RCM Alternatives

Why Managed Futures?

THE PROBLEM

A recent study of traditional 60% stock/40% bonds portfolios highlighted the problem most investors face today, saying:

"...balanced portfolios should expect returns 4% *lower* over the next 10 years compared to what a 60/40 portfolio delivered in the last 35 years. Investors will need to find a way to adapt."

—*Finding a New Balance With Alternatives*, BMO Global Asset Management, April 2016

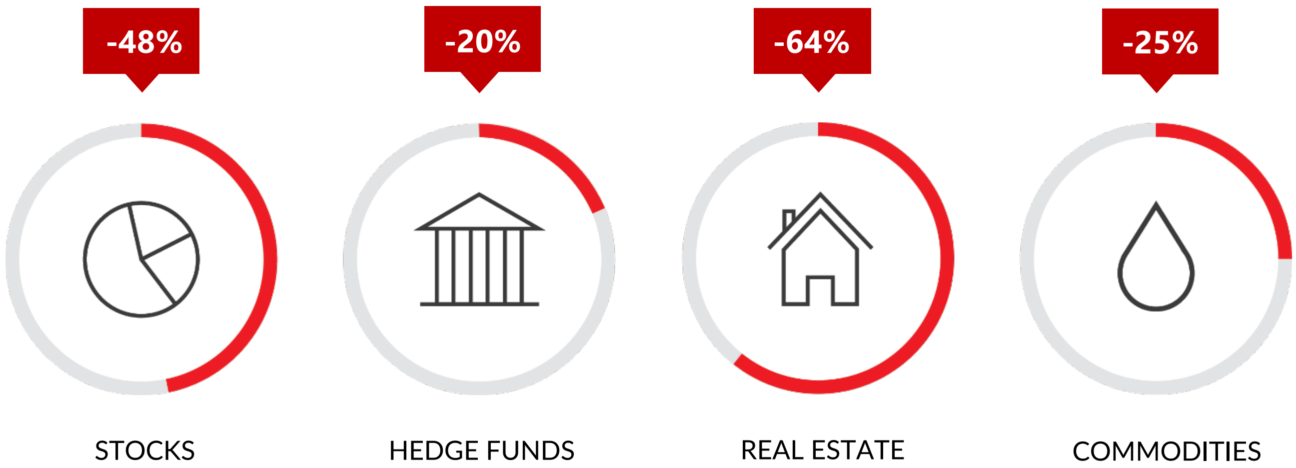
The future is uncertain at best.

60% Stocks / 40% Bonds

HOW DO I GET TRULY DIVERSIFIED?

Most investors are “naturally long” stocks, meaning that even when we don’t have a direct investment in stocks and benefit from share prices rising, we have indirect exposure to the stock market via our jobs, the real estate market, corporate bonds, and even commodity investments tied to how the global economy is doing. That’s a problem because the stock market is known for some rather big down moves and bouts of scary volatility (see the dot.com bubble and credit crisis as the most recent examples).

Diversifiers don’t always diversify.



2008 Financial Crisis/

WHAT CAN WE DO?

If that volatility happens at a time when you need some money (like retirement or your kids going to college), you've got a real problem. The game anyone who worries about such problems plays is finding investments which can reduce the risk of these volatility spikes and big down moves. We all want to sleep a little better at night. So how can you do that?

How do you protect a stock heavy portfolio? The basic options are:

