

ALL MANAGERS ARE NOT CREATED EQUAL

WHY PERFORMANCE DISPERSION MATTERS.

JULY 2013

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EXECUTIVE SUMMARY

“Average” works well in many of life’s pursuits, but it’s not a goal for managers of most alternative investment funds. Actuaries revel in averages and farmers plant crops based on average rain fall, but alternative investment fund managers seek to break away from the middle.

Their efforts to deliver higher, risk-adjusted returns that are non-correlated to the market can produce huge returns or significant losses. Performance dispersion—the difference between best and worst performing funds—is an important metric for evaluating alternative investment funds.

Performance dispersion can vary enormously within asset classes, and can be especially pronounced among alternative investment fund managers. This occurs

because alternative investment fund managers do not try to match an index and instead rely primarily on manager skill to try to produce superior returns. With the flexibility to go long and short and invest in different asset classes globally, alternative investment fund managers have more opportunities to soar—and more opportunities to fall.

By contrast, traditional, long-only mutual funds display relatively little performance dispersion, primarily because many “hug the index” and do not have the same flexibility in their trading strategies.

Significant performance dispersion does not mean investors should avoid alternative investments. Instead, it highlights the fact manager selection is particularly important. It is not enough to choose a winning alternative investment strategy; advisors must choose winning alternative investment managers as well.

Performance Dispersion: Traditional versus Alternative Investments

Performance dispersion plays a minor role in choosing traditional investments, but a leading role in selecting alternative investments. A brief comparison of the two investment approaches—traditional and alternative—illustrates why.

TRADITIONAL INVESTING

Traditional investing in equities is typified by large cap, long-only mutual funds. Nearly one-third of all assets in the \$12.7 trillion US mutual fund industry are invested in large growth, value and “blend” funds, as of the end of 2012.¹

Large cap mutual funds are usually managed to a benchmark, typically an index such as the S&P 500 Index or the Russell 1000 Index. The funds can be passively or actively managed. Passively-managed large cap mutual funds aim to replicate the indices while actively-managed try to outperform them.

In general, investors expect both passively and actively-managed large cap mutual funds to go up and down with the market and not to deviate very far from their benchmarks. The distance between the top and bottom performers—the performance dispersion—has not been that great. Indeed, too great a performance dispersion might raise concerns that a manager had taken too much risk to achieve abnormally high (or abnormally low) returns. (It is important to note that mutual funds may be subject to different investment restrictions and regulations that impact their performance.)

ALTERNATIVE INVESTMENTS

Alternative investments, by contrast, offer investors the potential for higher risk-adjusted returns that don't typically follow, and therefore might be non-correlated to the indices. While alternative investments include a diverse category of asset classes, the focus here is on hedge funds and managed futures funds, where performance dispersion is most relevant.

Typically, hedge funds and managed futures funds are actively managed. That means they rely on manager skill to help potentially deliver superior returns, often described as “alpha.”

Alpha expresses itself in numerous ways. It can result from a global macro hedge fund manager's ability to correctly predict rising interest rates, or a long/short equity hedge fund manager's bearish bet on a stock, or a managed futures fund manager's computer program that detects a trend in, for example, currencies.

