

Structural Imbalances, Market Inefficiencies and Relative Value

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Performance Results

All returns shown in this presentation are net returns unless otherwise indicated. Gross returns do not reflect the deduction of advisory fees. Gross returns reflect reinvestment of all income and are net only of transaction costs. Returns will be reduced by investment advisory fees and other expenses that may be incurred during account management. The adviser's advisory fees are described in its Form ADV, Part 2A. Unless otherwise noted, any attribution data shown reflects reinvestment of all income and transaction costs, but does not reflect the deduction of any expenses or advisory fees. To the extent gross returns are shown and returns that are net of fees and expenses are not contained within this presentation, returns that are net of fees and expenses are available upon request.

FORT's Commodity Curve Strategy ("CCS"), also referred to in the presentation as CCS Dynamic, is a simulated proprietary strategy that engages in the trading of calendar spreads in futures markets. The strategy is designed to efficiently capture returns primarily from the carry and curve shape attributes of the markets. It is dynamic and adaptive across both time and products traded seeking to more optimally engage with the marketplace. CCS seeks to capture returns from five distinct design components: Passive Structural Alpha ("PSA"), Contract Selection ("CS"), Trade Speed ("TS"), Spread Construction ("SC"), and Dynamic Volatility Sizing ("DVS").

Strategy Thesis: Structural Alpha



Producers



**Merchants: Storage
and transportation
Operators**



**Financial
Marketplace**

Banks
Hedge Funds
CTAs
High Frequency
Traders
Asset Managers
ETFs



**Refiners and
Processors**



**End
Users/Consumers**

CCS area of focus

Alpha Type	Alpha Source
Passive	Structural Alpha
Enhanced Passive	Contract Selection
FORT Alpha	Trade Speed
	Spread Construction
	Dynamic Volatility Sizing

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Definitions

- Absolute Return:** Refers to strategies that seek to earn positive return over time regardless of stock market direction.
- Alpha:** A measure of the active return on an investment relative to a suitable benchmark index, or beta.
- Avg. Margin to Equity:** the average daily margin requirement as a percentage of total portfolio net asset value.
- Avg. Value at Risk (VaR) at 99% (10 yr.):** the portfolio loss, over either a daily or monthly holding period, expected to be exceeded only 1% of the time, estimated by calculating the 1st percentile of 10 years of simulated historical daily or monthly returns for the portfolio. For example, an Avg. Daily VaR at 99% (10 yr.) of 5% means that in a historical simulation of the current portfolio over the prior 10 years, only 1% of the returns were a loss of 5% or greater.
- Beta:** a measure of volatility or systematic risk of a portfolio in comparison to the market as a whole. A beta of 1.0 indicates that a portfolio's price will move with the market. A beta of less than 1.0 indicates a portfolio less volatile than the market. A beta greater than 1 indicates a security more volatile than the market.
- Commonwealth:** Australia, Canada, and the United Kingdom.
- Compound Average Annualized Return (CAAR):** the average year-over-year growth rate of an investment. It is calculated by taking the n th root of the total percentage growth over the period, where n is the number of years in the period.
- Correlation:** a statistical measure of how portfolio or security prices move in relation to each other. A correlation ranges from -1 to 1. A correlation of 1 means the two portfolios or securities have moved in lockstep with each other. A correlation of -1 means the two indexes have moved in exactly the opposite direction.
- Emerging Markets:** Taiwan, Hong Kong, and Mexico.
- Return/Risk Ratio:** a measure of risk-adjusted returns; it calculates the amount of portfolio return per unit of risk (standard deviation of returns) of the portfolio.
- Risk Allocation:** the targeted maximum margin exposure for each sector shown as a percentage of the targeted maximum margin exposure for the portfolio as determined by the trading program but targeted not to exceed 14.0% of net asset value. Price movements or changes to margin requirements could result in a position that exceeds the risk allocation until the portfolio is rebalanced.
- Standard Deviation:** a measure of risk; it calculates the variability of returns by comparing the portfolio's return in each period from the average portfolio return across all periods. Negative Semi Deviation is a measure of the variability of negative returns.
- Sharp Ratio:** a measure of risk-adjusted returns; it calculates the amount of portfolio return in excess of the risk-free interest rate per unit of risk (standard deviation of returns) of the portfolio. For our calculations, we use the monthly return on cash as the risk-free interest rate.
- Sharpe (RF=0):** a measure of risk-adjusted returns; it calculates the amount of portfolio return in excess of the risk-free interest rate per unit of risk (standard deviation of returns) of the portfolio. For this calculation, we use zero as the risk-free interest rate.
- Sortino Ratio:** a measure of risk-adjusted returns; it calculates the amount of return received in excess of the risk-free interest rate per unit of "downside" risk (standard deviation of negative returns).
- VAMI ("Value Added Monthly Index"):** an index that tracks the value of a hypothetical \$100M investment. VAMI is calculated by multiplying the previous period's VAMI by (1+percent return in the period).