1

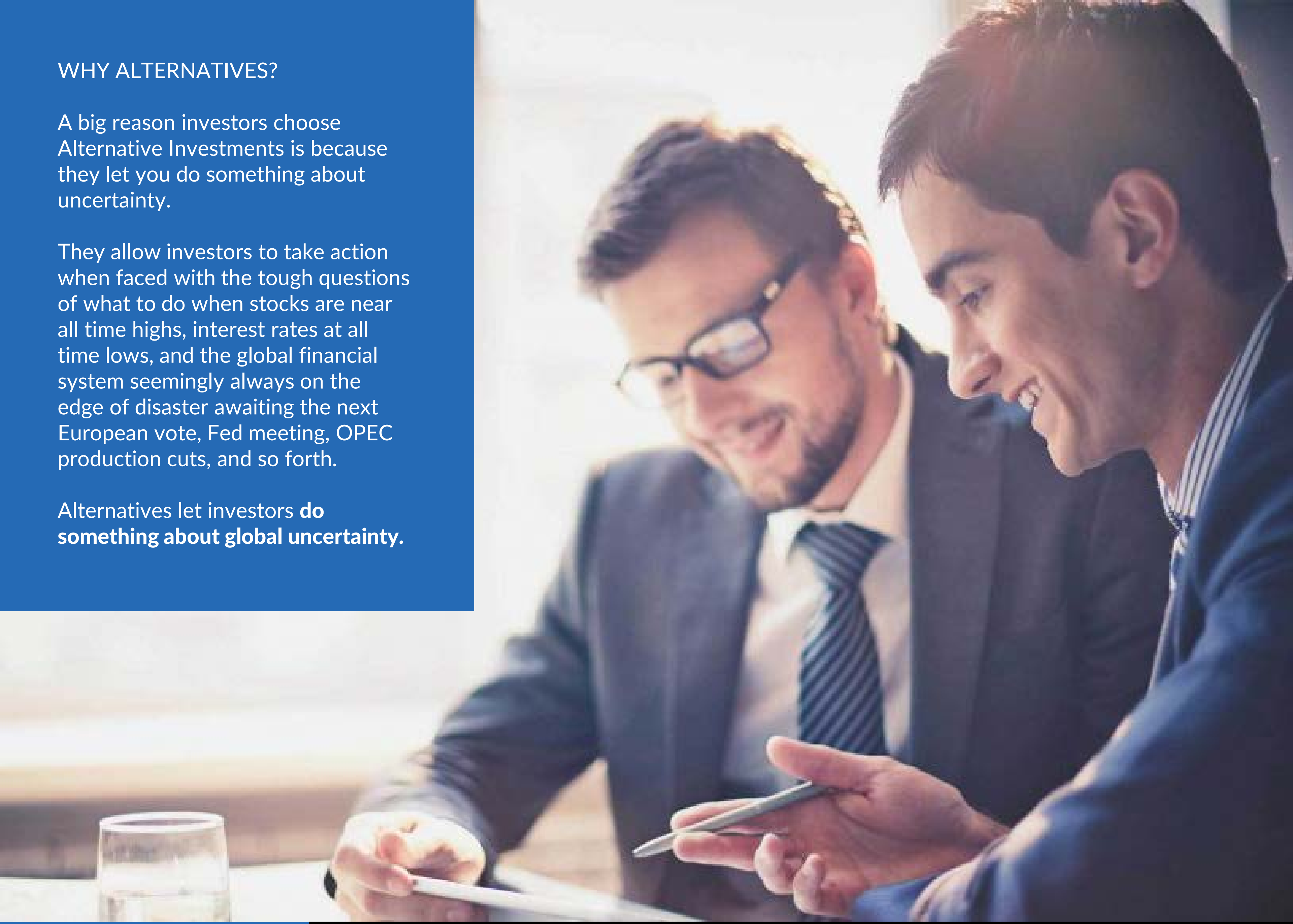
NEGATIVELY CORRELATED
INVESTMENTS, SUCH AS:

- **Exit stocks all together**
- **Buy insurance** (puts)
- **Invest in negatively correlated strategies** (short bias hedge funds, buy VIX futures)

2

NON-CORRELATED
ALTERNATIVE INVESTMENTS

- **Commodities**
- **Hedge Funds**
- **Managed Futures**



WHY ALTERNATIVES?

A big reason investors choose Alternative Investments is because they let you do something about uncertainty.

They allow investors to take action when faced with the tough questions of what to do when stocks are near all time highs, interest rates at all time lows, and the global financial system seemingly always on the edge of disaster awaiting the next European vote, Fed meeting, OPEC production cuts, and so forth.

