The Private Client Program

An Intraday Approach

2015 Year End Report

2015 began the year with global markets still digesting the previous year's fourth quarter crash in crude oil prices and the ongoing government debt crisis in Greece. Against that backdrop, equities were weak and volatile in the first quarter with the VIX trading at elevated levels and the long dated Treasuries predictably firm. 10 Year T Note rates dropped 50 basis points just in the month of January with less than a handful of down days the entire month. But as worries about the crisis began to subside, both equities and treasuries quickly reversed direction with the S&P 500 going positive on the year in early February and 10 Year rates accomplishing the same by late April. From a trading perspective the above environment provided abundant opportunities for R Best's intraday strategies, particularly the ones designed to profit from intraday trends and high momentum moves. Both markets saw larger than average intraday ranges (highest high to lowest low), and a greater than average number of trend days (days in which the market opens near the high/low for the day and closes near the opposite extreme). These two measures have historically been good predictors of performance. Furthermore, cross-market correlations, as well as interactions between our models, were relatively low resulting in remarkably smooth performance for R Best. Each market picked up the slack when the other was choppy or quiet, and all our strategies managed to stay out of trouble when the environment wasn't favorable, while profitably contributing when it was.

From a macro perspective the second-half of the year brought the much anticipated Fed Funds rate hike (the first in almost 10 years), a revaluation of the Chinese Yuan, and a subsequent crash in the Chinese stock market. These all contributed in keeping equity markets busy and volatility elevated. In fact, during the third and fourth quarters the challenge for R Best became how to participate in markets that often exceeded our maximum parameters for both volatility and risk, and how to take advantage of moves that were either too big or came too early overnight when liquidity was still lacking. As a result, we traded less frequently than in the first half of 2015. Our positions were also more balanced between longs and shorts since the market was producing large moves in both directions. Despite these conditions the effectiveness of our trades did not change much. Winning percentage dropped from 54% in the first half of the year to a more normal 50% in the second. This drop was almost entirely offset by a better than average win to loss ratio resulting in roughly the same profit factor. Overall our trend model in the S&P contributed by far the most toward both activity and profitability representing 60% of the total number of trades and almost 75% of the total returns. It did an excellent job in both capturing profits when the market was trending, and avoiding losses when it reversed. It produced an impressive 66% trade selection accuracy and more than 10bp of profit per trade compared to an overall expected average of 5-6bp. Our trend model in the 10 Year Note started the year well generating most of its returns trading the short side, but spent the last 5 months either not trading or taking trades that did not go anywhere – not the kind of asymmetric risk/reward opportunities that we look for. Finally, our reversal strategy in the S&P made the best of limited opportunity as the market offered an unusually low number of neutral non/trend days and had to navigate some potentially damaging days with multiple failed attempts by the market to extend the range or reverse and go in the opposite direction - the worst kind of market environment for the R Best intraday.

Meanwhile, broader CTA indices were having an up and down year with both long-term trend followers and short-term traders posting modest losses the first half of 2015. They then stabilized or recovered somewhat in the second half of the year. R Best performance has historically demonstrated very low to no correlation to most CTA indices and 2015 was no different. Our rolling 30 day correlations oscillated between 0.4 and -0.4 for most of the year before plunging to -0.7 in November in December – further evidence that our style of trading and market exposure are truly unique compared to other managed futures programs.

	Q1_2015	Q2_2015	Q3_2015	Q4_2015	Total
R Best Private Client	5.62%	2.00%	3.22%	5.51%	16.35%
NewedgeShortTerm	2.66%	-6.75%	-0.30%	0.50%	-3.89%
NewedgeTrend	3.29%	-9.66%	4.17%	1.19%	-1.01%

In summary, R Best navigated 2015 in good form. Strategy performance, growth in assets under management, research development, and operational expansion all left the firm well positioned to continue to measurably enhance our clients' broader portfolios.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS