position in if a trailing stop is triggered (Disclaimer: stop orders cannot guarantee an order is filled at the desired price).

RCM Comments

After following them closely for 10+ years, we can say they’re doing something different than other multi-market programs. For starters, Covenant has (knock on wood) avoided a large drawdown since we first began following the program. This includes an impressive +26.75% ROR and -6.92% maximum drawdown in 2009, when most of their multi-market trend following peers struggled to keep their heads above water. A positive year in ‘09 is impressive enough, but when you book end it with nearly identical years in 2008 (+27.55% ROR, -12.48% Max Drawdown) and 2010 (+24.45% ROR, -7.36% Max Drawdown) tells us these guys are onto something unique (Disclaimer: past performance is not necessarily indicative of future results). It’s with this in mind, Attain Portfolio Advisors decided partnered with Covenant, to launch the Attain Trend Following Fund, with a minimum investment of \$50,000, something most other trend followers can’t offer. But that’s not to say that the program won’t experience

drawdowns. The program experienced a -14.58% drawdown in what [was a generational drawdown](#) in Managed Futures. How impressed have we been. Our asset management arm, Attain Portfolio Advisors, partnered with Covenant to launch the [Attain Trend Following Fund](#) in 2013, with a minimum investment of just \$50,000 (something most other trend followers can’t offer).

As with any new investment it is important to understand the risks involved as well as the opportunity. In our opinion, Covenant’s ultra long term trading philosophy is one that coincides with the core value of risking a defined risk per trade and allowing winning trades to run. With this in mind investors interested in the program should have a long term (minimum 3 to 5 year) outlook on the investment. The nature of the trading strategy is such that it can take anywhere from a week to a year to become fully invested in the program. Scot and Brince firmly believe that one of the key differentiating factors of their program is the trade entry price; specifically, if you miss the opportunity to enter at a specific level the chances of the trade working out in your favor decrease substantially. There will only take NEW signals for new clients who are just getting started with the program. After following the program on a daily basis for 10+ years we can tell you that only taking new signals can lead to serious performance deviation until the account is fully invested. Essentially, what happens is that the new clients are missing out on the diversification benefit of prior trades and can find themselves with a portfolio that is significantly more volatile (for better or worse) than the composite track record.

Overall, it is hard to argue with Covenant’s success over the years. With growth comes a new set of challenges, and how these challenges are managed, will be the key determinant of whether Covenant grows by another \$500 million or if they slide back to the pack. For now, we think it will be the former. Scot and Brince are talented individuals and they have assembled excellent team of people to support the growth of the company.

MANAGER SPOTLIGHT: Integrated Managed Futures Corp.

Roland Austrup and the IMFC team is not your typical Managed Futures program. First, most managers doesn't have a larger parent company, Integrated Asset Management (IAM), lending their support and stamp of approval. Second, IMFC has a research team with exclusive research agreements with the University of Waterloo in Waterloo, Ontario. This means the IMFC team is more than just the individuals mentioned above, as it includes staff and students from the university. While all research ideas originate from the investment management team, these ideas are then parsed and analyzed at the University for Statistical Validity. But first...

The Manager

Both the larger IMFC Global Investment Program and smaller IMFC Global Concentrated Program are managed by Mr. Roland Austrup, the President and CEO of IMFC. Mr Austrup is a 22



year veteran of the commodities industry and officially became registered in as a CTA in 1996 when he started Aero Capital Corporation. Unfortunately, Aero found the sledding quite tough in Canada initially. According to Mr. Austrup "there were some ups and downs in the early years and the managed futures industry never really made inroads in Canada – with the exception of a few high-fee products and one discretionary product that was mis-labeled

Assets Under Management

\$210 Million

Founded

1996

Location

Toronto, ON

Minimum Investment

\$50,000

'managed futures'. In other words, there was just enough managed futures exposure to sour investor appetite in Canada. Even today, the Canadian industry is very small."

Given this landscape, Roland went in search of a large partner to help validate managed futures for Canadians, and was introduced to Integrated Asset Management (IAM) in 2003. IAM is a manager of alternative assets, with over \$ 1.9 billion in assets under management in private equity, private debt, real estate, hedge funds and managed futures; and is a publicly-traded company on the Toronto Stock Exchange (TSX: IAM). Together IAM and Roland rolled Aero into a newly created company, Integrated Managed Futures Corporation, owned 67.50% by IAM and the remainder by IMFC management.