Alternatives let investors **do something about global uncertainty.**

WHAT ARE MANAGED FUTURES?

Managed Futures are alternative investments which rely on professional investment managers known as Commodity Trading Advisors (CTAs), who specialize in trading exchange traded futures contracts both long and short in markets across the world.

SINGLE INVESTMENT ACCESS TO:

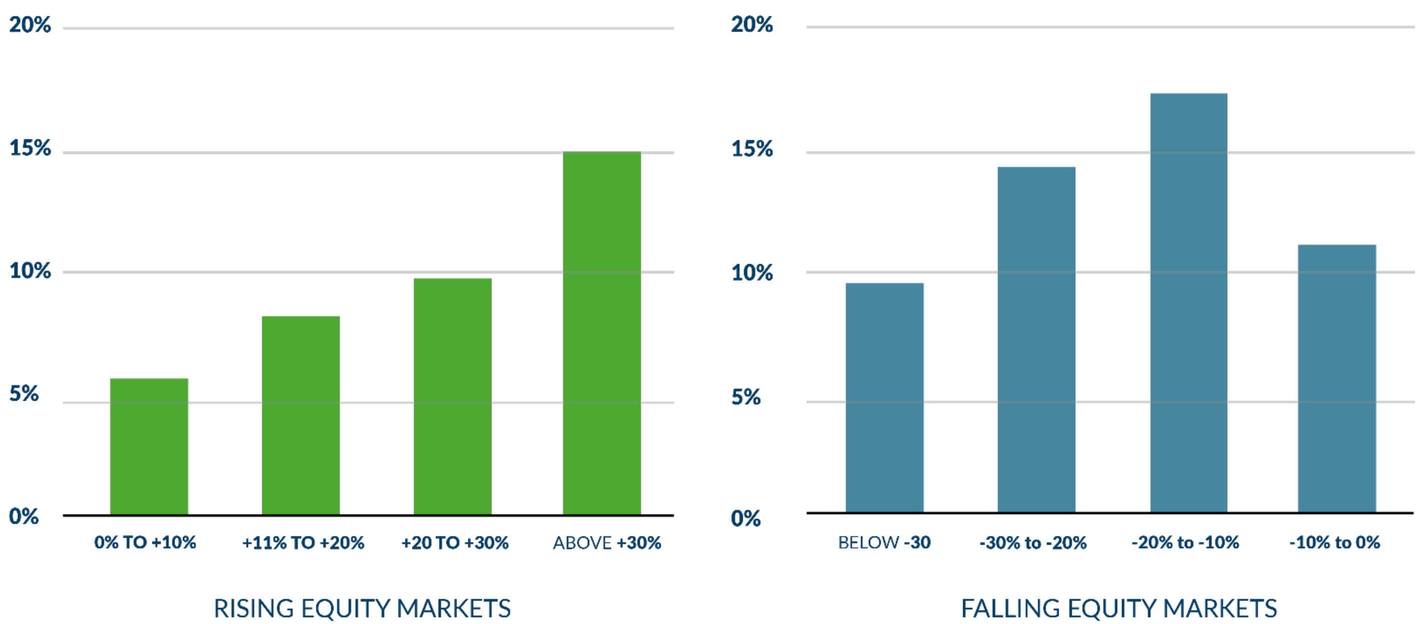
Bonds, Commodities, Currencies, Stock Indices

- Across Americas, Asia & Europe
- With ability to go Long & Short
- Via exchange traded futures markets
- Via active, systematic management

MANAGED FUTURES: **BEST OF BOTH WORLDS**

What investors really want from alternative investments is the best of both worlds – negative correlation during downturns, and positive or no correlation the rest of the time. There's one type of Alternative Investment that can provide this true diversification – **Managed Futures**.