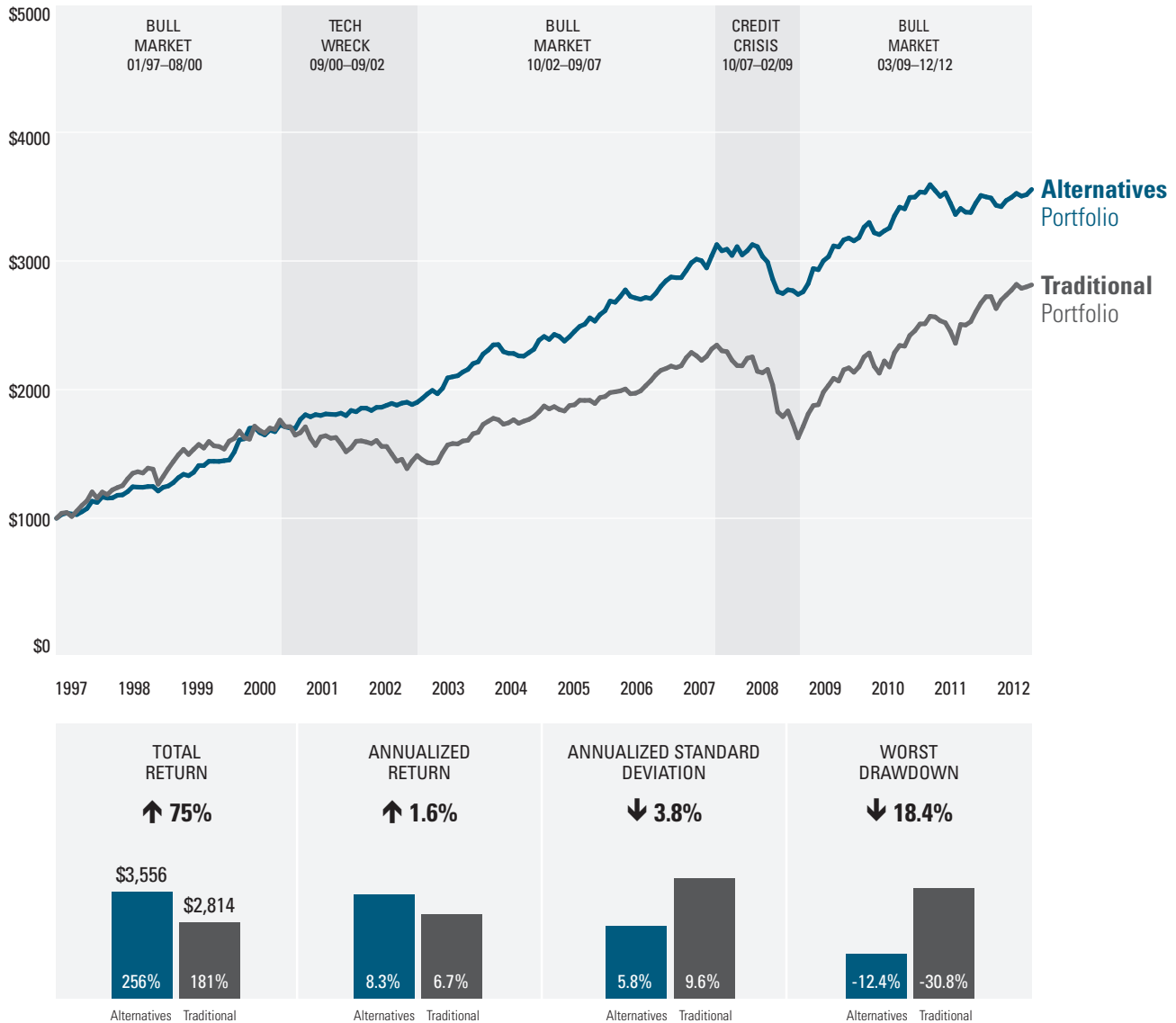
Indeed, because they have greater flexibility than traditional mutual funds in how they invest—for instance, the ability to go long or short the market and to use leverage—hedge fund managers and managed futures managers also have the potential to significantly outperform—or underperform—traditional investments (*Figure 1*).

¹ Morningstar Direct, June 2013.

FIGURE 1.

HISTORICAL PERFORMANCE: VALUE OF AN INITIAL \$1,000 INVESTMENT | January 1997–December 2012

Adding alternatives allocations may increase returns and reduce risk over time.



Source: Altegris. The above hypothetical illustration is not intended, and should not be construed as asset allocation advice. Past performance is not indicative of future results. Alternatives portfolio represented by 35% HFRI Equity Hedge (Total) Index, 25% HFN Fixed Income (non-arbitrage) Index, 22.5% Barclay Global Macro Index, 17.5% Altegris 40 Index® (started in July 2000; data is available back to 1990); Traditional portfolio represented by 60% S&P 500 Total Return Index and 40% Barclays US Aggregate Bond Index. Date range based on common period of data availability for shown indices. The referenced indices are shown for general market comparisons and are not meant to represent any particular Fund. An investor cannot invest directly in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented.

Standard deviation is a statistical measure of how consistent returns are over time; a lower standard deviation indicates historically less volatility. Drawdown measures the peak to valley loss relative to the peak for a stated time period. There is no guarantee that any investment will achieve its objectives, generate profits or avoid losses. The total return of an investment is only one measure of performance. See appendix page i for performance returns over various time frames. Performance should never be the sole consideration when making an investment decision.

