Beyond the Traditional Investment Portfolio with Managed Futures

PARK AVENUE Asset Management

December 2023

Managed Futures

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The Managed Futures Industry & Professional Money Management

Managed Futures is an investment class that may provide the opportunity for diversification not typically available in traditional stock and bond portfolios. Managed Futures have been used by investors seeking to diversify their portfolios for more than thirty years.

The Managed Futures Industry is comprised of professional money managers known as Commodity Trading Advisors ("CTAs"). These money managers trade on behalf of investors using their own unique trading system usually through the analysis of fundamental or technical factors

Generally, a CTA takes a market position when, in their opinion, the potential for profit outweighs the risk of the trade.

Each CTA must be registered as a Commodity Trading Advisor with the National Futures Association (“NFA”), the industry's self-regulatory organization authorized by Congress in 1982 or the CTA must have filed an exemption with the NFA.

Professional Money Management

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Commodity Trading Advisors

Commodity Trading Advisors ("CTAs") may potentially offer investors benefits similar to those experienced with mutual funds and other investment advisors. These include:

- Full-time commitment to the markets and their trading programs
- A disciplined trading approach
- Risk management strategies that attempt to control losses and protect profits
- Trading and risk management strategies that endeavor to balance risk with reward

Trading futures and options involves substantial risk of loss no matter who is managing your money and is not suitable for all investors. Past performance is not necessarily indicative of future results. This matter is intended as a solicitation.

Managed Futures vs. Commodities

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Managed Futures vs. Commodities

In our opinion, investors often make no differentiation between trading commodities and professionally managed futures accounts. Commodities are an asset class. Professionally managed futures accounts are an investment vehicle which uses the commodity futures & options markets in an attempt to capitalize on rising or falling commodity prices.

In professionally managed futures accounts, performance results are more dependent on the skill of the manager, and not the investment vehicle.

ETF Commodity Funds* vs. Managed Futures

*An ETF is an Exchange Traded Fund, a security, that tracks an index, a commodity or a basket of assets like an index fund, but trades like a stock on an exchange. The following are what we believe to be significant advantages Managed Futures have over ETF commodity funds:

- **Two Vs One Dimensional**: Commodity ETFs seek to generate returns solely from the market, with minimal dependence on a manager's skills. ***<u>Commodity ETF's are only one dimensional as opposed to managed futures which are 2 dimensional and whose results are more dependent on the manager's skills. ETFs have either a short or a long-only bias (one dimensional in either, but not both directions) and don't have the flexibility of managed futures, which depending on the CTA strategy, could potentially profit two dimensionally in up, down, or sideways markets</u>.*** During bear markets or big market corrections this can be an attraction of managed futures.
- **Less Money Down: This is one of the main characteristics - and benefits - of futures contracts**. For instance, whereas with many ETFs you would have to deposit $50,000 for a contract worth $100,000 of gold (50% of the transaction value), futures would only require 5% of the transaction value or $5,000 (margin requirement). Be advised that this high degree of leverage in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
- **Trading Times**: Since shares of ETFs are traded on stock exchanges, their trading hours are very similar to those of regular share trades. **On the other hand, futures can be traded almost 24 hours a day, potentially providing more opportunities.**
- **Transparency:** ETFs have no transparency. You do not know what positions you are in: you do in trading futures with 24/7 online accounting and/or written confirmation.

** An exchange traded fund invested in commodities and traded on stock exchanges.*

What is a Managed Futures Account?

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Managed Futures Accounts

A Managed Futures account, also known as a Single Managed Account ("SMA") is an individual account opened in the customer's name at a Futures Commission Merchant ("FCM").

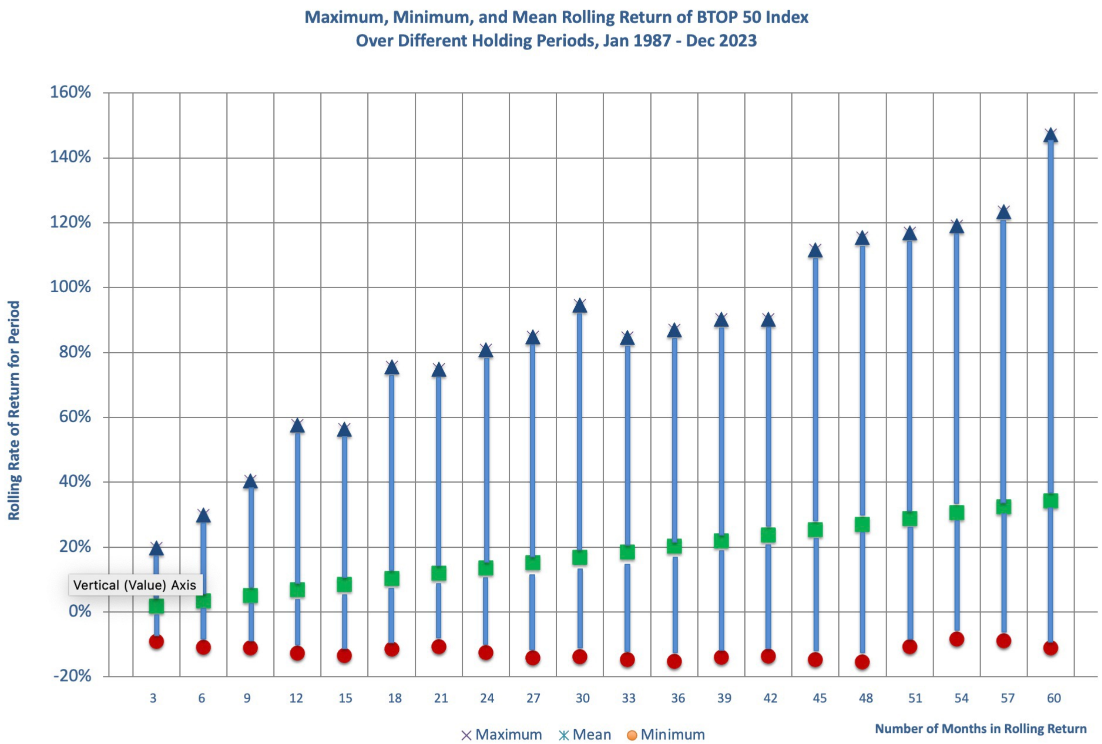
Limited Power of Attorney is assigned to one CTA who makes all of the trading decisions in a customer account. This Power of Attorney may be withdrawn at any time.