AVERAGE MANAGED FUTURES PERFORMANCE BASED ON STOCKS

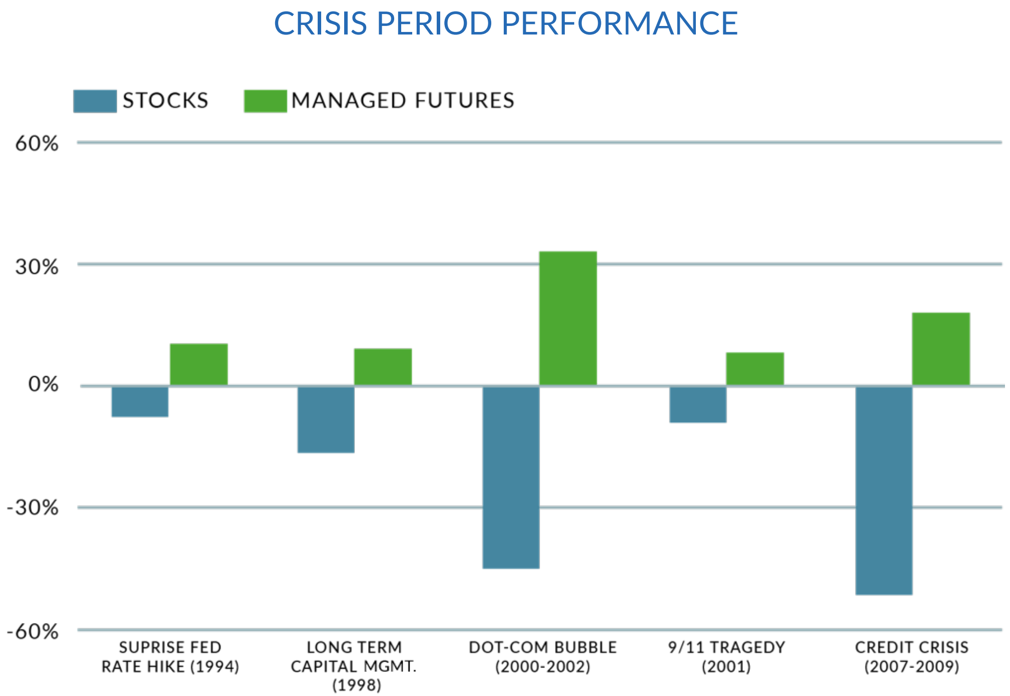


DISCLAIMERS

Past Performance is Not Necessarily Indicative of Future Results. Data: Stocks = S&P 500 Total Return Index, Managed Futures = SocGen CTA Index. Index performance is for the constituents of that index only, and does not represent the entire universe of possible investments within that asset class.

WHY MANAGED FUTURES:

NON-CORRELATION



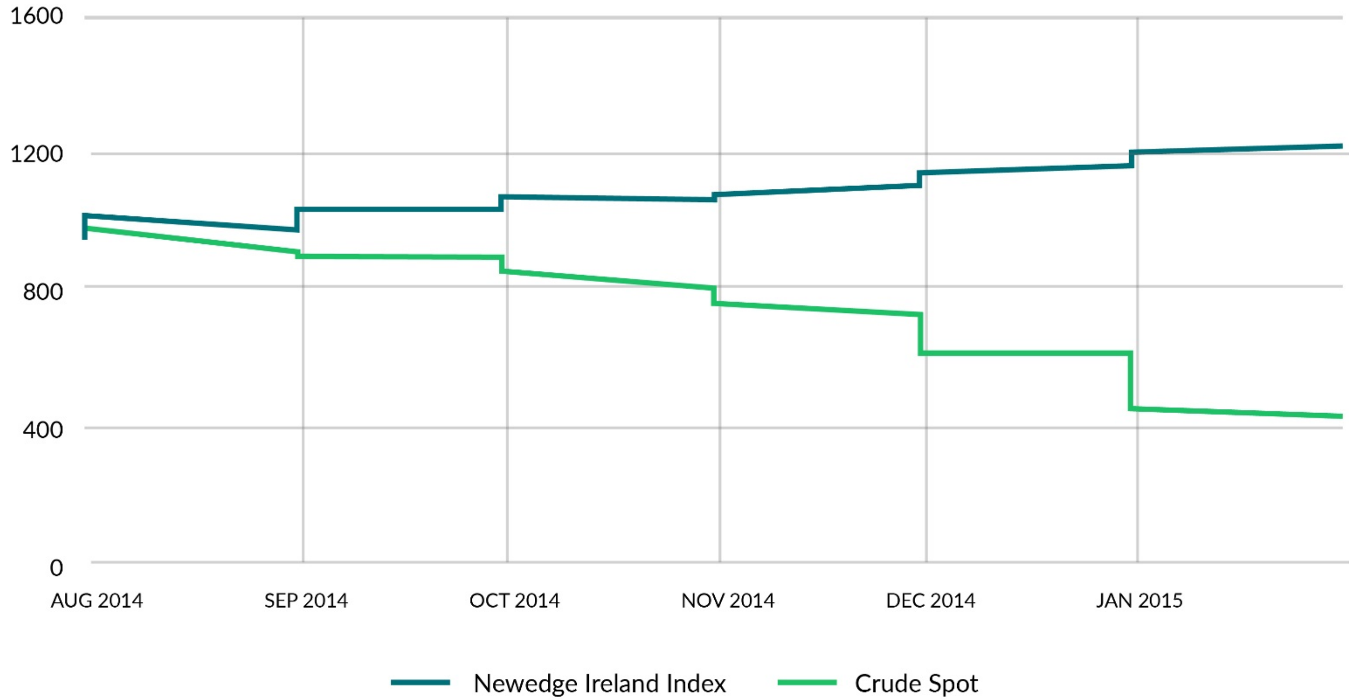
Futures-based investments are often viewed as higher return/ higher risk, but it is their non correlation with traditional markets which causes managed futures investments to be volatility reducers and portfolio diversifiers during the bad times for traditional investments.

Source: Credit Suisse Managed Futures Index during worst peak to valley loss for the S&P 500 Total Return Index in listed periods

WHY MANAGED FUTURES:

TACTICAL COMMODITY EXPOSURE

Managed Futures was one of the only asset classes to capitalize on Crude Oil's heavy sell off in 2014/2015; and delivers true non correlated performance via accessing different return drivers in markets as diverse as Cotton and Japanese Bonds.



Past Performance is Not Necessarily Indicative of Future Results. The above shows the SocGen Trend Index versus the Spot price of Oil during a Crude Oil bear market in 2014.

WHY MANAGED FUTURES:

TRANSPARENCY. LIQUIDITY. CONTROL.

TRANSPARENCY.

The use of exchange-traded futures markets allows for real-time and daily marked to market position level reporting, risk analytics, and performance attributes. While disclosure documents and quarterly invoicing by managers outlines all fees charged to accounts.

LIQUIDITY.

Managers utilize only exchange-traded futures and options, with no illiquid, opaque, hard to price OTC derivatives. This helps in entering and exiting positions, as well as allowing for investors to liquidate and have cash returned within 48 hours.

CONTROL.

The ability to use different collateral pieces, increase and decrease trading levels on the fly, and start and stop investments as needed provides complete investor control over the structural side of the investment

HOW MANY CLUBS ARE IN YOUR GOLF BAG?

An experienced golfer knows the course serves up different conditions, requiring different tools. You can’t get out of a sand trap with a driver. So why do you only use a handful of clubs when investing?

Most people invest using stocks and bonds only, and are ill prepared when the game of life puts them in the bunker (like 2008).

Managed futures have become known as the crisis period investment thanks to their strong performance during stock market crisis periods such as the Internet Stock Bubble burst in 2000 and credit crisis of 2008.

[Past Performance is Not Necessarily Indicative of Future Results]

WHY RCM

3.1	15	55	53
$ BILLIONS UTILIZING FIRM*	YEARS OF EXPERIENCE	FUNDS ALLOCATED TO	COUNTRIES WITH CLIENTS

Trading futures, options on futures and retail off-exchange foreign currency transactions involves substantial risk of loss and is not suitable for all investors. RCM Alternatives is a registered DBA of Reliance Capital Markets II LLC.