A Performance Dispersion Illustration: Long/Short Hedge Fund Managers

The accompanying chart compares performance dispersion of traditional, long-only mutual funds invested in large cap value stocks with three types of alternatives investments—managed futures funds, long/short equity hedge funds and global macro hedge funds (*Figure 2*).

As *Figure 2* shows, large cap value-oriented mutual fund returns are tightly clustered in comparison to the alternative investment funds. The relatively small range of performance dispersion among the mutual funds makes sense because they are investing in similar stocks.

In contrast, the performance dispersion of alternative investments is much greater. To illustrate the importance of performance dispersion among alternative investments, compare the dispersion of the large cap mutual funds with long/short equity hedge funds in 2012.² As the chart shows, in 2012, large cap value mutual funds all performed relatively similarly. The bottom 25% gained an average of 10.68%, while the top 25% gained 18.57%.

The dispersion was less than 8%. (As might be expected, the mutual funds' median performance was 14.78%—only slightly less than the S&P 500 TR Index's 15.98%).

By contrast, long/short equity hedge funds had a much wider range of performance. The bottom 25% lost 6.94% while the top 25% gained 26.12%. The dispersion was 33%. (The long/short equity hedge funds' median performance was 7.51%, or 8% lower than the S&P 500 TR Index).

WHAT IS THE POINT?

An investor who happened to pick one of the worst-performing large cap value mutual funds would have missed out on 8% versus choosing a top performer. But an investor allocating to the lower quartile of the long/short equity hedge funds would have given up a dismaying 33% versus a top-performing fund. While the best performing fund was definitely better than its worst performing peer, relatively speaking, the gap between best and worst long/short equity hedge fund is significantly large. Picking the right manager matters immensely where dispersion is high.

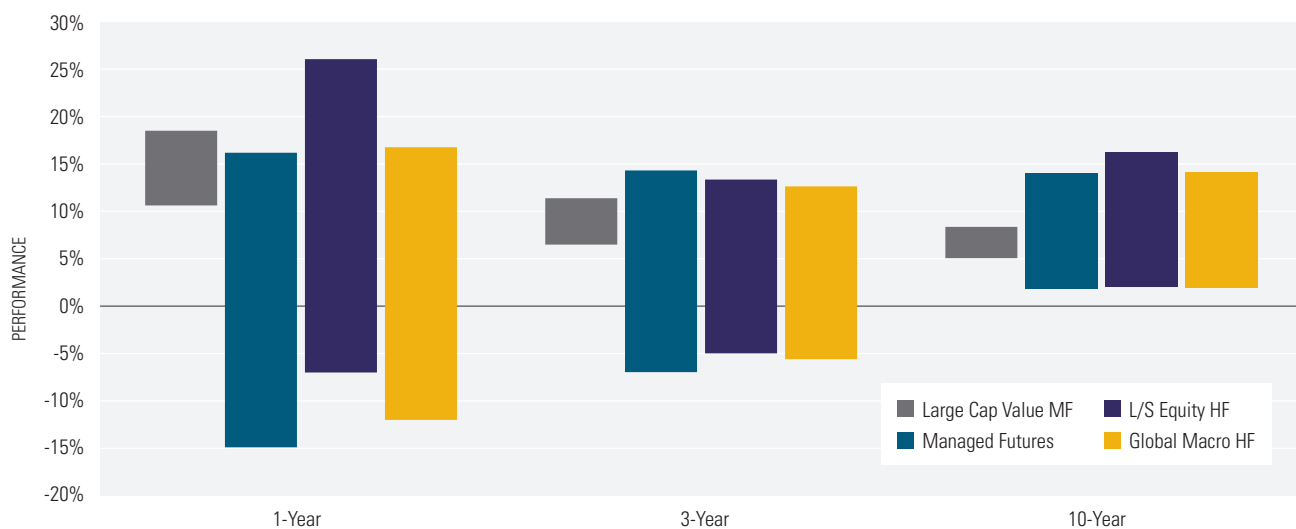
It's a similar phenomenon with managed futures and global macro funds. In both cases, the performance dispersion was also greater than for large cap value mutual funds.