Investors may be able to diversify their portfolio by opening individual SMAs with a variety of different CTAs.

Customers have full transparency and are able to view their accounts in real-time through an on-line portal.

Investors can use Managed Futures for their qualified retirement plans including IRAs, trusts, and pensions.

Maximum, Minimum & Mean Rolling Return of BTOP50*



"Inexperienced or impatient investors all too often redeem at the bottom of a manager's drawdown, only to witness the surge in performance shortly thereafter."

"The conclusion readers should draw from the graph is that the possibility of making money increases dramatically if the investor maintains the allocation to managed futures three to five years."

Extracted from: CME Group's Lintner Revisited: A Quantitative Analysis of Managed Futures through March 2014, updated by Autumn Gold through Dec 2023. The graph represents all 60-month periods for the BTOP50 Index from Jan 1987. Note how the mean is in a consistent uptrend along with performance over 3 to 5-year periods

* The BTOP50 Index is a non-investable index comprised of the following and does not represent the complete universe of CTAs. Investors should note that it is not possible to invest in these indexes and the actual rates of return for an individual program may significantly differ and be more volatile than the index. The BTOP50 Index seeks to replicate the overall composition of the managed futures industry with regard to trading style and overall market exposure. The BTOP50 employs a top-down approach in selecting its constituents. The largest investable trading advisor programs, as measured by assets under management, are selected for inclusion in the BTOP50. In each calendar year the selected trading advisors represent, in aggregate, no less than 50% of the investable assets of the Barclay CTA Universe. To be included in the BTOP50, the following criteria must be met: Program must be open for investment; Manager must be willing to provide daily returns; Program must have at least two years of trading activity; Program's advisor must have at least three years of operating history; and the BTOP50's portfolio will be equally weighted a month the select programs at the beginning of each calendar year and will be rebalanced annually. **Please note that the BTOP50 Index does not contain the complete universe of CTAs.**

Benefits of Managed Futures

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A well-balanced managed futures portfolio can potentially provide a diversified global investment opportunity for investors. Managed Futures can potentially provide:

The Opportunity for Risk Reduction

The opportunity to reduce the volatility risk of a portfolio.

The Opportunity for Enhanced Return

The opportunity to enhance a portfolios returns.

The Opportunity for Global Diversification

The opportunity to participate in global markets.

The Opportunity for Profit Potential

The opportunity to profit in both rising and falling markets.

The addition of managed futures to a client's portfolio does not mean that a portfolio will be profitable or that it will not experience substantial losses. The past may not be indicative of current time periods or of the performance of any individual CTA.

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Benefits – Risk Reduction

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Risk Reduction through Diversification

Managed Futures offer the opportunity to reduce the volatility risk of a portfolio

Modern Portfolio Theory was developed by the Nobel Prize winning economist Dr. Harry M. Markowitz.

Dr. Markowitz stated that diversifying across asset classes that have low to negative correlations have the potential to increase a portfolio’s efficiency. The goal is to decrease the portfolio’s volatility risk.

Benefits – Risk Reduction (2)

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Correlation of Asset Classes from January 2000 – December 2023

Data Provided by AutumnGold.com

Data from Jan 2000 – December 2023	S&P 500 TR Index	Bond Index	AG CTA Index
S&P 500 TR Index	1.00	0.17	0.02
Bond Index	0.17	1.00	0.16
AG CTA Index	0.02	0.16	1.00

- The S&P 500 TR Index is designed to reflect all sectors of the U.S. equity markets and includes 500 blue chip, large cap stocks, which together represent about 75% of the total U.S. equities market. The TR Index accounts for the reinvestment of dividends.
- From June 2022 to present Bonds are represented by the S&P 500 US Bond Index. The S&P 500 Bond Index is designed to be a corporate-bond counterpart to the S&P 500. This market value-weighted index seeks to measure the performance of U.S. corporate debt issued by constituents in the S&P 500. From Jan 1990 to May 2022 Bonds are represented by the Bloomberg US Aggregate Bond Index (formerly known as the Barclay's US Aggregate Bond Index and as the Lehman US Aggregate Bond Index).
- Managed Futures are represented by the Autumn Gold CTA Index. The Autumn Gold CTA Index is comprised of the client performance of all CTA programs included in the AG database and does not represent the complete universe of CTAs. Please note that the Autumn Gold CTA Index does not contain the complete universe of CTAs.