WHY MANAGED FUTURES:

3^{RD} PARTY MANAGERS

HOW DO WE FIND TALENTED MANAGERS?

3000 — REPORT TO DATABASES

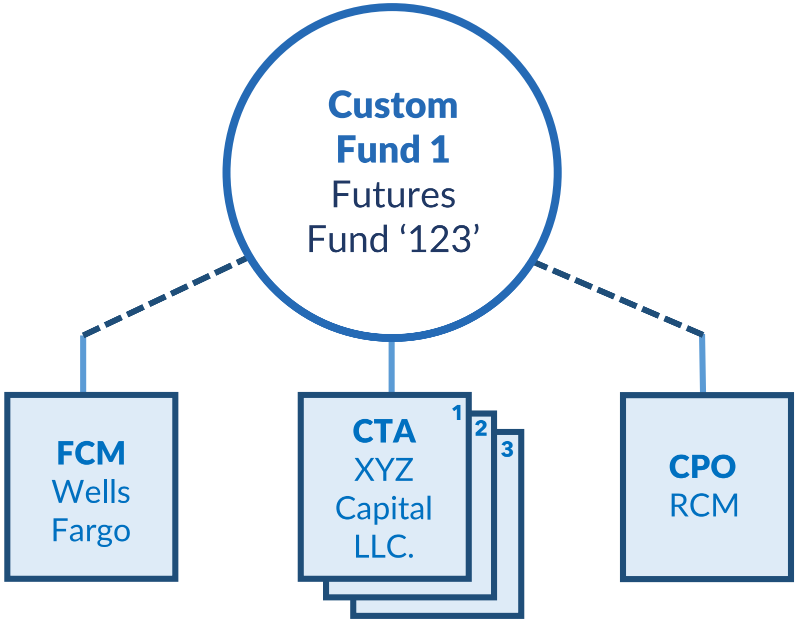
400 — RANKED WITH PROPRIETARY ALGORITHMS

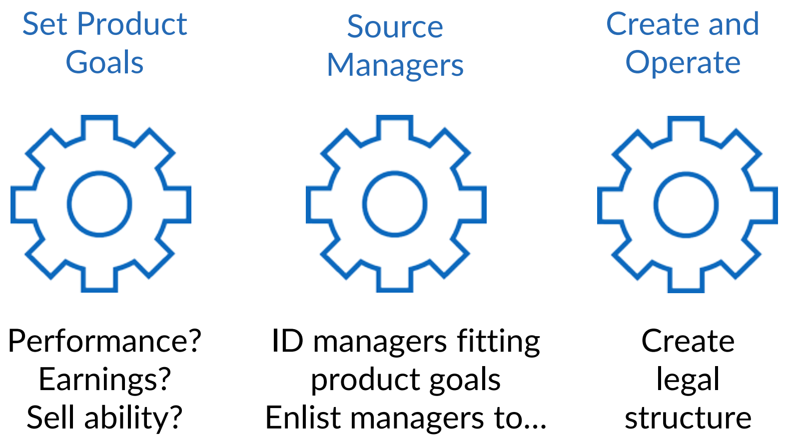
50 — TRACKED IN REAL TIME

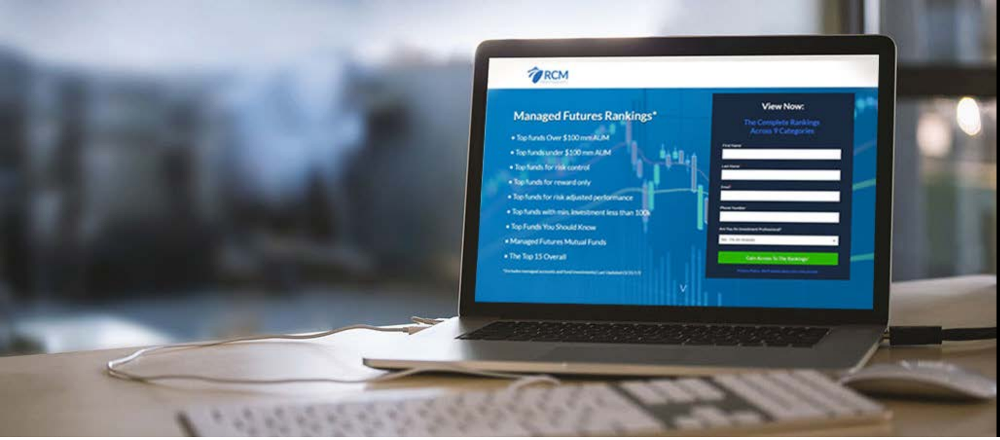
10-20 — **PROPOSED AS FITS FOR CLIENTS**