Academic Support:

Roland and his team pride themselves on their market and trading model research, and have built what we believe to be an exceptional research platform. One unique characteristic is that differentiates the research and model development of IMFC from that of a typical CTA is that they have exclusive research agreements with both faculty members and participants at the Center for Advanced Studies in Finance (CASF) in the Faculty of Mathematics (the world's first and largest faculty of mathematics)

at the University of Waterloo, in Waterloo, Ontario. This means the IMFC team is able to leverage the resources of the University into its research efforts, as it includes staff and students from the university and all of the other resources and research funding sources the University can tap into. In addition to his role at IMFC, Dr. Adam Kolkiewicz is a Professor of Statistics and Actuarial Sciences at Waterloo and a co-founder and Director of CASF and MQF. Roland Austrup is also a Director of CASF.

The Big Picture:

One unique piece of the IFMC setup is their relationship with the larger Integrated Asset Management. With IAM as their parent company, IMFC enjoys all of the benefits of the infrastructure and operational support of a large investment management organization, as well as the transparency, compliance and oversight associated with a public company. This affords the investment management team the opportunity to focus on research and trading, while the parent company manages all operational aspects of the business such as fund structure and administration, compliance, sales and business development and all other general and administrative functions of the business.

The Program:

For starters, most of IMFC's approach is trend following. However, they do some interesting other things, which collectively lead us to qualify them more as trend following's close relative Global Macro. Markets are unpredictable, and a systematic analysis of fundamental information can be favorable to improve the probabilities of successful investing. Global Macro strategies build off of this strategy, applying extended multi-year trades where international markets might be going. Finally, there's some discretionary logic splashed in there to create a well rounded strategy.

On a basic level, the IMFC Global Macro strategy utilizes systematic multi-model futures programs

rooted in probability theory, looking to capture directional price movements in worldwide commodity and financial futures markets caused by supply and demand for physical commodities, equity risk premiums, interest rate differentials, and crowd behavior of market participants.

Diversified:

When IMFC thinks Global Macro, they mean it. The strategy covers 7 main economic sectors including Europe, Asia, and North America. Its portfolio includes 60 liquid, exchanged traded futures contracts, with more than half of their exposure dedicated to "in the ground" commodities, giving the strategy the opportunity of capturing international trends other would have missed, or the more media aware trends, [like the shortage of Wheat and Corn](#).

Long Term:

The program is what we would call a "very long-term" approach that focuses on extremely long-term price trends that generally last one year or more. An easy way to think about it is the philosophy of cutting losses, and letting profits run. It's for this reason the average duration of profitable trades is approximately one year, though they often last anywhere from two to five years. Risk management, which accounts for two thirds of trading activity, operates at much higher frequencies of as little as two days.

The central investment tenet of the IMFC Global Investment Program is that markets exhibit serial correlation or price trends and other persistent anomalies that cannot be explained by random behavior or the assumption of fully informed and rational market participants. Price trends, or serial correlation in market prices, are caused by changes in risk premiums or the amount of return investors demand to compensate for the risks they are taking. Risk premiums vary significantly over time in response to deeply rooted supply

"Intuitive Quality Infrastructure"

and demand trends for physical commodities, new market information, and changing economic environments. When risk premiums decrease or increase, underlying assets are re-priced. And since investors typically have different expectations, large shifts in markets can take several months or even years as expectations are gradually adjusted. Risk premiums include the cost of capital, equity risk premiums, yield differentials between currencies and the convenience yield associated with holding or not holding physical commodities.

Risk Management:

The core investment strategy of the IMFC Global Investment Program is based on a risk budgeting strategy of allocating capital to markets and utilizing that capital based on the amount of risk premium being priced into markets. IMFC utilizes a fixed risk budget that targets long-term average annualized downside deviation of less than 13%. This risk budget is then equally allocated across over 60 markets, adjusted by their volatilities and correlations.

As a result of this allocation methodology, generally 50% of the portfolio risk budget is allocated to globally-traded industrial and agricultural commodity futures markets, and 50% is allocated to global currency, treasury debt and equity index futures markets. Initial risk budgets derived from this allocation process are further managed utilizing proprietary quantitative algorithms to identify potential periods of underperformance in any particular commodity for IMFC strategies. In these situations, initial risk budgets may be systematically reduced or eliminated until the same algorithms portend an end to the potential period of underperformance.