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Asset Class Performance Comparisons

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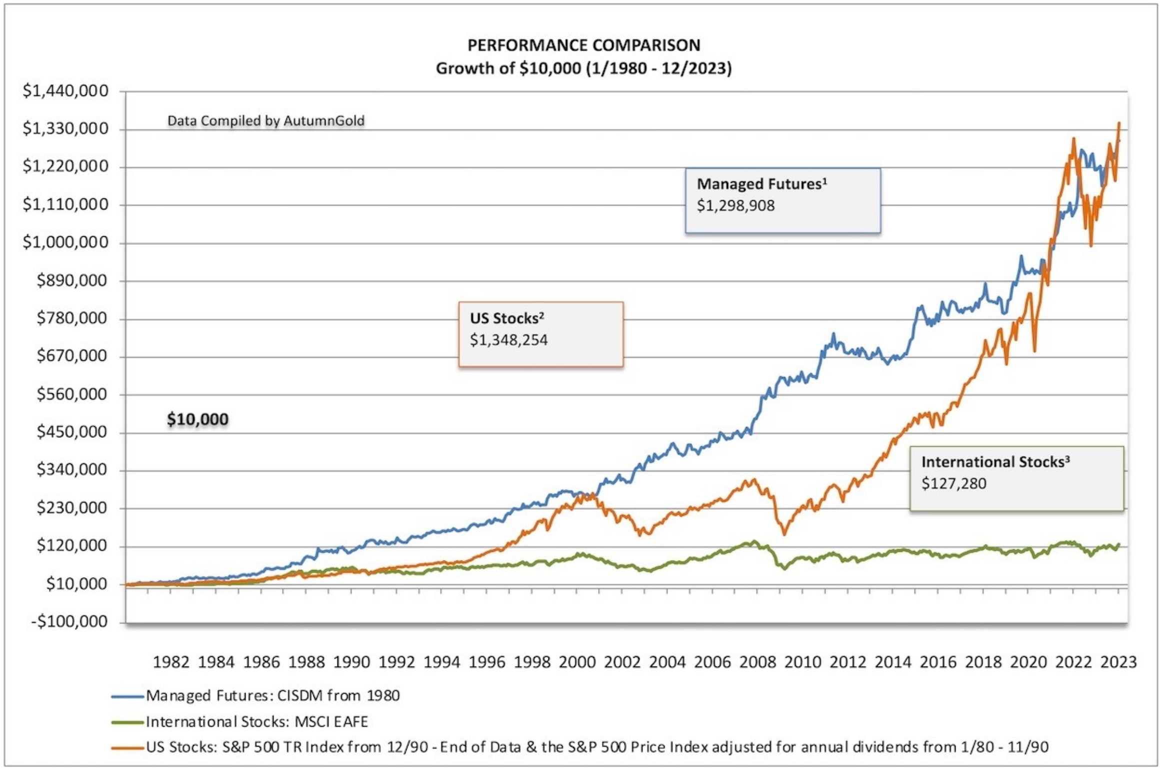
Managed Futures vs. U.S. Stocks vs. International Stocks Jan 1980 – Dec 2023



The Chart represents the Growth of $10,000 invested in Managed Futures, US Stocks and International Stocks from January 1980.

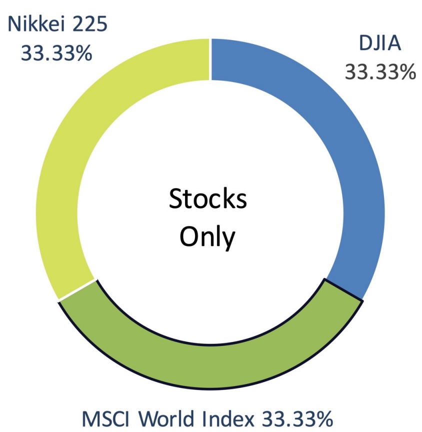
It is not possible to directly invest in these indices and their returns do not reflect the fees and expenses inherent in investing in a vehicle designed to replicate a particular index.

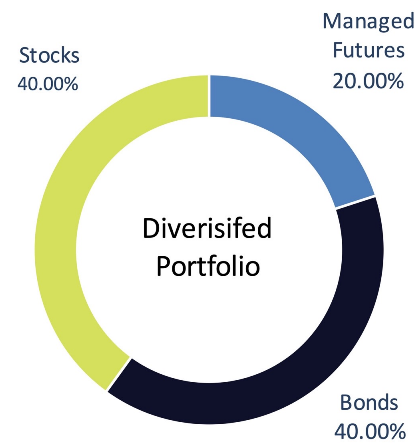
The addition of managed futures to a client's portfolio does not mean that a portfolio will be profitable or that it will not experience substantial losses and that the studies conducted in the past may not be indicative of current time periods or of the performance of any individual CTA.