It is important to note that mutual funds and hedge funds have differing regulatory and investment restrictions, fees and expenses that impact performance. This analysis is intended for general information purposes only and is not meant to be all-inclusive. Individual investor results will vary.

² Source: Altegris, Morningstar.

FIGURE 2.

PERFORMANCE DISPERSION OF LARGE CAPITALIZATION VALUE MUTUAL FUNDS, MANAGED FUTURES FUNDS, LONG/SHORT EQUITY HEDGE FUNDS AND GLOBAL MACRO HEDGE FUNDS | As of December 2012



Source: HFR, Morningstar, Altegris.

Figure 1 compares the range of the top and bottom 25% average rates of return of traditional, large cap value mutual funds with three categories of alternative investments: managed futures funds, long/short equity hedge funds and global macro hedge funds. The distance between the returns of the best and worst-performing large cap value mutual funds is relatively small compared with the distance between the returns of the top and bottom-performing alternative investment funds.

PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. There is no guarantee any investment will achieve its objectives, generate profits, or avoid losses. Long/Short Equity universe includes 462 funds for the 10-year period, 1,483 funds for the 3-year period, and 1,909 funds for the 1-year period derived from HFR Equity Hedge (Total). Large Cap Value universe includes 802 funds for the 10-year period, 1,005 funds for the 3-year period, and 1,063 funds for the 1-year period derived from Morningstar Category Large Cap value. Global Macro universe includes 206 funds for the 10-year period, 750 funds for the 3-year period, and 1,000 funds for the 1-year period derived from HFR Macro. Managed Futures includes 121 programs for the 10-year period, 326 programs for the 3-year period, and 390 programs for the 1-year period derived from Altegris Analytics.

Performance Dispersion and Attrition

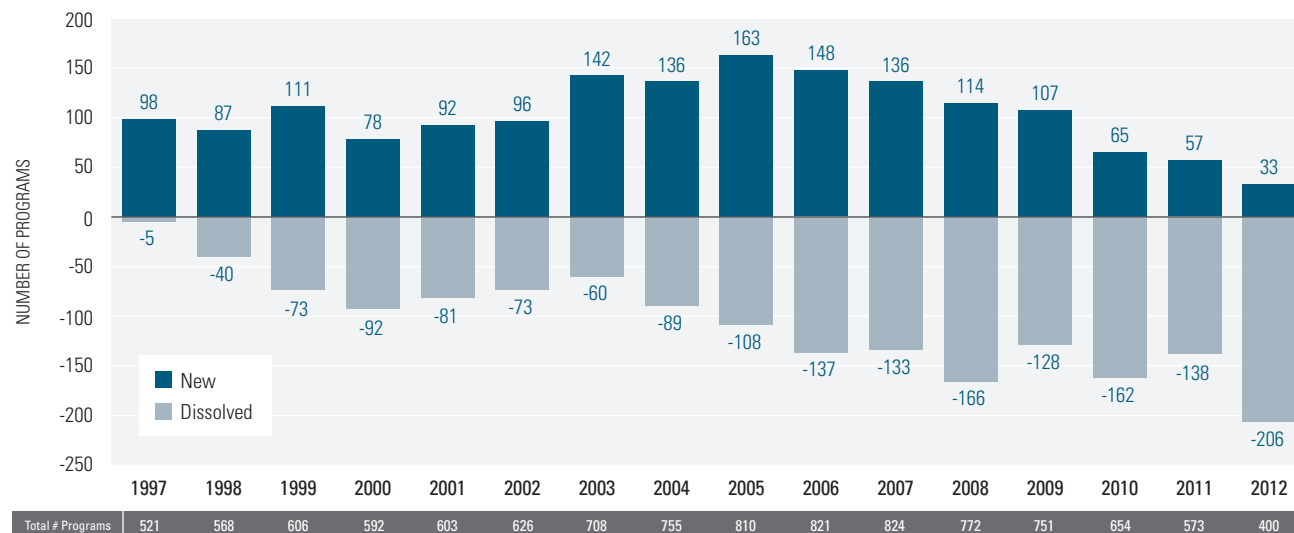
Dispersion shows the range of results of existing managers but it omits the results for managers who have left the business, resulting in what statistics experts call “survivor bias.”