The degree to which a market's allocated risk budget is then utilized is determined by the net position of multiple trading strategies or algorithms that sample market prices in order to capture persistent risk premiums and changes in risk premiums over time. Unutilized risk budgets that result from conflicting underlying signals

are not re-allocated to other markets but go to cash. In addition to the core investment strategy, the IMFC Global Investment Program is complemented by additional algorithms that are based on other persistent anomalies or structural biases identified in certain markets.

IMFC believes that the success of a trading program is primarily contingent upon the implementation of a robust and well defined risk management model. IMFC utilizes a multi-faceted risk management program based on low levels of risk exposure and broad diversification that includes, but is not limited to, the following measures: Margin-to-Equity Targets, Risk Exposure Limits, Diversification, and Risk Balancing. As markets continue to evolve over time and as IMFC is continuously engaged in market research, a core feature of the IMFC Global Investment Program is that it may also, in the future, incorporate additional trading and risk-management strategies and/or modify or eliminate all or some of the current trading strategies already in use.

RCM Comments

Throughout the years we have interviewed quite a few emerging managers (less than \$10mm under management) who are looking to get their foot in the door of the managed futures space; but very few of them can meet the pedigree of Mr. Austrup and his team. The combined experience of the trading team and PhD level statisticians gives the program a unique approach that others cannot, in our opinion. Plus, considering that Integrated Asset Management, who is a publicly traded company, has gone ahead and put their implicit "stamp of approval" on the IMFC, tells us that this group could be a genuine diamond in the rough. The firm's association with the University of Waterloo is a huge competitive advantage in our opinion. The fact that IMFC has access to some of the brightest minds in the math world can only help their program as they continue to update and massage the trading models. Also, the balance of experienced traders and academia should help prevent over Austrup

and his team up to this point. The entire IMFC team as well as their counterparts at IAM have been very receptive to our due diligence efforts and have complied with every request we have made.

optimization of models. Over optimizations (also known as curve fitting) can be a fatal flaw for those that are strictly looking at the numbers and statistics, while not considering the actual trading environment (kind of like book smarts versus street smarts). From a performance standpoint, the global macro performance speaks for itself. While most Managed Futures strategies struggled to post positive returns in 2013 due to an all around lack of volatility, the IMFC managed to post a double digit yearly return. Moreover, the program was also able to capitalize where Managed Futures are known to thrive, posting 6 months of straight positive months in 2014, when market volatility was showing signs of life (April – September). Of course it's not all positive returns all the time, in 2012, the programs posted a -13% yearly return {past performance is not necessarily indicative of future results}.

Attain Portfolio Advisors saw their successful 7 year track record, their strategy approach among different market environments, and a detailed plan to manage risk, and decided to partner with them, opening the Attain Global Macro Fund. Typically, these sort of strategies are have minimum investments ranging from 500,000 to upwards of 2mm. But an investor can gain access to this strategy for 50,000, through AttainFunds.com. For more details on the fund, download our factsheets and pitchbooks, for performance details, due diligence information, and monthly updates on the fund.

Overall we have been very impressed with Mr. Austrup and his team up to this point. The entire IMFC team as well as their counterparts at IAM have been very receptive to our due diligence efforts and have complied with every request we have made. In the end, you could do a lot worse than IFMC, and we believe they'll be around for years and years to come. PS – Want to hear from the manager himself, check out Roland talking Global Macro's take on Crude, FOMC, and everything in between on [BTFD via YouTube](#).

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.

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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 CFT 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.

RCM Alternatives 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 Attain a portion of the fees they receive from accounts introduced to them by RCM Alternatives.

About RCM Alternatives

RCM Alternatives ("RCM") is a registered commodity brokerage firm which helps high net worth individuals, registered investment advisors, and institutional investors identify and **access top alternative investments** focused in commodities and managed futures.

In addition to assisting end investors, RCM's **low cost, consultative, education based approach** to alternative investments is a natural fit with investment advisors, while a professional services desk assists hedge funds, commodity trading advisors, and mutual funds set up and efficiently access markets around the world.

RCM's asset management arm, **registered Commodity Pool Operator** Attain Portfolio Advisors, aids investors and their advisors in accessing select managers which have been filtered through our real time due diligence process at lower investment levels via institutional grade fund vehicles structured as Limited Liability Companies.



621 South Plymouth Court
Chicago, IL 60605
312.870.1500

www.rcmalternatives.com

invest@rcmam.com



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www.rcmalternatives.com

invest@rcmam.com