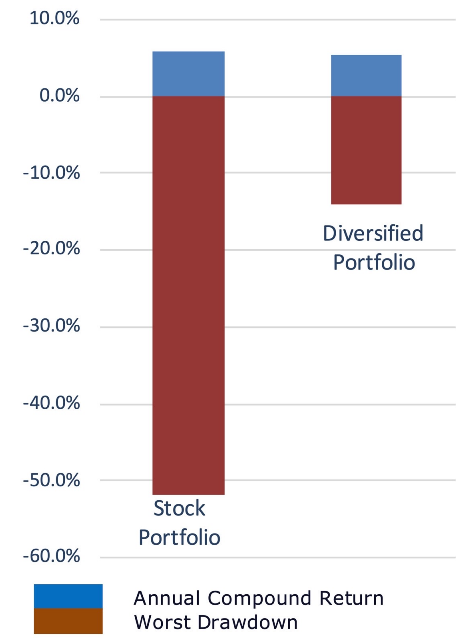
1. Managed Futures: Managed Futures are represented by the CISDM Equal Weighted CTA Index. The CISDM Equal Weighted CTA Index is an equal weighted index of CTAs maintained by The Center for International Securities and Derivatives Markets at the University of Massachusetts Amherst. It reflects the average performance of Commodity Trading Advisors reporting to the CISDM Hedge Fund/CTA Database. Each CTA must have at least $500,000 under management and at least a 12-month track record.
   Please note that the CISDM Equal Weighted CTA Index does not contain the complete universe of CTAs.
2. International Stocks: The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. As of May 30, 2011.
3. U.S. Stocks: The S&P 500 indices are designed to reflect all sectors of the U.S. equity markets. The S&P 500 includes 500 blue chip, large cap stocks, which together represent about 75% of the total U.S. equities market. Companies eligible for addition to the S&P 500 have market capitalization of at least US$3.5 billion. The TR Index accounts for the reinvestment of dividends.

Stock Only vs. Diversified Portfolio

Comparisons of a Stock Only Vs. a Diversified Portfolio January 1990 - December 2023







Correlations	
Dow - Nikkei	0.53
Dow - MSCI World	0.89
MSCI World - Nikkei	0.69

Correlations	
Stocks - Managed Futures	-0.09
Managed Futures - Bonds	0.13
Bonds - Stock	0.14

The Barclay CTA Index is a leading industry benchmark of representative performance of commodity trading advisors. The Index is equally weighted and rebalanced at the beginning of each year. **Please note that the Barclay's CTA Index does not contain the complete universe of CTAs.**

From January 2022 to present Bonds are represented by the S&P 500 US Bond Index. The S&P 500 Bond Index is designed to be a corporate-bond counterpart to the S&P 500. This market value-weighted index seeks to measure the performance of U.S. corporate debt issued by constituents in the S&P 500. From Jan 1990 to December 2021 Bonds are represented by the Bloomberg US Aggregate Bond Index (formerly known as the Barclay's US Aggregate Bond Index and as the Lehman US Aggregate Bond Index).

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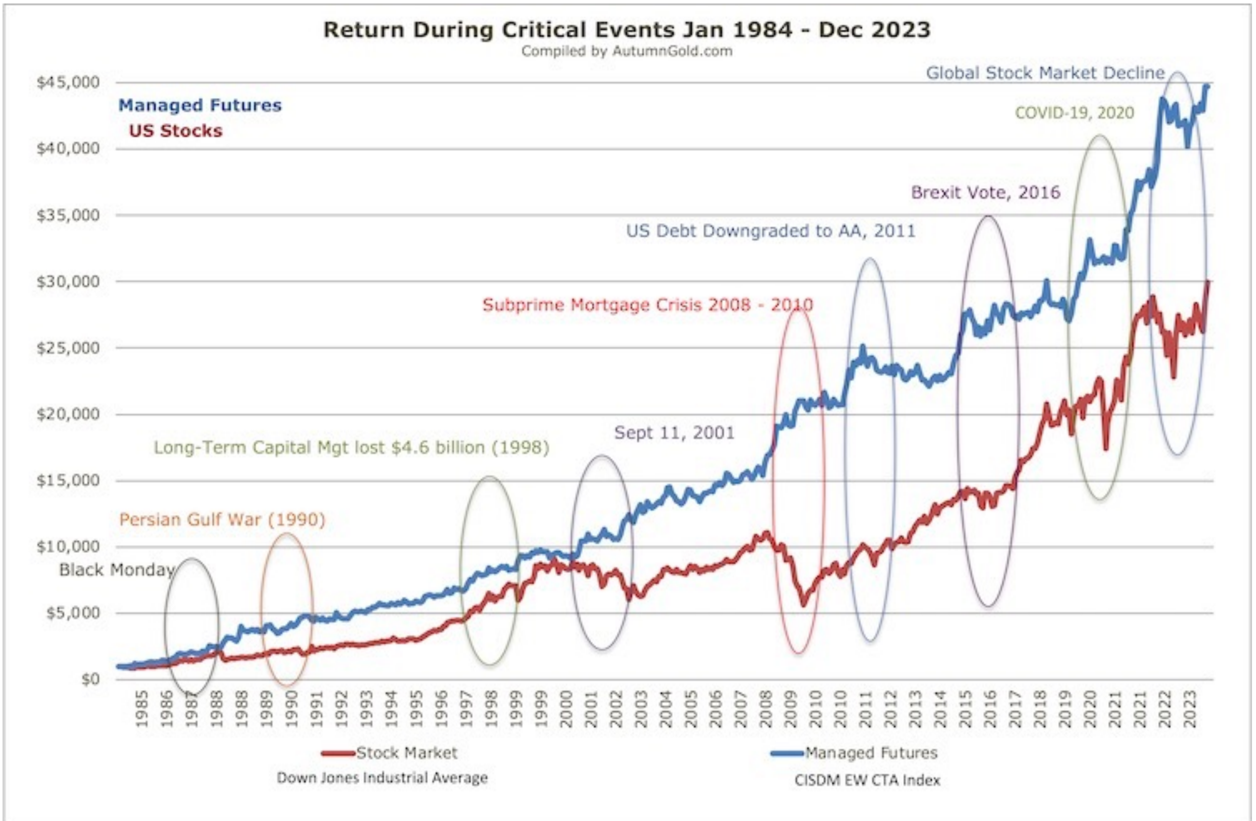
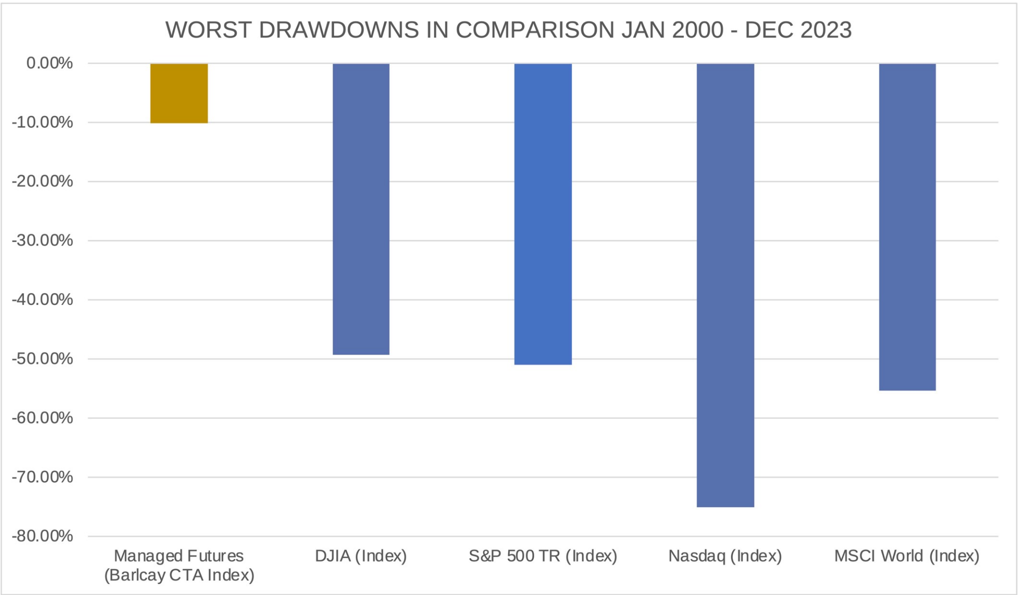
Return During Critical Events