Performance dispersion tells only part of the story. Attrition tells another part. *Figure 3* shows the attrition rate for managed futures funds. When the number of “attrited”—or dissolved—programs are added to the picture, the risks of picking an underperforming manager become more clear.

Thus, even though 2008 was a stellar year for managed futures—they gained 15.4% versus the S&P 500 TR’s 37% loss³—more than 20% (166 dissolved out of a total of 772 programs) of the managers dissolved their funds.

In other words, despite being a winning strategy in 2008, it was possible for managed futures funds to lose money. The year 2012 further illustrates the importance of manager selection. As *Figure 3* shows, the number of managed futures programs declined by 30% in 2012.

FIGURE 3.
NEW/DISSOLVED MANAGED FUTURES PROGRAMS | January 1997–December 2012



Source: Altegris. Past performance is not indicative of future results. There is no guarantee that any investment product will achieve its objectives, generate profits or avoid losses. Attrition rate is shown as a negative number.

³ Source: Altegris. Calendar year return of managed futures is based upon the return of the Altegris 40 Index.[®]

Active Manager Selection versus Replicator Funds

Performance dispersion and attrition suggest that manager selection requires expertise in alternatives, blending top-down viewpoints with bottom-up analysis to identify the most compelling strategies based on market opportunities.

But manager selection is not without its costs. The process of finding, vetting and tracking managers is time-consuming and expensive and leads to higher fees.

MIMICKING THE INDICES

Recently, another approach has been creating a stir among investors—“replication.” For alternatives, this method is essentially the equivalent of index funds in the traditional long-only world. Replication funds aim for the middle of the hedge fund performance chart, avoiding both the ups and the downs of individual hedge funds. Proponents characterize replication as capturing hedge fund beta that is filtering out the contribution made by individual managers, leaving in only the part of the results that is attributable to the underlying hedge fund strategy.

Like their cousins in the long-only world, replicators charge much lower fees. In fact, lower fees are one of the principal appeals of replicator funds to investors in alternative investments.

It’s important to note that it is very easy for index mutual funds to mimic the indices because the constituent stocks are listed and tradable. Hedge funds indices are made up of unlisted, non-tradable hedge funds, which in turn forces replicators to use a different approach than index mutual funds. In a

quest to duplicate the results of the hedge fund index, replicators have to come up with their own proprietary methodologies, creating the risk that their methodology won’t duplicate those results.

Even if replicator funds are successful in reverse-engineering the strategies of hedge fund and managed futures funds, their goals remain similar to equity indexers: to achieve performance representative of the strategy, or the average of their index. That is, they may avoid the least successful managers, but also miss the top performers.

ACTIVE MANAGER SELECTION MAY OFFER AN EDGE

Figure 2 (on page 5) illustrates why a replicator fund may not serve the investor seeking the potential benefits of alternative investing. Again, look at the results in 2012, when the S&P 500 TR Index returned 15.98% and the top 25% of large cap value mutual funds gained 18.57%. Large cap value funds that were seeking to match a benchmark such as the S&P 500 TR Index would have been only 2.59% less than what the better-performing large cap value funds returned that year.

By contrast, the average long/short equity hedge fund earned an average 8.81%. That 8.81% is the return that a replicator fund mimicking long/short equity hedge funds would be shooting for. Such performance would be considerably below the top quartile managers. If an investor wants to take advantage of what a hedge fund manager has to offer, then the investor has to venture beyond the average.

Performance Dispersion in a Stock Picker's Market

Since mid-2012, stock prices have moved more independently of each other, creating a “stock picker’s market” and a chance for hedge fund managers to show their stuff—or stumble.

If it continues to be a stock picker’s market, the emphasis is going to be on the manager’s stock selection skills, especially on the short side. Given long/short equity hedge fund managers’ record for significant performance dispersion, picking the top quartile managers may be more important today than it has been for the past four years.

CONCLUSION: NOT ALL HEDGE FUNDS AND MANAGED FUTURES FUNDS ARE CREATED EQUAL.

Performance dispersion represents both a challenge and an opportunity for investors in alternative investment funds.