WHY MANAGED FUTURES:

ABILITY TO CUSTOMIZE







WHY MANAGED FUTURES:

RANKING

Our Ranking measures programs across a range of metrics & time frames, with those consistently better across metrics ranking higher overall.

Risk-Based Rankings

Time Weighted

Return per Unit of Risk

Risk Metrics						
all Max DD	8.65%	5.54%	5.63%	20.59%	18.08%	18.56%
1yr Max DD	10.35%	8.00%	6.44%	20.58%	16.48%	15.32%
3yr Max DD	7.75%	3.95%	4.31%	20.16%	14.75%	16.55%
5yr Max DD	7.58%	1.64%				
all Max DD Duration	17.13%	10.27%				
1yr Max DD Duration	15.47%	10.90%				
3yr Max DD Duration	16.92%	11.83%				
5yr Max DD Duration	14.11%	7.89%				
1yr Down Deviation	10.70%	8.42%				
3yr Down Deviation	6.60%	2.95%				
5yr Down Deviation	4.59%	1.25%				
1yr Vol	6.75%	4.70%				
3yr Vol	5.00%	2.84%				
5yr Vol	4.77%	1.63%				

Return Metrics	1 Yr	3 Yr	5 Yr	1 Yr	3 Yr	5 Yr
1yr RoR	26.91%	23.77%	21.62%	20.95%	16.62%	14.75%
3yr RoR	29.28%	23.29%	23.27%	23.34%	17.86%	17.88%
5yr RoR	25.22%	19.66%	19.82%	20.26%	15.81%	17.71%
all RoR (1,3,5,10,all)	26.84%	21.86%	19.00%	20.14%	15.96%	13.81%
1yr % mos Profitable	19.10%	16.26%	13.38%	21.68%	18.74%	16.43%
3yr % mos Profitable				21.96%	17.41%	16.65%
5yr % mos Profitable				21.75%	19.04%	15.26%
1yr Alpha						
3yr Alpha						
5yr Alpha						

Risk-Adjusted Metrics						
1yr Sharpe	20.64%	18.02%	14.79%	22.82%	18.57%	16.98%
3yr Sharpe	20.69%	14.82%	14.31%	22.88%	18.59%	19.22%
5yr Sharpe	15.98%	10.71%	11.44%	22.52%	19.71%	21.27%
1yr Sterling	24.40%	23.06%	19.97%	22.07%	18.01%	17.09%
3yr Sterling	24.93%	18.69%	19.18%	22.55%	17.96%	18.54%
5yr Sterling	19.88%	15.65%	16.87%	20.64%	18.83%	21.95%
1yr Sortino	18.88%	17.03%	14.98%	21.11%	17.77%	17.94%
3yr Sortino	19.28%	12.78%	12.59%	23.41%	18.26%	17.64%

WHY MANAGED FUTURES:

DUE DILIGENCE

Investment Due Diligence

Assess the pedigree of managers, their program's sustainability, performance, strategy and investment process, risk management, capacity and liquidity.

Performance Analytics

In-depth quantitative analysis on a standalone basis, versus peers and benchmarks, and within the context of a portfolio.

Investment Committee Review

Ongoing discussion and debate on the merits of the managers, with periodic reviews of all due diligence and performance.

Risk Due Diligence & Analytics

Review to understand their risk management in the strategy and evaluate risk-related analytics.

Operational Due Diligence

"Real-time" due diligence process where we analyze trading and positions daily.

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