- The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

- Managed Futures are represented by the CISDM Equal Weighted CTA Index, an equal weighted index of CTAs maintained by The Center for International Securities and Derivatives Markets at the University of Massachusetts Amherst. It reflects the average performance of Commodity Trading Advisors reporting to the CISDM Hedge Fund/CTA Database. Each CTA must have at least $500,000 under management and at least a 12-month track record. **Please note that the CISDM Equal Weighted CTA Index does not contain the complete universe of CTAs.**

Comparisons of Worst Drawdowns*



Trading futures and options involves substantial risk of loss and is not suitable for all investors. The use of the phrase "Managed Futures" refers to the asset class, and not to any individual Commodity Trading Advisors program.

Be advised that an individual program could have better or worse performance results when compared to the Stock Market. There are no guarantees of profit no matter who is managing your money. Past performance is not necessarily indicative of future results. Investors should note that it is not possible to invest in these indices.

***Managed Futures**: Managed Futures are represented by The Barclay CTA Index is a leading industry benchmark of representative performance of commodity trading advisors. There are currently 416 programs included in the calculation of the Barclay CTA Index for 2021. The Index is equally weighted and rebalanced at the beginning of each year.*
Please note that the Barclay CTA Index does not contain the complete universe of CTAs.
***Dow Jones Index** (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq*
***S&P 500 Total Return Index** is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.*
***The NASDAQ** is a stock market index of the common stocks and similar securities. Along with the Dow Jones Average and S&P 500 it is one of the three most-followed indices in US stock markets. The composition of the NASDAQ Composite is heavily weighted towards information technology companies.*
***MSCI World Index** is a market cap weighted stock market index of 1,649 stocks from companies throughout the world. The index includes securities from 23 countries but excludes stocks from emerging and frontier economies making it less worldwide than the name suggests.*

**A drawdown is the peak-to-trough decline during a specific recorded period of an investment, fund or commodity security. A drawdown is usually quoted as the percentage between the peak and the subsequent trough. Those tracking the entity measure from the time a retrenchment begins to when it reaches a new high.*

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Benefits – Enhanced Return

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The Opportunity to Enhance a Portfolio's Return:

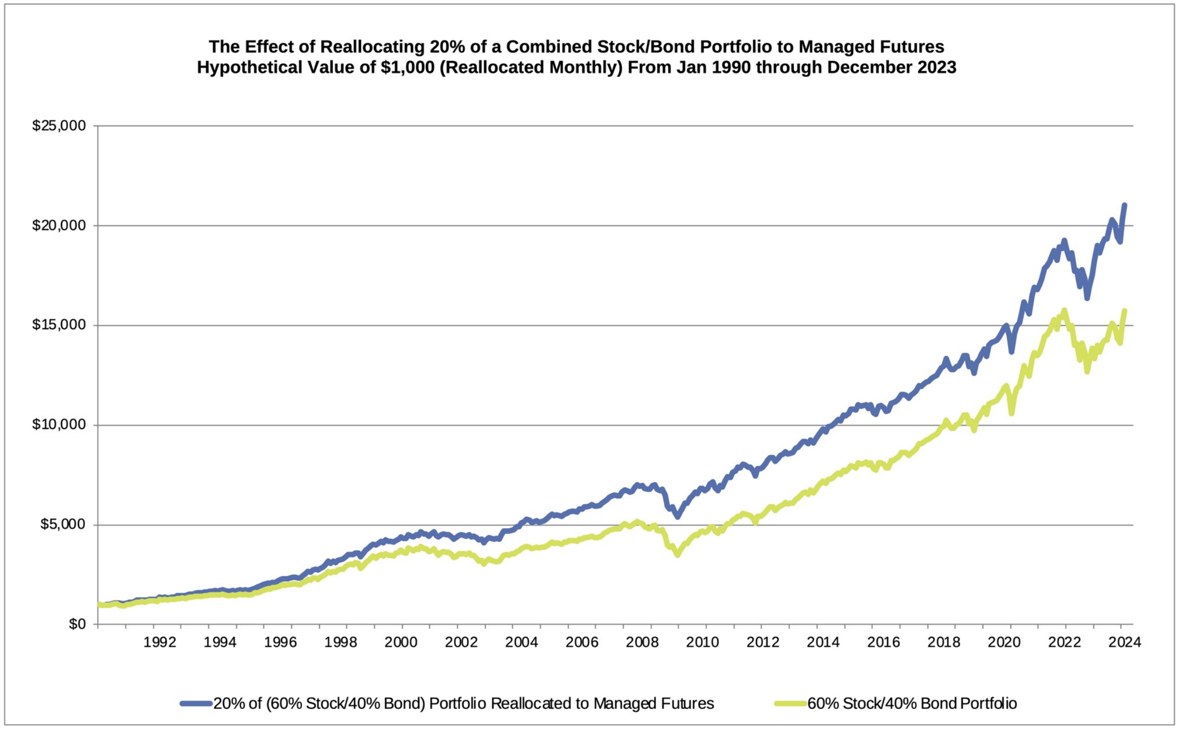
In 1983, Dr. John Linter[1] reported that as an independent investment, managed futures compared favorably with stocks and bonds. Dr. Lintner found that

> "the combined portfolios of stocks (or stocks and bonds) after including judicious investments in leveraged managed futures accounts show substantially less risk at every possible level of expected return than portfolios of stocks (or stocks and bonds) alone."

1. Dr. John Lintner, "The Potential Role of Managed Commodity-Financial Futures Accounts in Portfolios of Stocks and Bonds" (Harvard University, 1983)

Benefits – Enhanced Return (2)

Dr. Lintner's findings continue to be relevant. We can see from the chart below that there is a measured increase in return by adding managed futures to a traditional stock/bond portfolio.



Stocks are represented by the S&P 500 Total Return Index from December 1990 to the end of Data and by the S&P 500 Price Index adjusted for dividends from January 1990 through November 1990. The S&P 500 indices are designed to reflect all sectors of the U.S. equity markets. The S&P 500 includes 500 blue chip, large cap stocks, which together represent about 75% of the total U.S. equities market. Companies eligible for addition to the S&P 500 have market capitalization of at least US$3.5 billion. The TR Index accounts for the reinvestment of dividends.

From January 2022 to present Bonds are represented by the S&P 500 US Bond Index. The S&P 500 Bond Index is designed to be a corporate-bond counterpart to the S&P 500. This market value-weighted index seeks to measure the performance of U.S. corporate debt issued by constituents in the S&P 500. From Jan 1990 to Dec 2021 Bonds are represented by the Bloomberg US Aggregate Bond Index (formerly known as the Barclay's US Aggregate Bond Index and as the Lehman US Aggregate Bond Index).

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Benefits – Global Diversification

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Today's Commodity Trading Advisors have the opportunity to trade a variety of global instruments including:

Energies	Currencies
Index Futures	Interest Rates
Metals	Agricultural Products
Livestock	Softs