Large performance dispersion does not mean investors should avoid hedge funds and managed futures funds. Because they generally provide a low correlation with stocks and bonds, these alternative investment funds can play an important role in creating a diversified portfolio while offering the potential to deliver high, risk-adjusted returns.

Results can differ greatly even among those pursuing the same strategy. Performance dispersion highlights the importance of selecting the best of breed managers.⁴ The greater the performance dispersion among an asset class, the more important it is to choose superior managers.

⁴ Altegris defines “best of breed” as managers, which in our opinion, have demonstrated success in terms of sustained investment edge, effective risk management processes and established operational infrastructure.



For more information and perspectives on alternatives, please visit **altegrisacademy.com** or contact your alternatives consultant at Altegris Investments **(800) 828-5225**.

RISKS AND IMPORTANT CONSIDERATIONS

It is important to review investment objectives, risk tolerance, tax liability, and liquidity needs before choosing an investment style or manager. Past Performance is not indicative of future results. There can be no assurance that any investment or asset class will achieve its objectives, generate profits or avoid losses. Investing involves risk of loss and alternative investments may not be suitable for everyone. The investment expertise of any manager may prove to be inaccurate or may not produce the desired results. Diversification does not ensure profit nor protect against loss.

Alternative investments involve a high degree of risk and can be illiquid due to restrictions on transfer and lack of a secondary trading market. They can be highly leveraged, speculative and volatile, and an investor could lose all or a substantial amount of an investment. Compared to mutual funds, hedge funds and commodity pools are subject to less regulation and often charge higher fees. Mutual funds involve risk including possible loss of principal. An investment in an alternatives strategy mutual fund should only be made after careful study of the prospectus, including the description of the objectives, principal risks, charges, and expenses of the fund. There are substantial risks and conflicts of interests associated with managed futures and commodities accounts, and you should only invest risk capital. The success of an investment is dependent upon the ability of a commodity trading advisor (CTA) to identify profitable investment opportunities and successfully trade, which is difficult, requires skill, and involves a significant degree of uncertainty.

It is important to note that every asset class is subject to various risks that affect their performance in different market cycles. Stocks are subject to market risk or the risk of loss due to adverse company and industry news, or general economic decline. International stocks are typically considered more risky due to adverse social, political, and economic conditions, currency fluctuations, and differing legal and auditing standards. Bonds are subject to credit risk, default risk, and interest rate risk; when interest rates rise, bond prices fall. Commodities are affected by adverse weather, geologic and environmental factors, heightened regulatory oversight, and foreign investment risks. Alternative investments that utilize managed futures, global macro, and long/short strategies are also subject to market risk, commodities risk, currency risk, foreign investment risks, liquidity risks, higher fees and expenses, regulatory restrictions, and volatility due to speculative trading and use of leverage.

ALTEGRIS ADVISORS

Altegris Advisors LLC is an SEC-registered investment adviser that advises alternative strategy mutual funds that may pursue investment returns through a combination of managed futures, macro, equity long short, fixed income and/or other investment strategies.

ABOUT ALTEGRIS

Veteran experts in the art and science of alternatives, Altegris guides investors through the complex and often opaque universe of alternative investing.

Altegris searches the world to find what we believe are the best alternative investments. Our suite of alternative investment solutions are designed for financial professionals and individuals seeking to improve portfolio diversification.

With one of the leading research and investment groups focused solely on alternatives, Altegris follows a disciplined process for identifying, evaluating, selecting and monitoring investment talent across a spectrum of alternative strategies including managed futures, global macro, long/short equity, event-driven and others.

Alternatives are in our DNA. Our very name, Altegris, highlights our singular focus on alternatives, the highest standards of integrity, and a process that constantly seeks to minimize investor risk while maximizing potential returns.

The Altegris group of affiliated companies is wholly-owned and controlled by (i) private equity funds managed by Aquiline Capital Partners LLC and its affiliates ("Aquiline"), and by Genstar Capital Management, LLC and its affiliates ("Genstar"), and (ii) certain senior management of Altegris and other affiliates. Established in 2005, Aquiline focuses its investments exclusively in the financial services industry. Established in 1988, Genstar focuses its investment efforts across a variety of industries and sectors, including financial services. The Altegris companies include Altegris Investments, Altegris Advisors, Altegris Funds, and Altegris Clearing Solutions. As of June 30, 2013, Altegris had over \$3 billion in client assets, and provided clearing services to \$752 million in institutional client assets.