Comparative Indices*

- SG CTA Index** (formerly known as the Newedge CTA Index) - constructed each year of the top 20 CTAs by AUM that are open to new investment and began in January, 2001. For comparison purposes, the Barclay BTOP 50 CTA Index was used for the time period October, 1993 through December, 2000.
- SG CTA Trend Sub-Index:** A subset of the SG CTA Index that follows traders of trend following methodologies.
- Russell 1000 Total Return Value Index:** measures the performance of large-cap U.S. equities with a value focus. The Russell 1000 index constitutes approximately 90% of the U.S. equity universe, with the Russell 1000 Value Index tracking the Russell 1000 index firms with lower price-to-book ratios and lower expected growth values.
- Russell 2000 Total Return Index:** measures the performance of the small-cap segment of the U.S. equity universe. The Index includes approximately 2,000 of the smallest firms by market capitalization of the Russell 3000 index and represents approximately 8% of the total market capitalization of the Russell 3000.
- Russell 2000 Total Return Value Index:** an unbiased measure of return of small-cap U.S. value equities. The index tracks the subset of Russell 2000 index firms with lower price-to-book ratios and lower forecasted growth.
- S&P 500 Total Return Index:** an unmanaged, market capitalization-weighted index composed of 500 widely held "large capitalization" common stocks and assumes the reinvestment of dividends and capital gains, but does not reflect the effect of advisory fees.
- S&P Composite 1500 Index:** an unmanaged, market capitalization-weighted index composed of all stocks in the S&P 500, S&P 400 and S&P 600 indices and assumes the reinvestment of dividends and capital gains, but does not reflect the effect of advisory fees.
- Berkshire Hathaway Inc.:** holding company for a multitude of businesses run by Chairman and CEO Warren Buffett headquartered in Omaha, NE. While insurance subsidiaries represent the largest pieces of Berkshire Hathaway Inc., the company owns a diversified portfolio of businesses across a variety of business sectors.
- Bloomberg Commodity Index:** ("BCOM") is designed to be a highly liquid and diversified benchmark for commodity investments. BCOM provides broad-based exposure to commodities and no single commodity or sector dominates the index. The index uses a consistent, systematic process to represent the commodity markets.
- HFRX Equity Market Neutral Index:** The HFRX Equity Market Neutral Index is created by Hedge Fund Research, Inc. (HFR) to include strategies employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale. In many but not all cases, portfolios are constructed to be neutral to one or multiple variables, such as broader equity markets in dollar or beta terms, and leverage is frequently employed to enhance the return profile of the positions identified. Equity Market Neutral Strategies typically maintain characteristic net equity market exposure no greater than 10% long or short.
- HFRX HFR Equity Hedge Index:** The HFRX Equity Market Neutral Index is created by Hedge Fund Research, Inc. (HFR) to include Equity Hedge strategies that maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques. Equity Hedge managers would typically maintain at least 50% and may in some cases be substantially entirely invested in equities, both long and short.
- MSCI World Hedged USD:** a broad global equity index that represents large and mid-cap equity performance across all 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country. The index is 100% hedged to the USD.

*Unless otherwise noted, all index data is sourced from Bloomberg.