Profit Potential In Rising Markets

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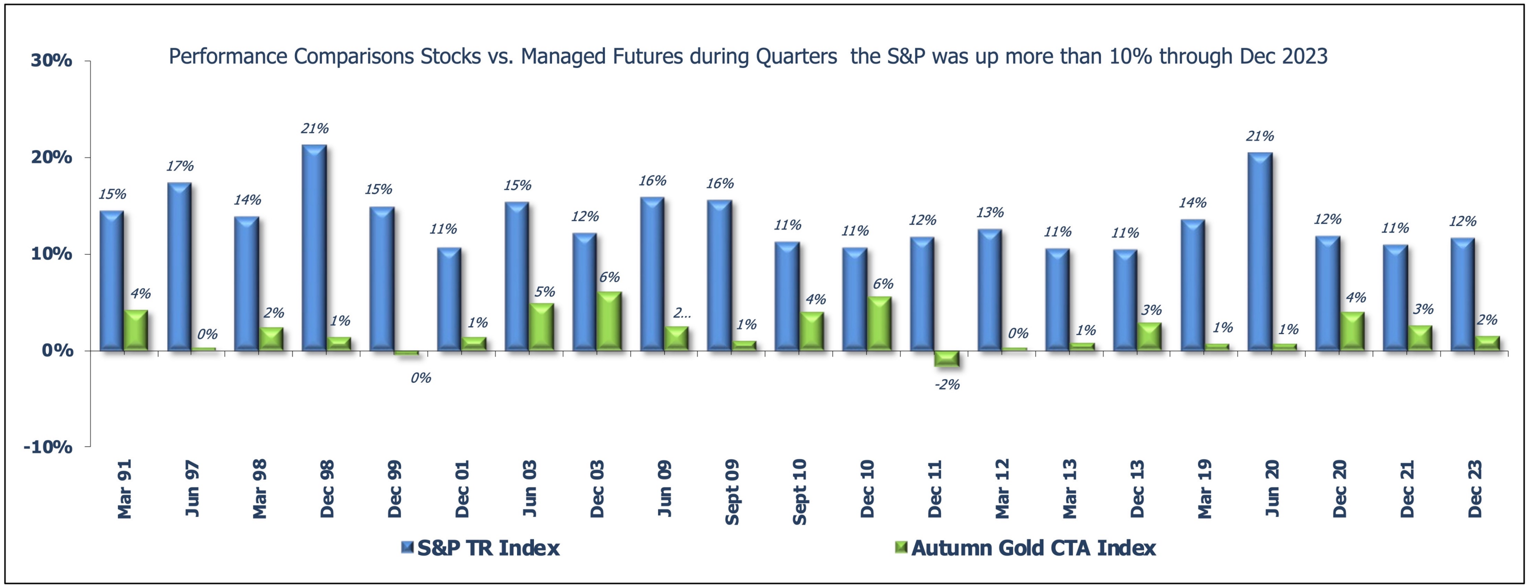
Return Comparisons During Gaining Periods in the Stock Market

The chart below demonstrates how the Autumn Gold CTA Index* performed during periods when the S&P 500 TR Index experienced quarterly gains greater than 10%. The Autumn Gold CTA Index reflects the average performance of Commodity Trading Advisors (CTAs) reporting to the Autumn Gold Database. The chart demonstrates that the Autumn Gold CTA index produced gains or minimal losses during periods when the S&P 500 TR Index incurred quarterly gains in excess of 10%. In every instance, when the S&P 500 TR Index incurred these gains, the Autumn Gold CTA index produced positive return or losses less than 2%.

CTA Return during Periods when the S&P gained more than 10% in a Quarter. Jan 1990 – Dec 2023



**** The Autumn Gold CTA Index is comprised of the client performance of all CTA programs included in the AG database and does not represent the complete universe of CTAs.*** CTA programs with proprietary performance are not included. Monthly numbers are updated until 45 days after the end of the month.

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Profit Potential In Falling Markets

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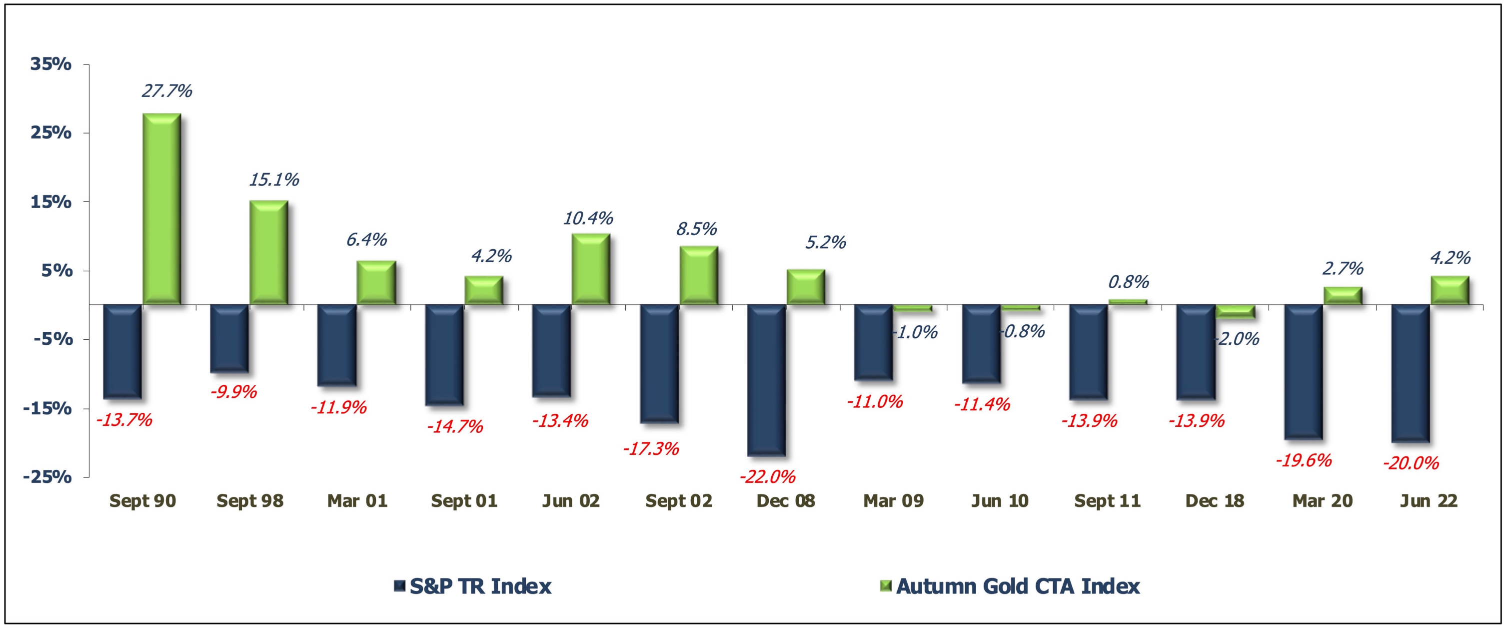
Return Comparisons During Losing Periods in the Stock Market

The following demonstrates how the Autumn Gold CTA Index* performed during periods when the S&P 500 TR Index experienced quarterly losses greater than 10%. The Autumn Gold CTA Index reflects the average performance of Commodity Trading Advisors (CTAs) reporting to the Autumn Gold Database. The chart demonstrates that the Autumn Gold CTA index outperformed the S&P 500 TR Index during periods when the S&P 500 TR Index incurred quarterly losses in excess of 10%. In every instance, when the S&P 500 TR Index incurred these losses, the Autumn Gold CTA index produced positive returns or losses less than 2%.

CTA Return during Periods when the S&P lost more than 10% in a Quarter. Jan 1990 – Dec 2023



Note the last time the S&P lost more than 10% in a quarter was June 2022

The Autumn Gold CTA Index is comprised of the client performance of all CTA programs included in the AG database and does not represent the complete universe of CTAs. CTA programs with proprietary performance are not included. Monthly numbers are updated until 45 days after the end of the month

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Frequently Asked Questions

Q: Where is my money kept?
A: Investor assets are held in Customer Segregated Accounts at Straits Financial LLC. Straits is a Futures Commission Merchant registered with the Commodity Futures Trading Commission and a Member of the NFA.

Q: Are there any restrictions to withdrawing money from my account?
A: Managed futures account usually offer a high degree of liquidity and investors may pull all or part of available funds at any time. Although we strongly advise you to view your managed account as a long-term investment.

Q. Are my funds safe?
A: Investor funds are kept in segregated accounts in the Investor's name. CFTC Regulations prohibit Futures Commission Merchants (FCM) from commingling segregated funds.

Please be advised that segregation of funds does not guarantee safety from losses due to trading.

Q: What are the tax benefits to investing in managed futures?

A: According to the Tax Act of 1981, short-term profits in commodities are treated as 60% long term and 40% short term. On the other hand, short term trading profits in stocks are treated as 100% short term. A short-term investment is one that is held for less than one year. This favorable tax treatment in commodities can translate to investors in upper tax brackets, saving as much as 30% on taxes in short term gains on commodities versus stocks! Investors should consult their tax advisor regarding their individual tax situation.

Risk Disclosure

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THE RISK OF LOSS IN TRADING COMMODITIES CAN BE SUBSTANTIAL. YOU SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. THE HIGH DEGREE OF LEVERAGE THAT IS OFTEN OBTAINABLE IN COMMODITY TRADING CAN WORK AGAINST YOU AS WELL AS FOR YOU. THE USE OF LEVERAGE CAN LEAD TO LARGE LOSSES AS WELL AS GAINS.

IN SOME CASES, MANAGED COMMODITY ACCOUNTS ARE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT AND ADVISORY FEES. IT MAY BE NECESSARY FOR THOSE ACCOUNTS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. THE DISCLOSURE DOCUMENT CONTAINS A COMPLETE DESCRIPTION OF THE PRINCIPAL RISK FACTORS AND EACH FEE TO BE CHARGED TO YOUR ACCOUNT BY THE COMMODITY TRADING ADVISOR ("CTA").

THE REGULATIONS OF THE COMMODITY FUTURES TRADING COMMISSION ("CFTC") REQUIRE THAT PROSPECTIVE CUSTOMERS OF A CTA RECEIVE A DISCLOSURE DOCUMENT WHEN THEY ARE SOLICITED TO ENTER INTO AN AGREEMENT WHEREBY THE CTA WILL DIRECT OR GUIDE THE CLIENT'S COMMODITY INTEREST TRADING AND THAT CERTAIN RISK FACTORS BE HIGHLIGHTED. THIS BRIEF STATEMENT CANNOT DISCLOSE ALL OF THE RISKS AND OTHER SIGNIFICANT ASPECTS OF THE COMMODITY MARKETS. THEREFORE, YOU SHOULD PROCEED DIRECTLY TO THE DISCLOSURE DOCUMENT AND STUDY IT CAREFULLY TO DETERMINE WHETHER SUCH TRADING IS APPROPRIATE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. YOU MAY ALSO REQUEST DELIVERY OF A HARD COPY OF THE DISCLOSURE DOCUMENT, WHICH WILL ALSO BE PROVIDED TO YOU AT NO ADDITIONAL COST. THE CFTC HAS NOT PASSED UPON THE MERITS OF PARTICIPATING IN ANY OF THESE TRADING PROGRAMS NOR ON THE ADEQUACY OR ACCURACY OF ANY OF THESE DISCLOSURE DOCUMENTS.

OTHER DISCLOSURE STATEMENTS ARE REQUIRED TO BE PROVIDED YOU BEFORE A COMMODITY ACCOUNT MAY BE OPENED FOR YOU. ADDITIONAL DISCLOSURE REQUIRED FOR ADMINISTRATIVE FEES. A COMPLETE DISCUSSION OF FEES AND CHARGES ARE REPORTED IN THE CTA's DISCLOSURE DOCUMENT.

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