INDEX HISTORICAL PERFORMANCE As of 31 December 2012

Annualized Returns

	10-Year	5-Year	3-Year	1-Year
Alternatives	6.30%	2.84%	3.82%	5.30%
Traditional	6.81%	4.15%	9.07%	11.28%

Annualized Standard Deviation

	10-Year	5-Year	3-Year	1-Year
Alternatives	5.42%	5.80%	4.85%	3.67%
Traditional	8.76%	11.19%	8.49%	5.98%

Correlation

	10-Year	5-Year	3-Year
Alternatives—Traditional	0.71	0.76	0.82

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. Correlation is a statistical measure of how two securities move in relation to each other. Standard deviation is a statistical measure of how consistent returns are over time; a lower standard deviation indicates historically less volatility. Traditional represented by 60% S&P 500 Total Return Index and 40% Barclays US Aggregate Bond Index; alternatives represented by 35% HFRI Equity Hedge (Total) Index, 25% HFN Fixed Income (non-arbitrage) Index, 22.5% Barclay Global Macro Index, 17.5% Altegris 40 Index® (started in July 2000; data is available back to 1990). The referenced indices are shown for general market comparisons and are not meant to represent any particular Fund. An investor cannot invest directly in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented. There is no guarantee any investment will achieve its objective, generate profits or avoid losses. Source: Altegris.

GLOSSARY

Alpha. Measures the non-systematic return which cannot be attributed to the market. It shows the difference between a fund's actual return and its expected return, given its level of systematic (or market) risk (as measured by beta). A positive alpha indicates that the fund has performed better than its beta would predict. Alpha is widely viewed as a measure of the value added or lost by a fund manager.

Beta. A measure of volatility that reflects the tendency of a security's returns and how it responds to swings in the markets. A beta of 1 indicates that the security's price will move with the market. A beta of less than 1 means that the security will be less volatile than the market. A beta of greater than 1 indicates that the security's price will be more volatile than the market.

Correlation. A statistical measure of how two securities move in relation to each other. Correlation is computed into what is known as the correlation coefficient, which ranges between -1 and +1. Perfect positive correlation (a correlation co-efficient of +1) implies that as one security moves, either up or down, the other security will move in lockstep, in the same direction. Alternatively, perfect negative correlation means that if one security moves in either direction the security that is perfectly negatively correlated will move by an equal amount in the opposite direction. If the correlation is 0, the movements of the securities are said to have no correlation; they are completely random.

Drawdown. A drawdown is any losing period during an investment time frame. It is calculated by taking the peak-to-valley loss relative to the peak for a stated time period. The figure is expressed as a percentage

Global Macro. A hedge fund strategy that bases its long and short positions in various equity, fixed income, currency, and commodity futures primarily on overall market direction as influenced by economic events and political views of various developed and emerging market countries.

Long. Buying an asset/security that gives partial ownership to the buyer of the position. Long positions profit from an increase in price.

Managed Futures. A strategy or asset class managed by professional investment managers, known as Commodity Trading Advisors, who use proprietary trading systems to invest in futures and options contracts across a wide range of global markets and asset classes including stocks, bonds, commodities and currencies.

Short. Selling an asset/security that may have been borrowed from a third party with the intention of buying back at a later date. Short positions profit from a decline in price. If a short position increases in price, covering the short position at a higher price may result in a loss.

Standard Deviation. A statistical measure of how consistent returns are over time; a lower standard deviation indicates historically less volatility.

VAMI. Value added monthly index. A graph that shows the compounded growth of a \$1,000 investment on a monthly basis.

INDEX DEFINITIONS

An investor cannot invest directly in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented. The referenced indices are shown for general market comparisons and are not meant to represent any particular investment.

Global Macro. The Barclay Global Macro Index tracks the performance of ~175 global macro programs, by ending monthly values, net of fees, as reported to Barclay Hedge.

Large Cap Equities. The Russell 1000 Index is an index of approximately 1,000 of the largest companies in the US equity markets, the Russell 1000 is a subset of the Russell 3000 Index. The Russell 1000 (maintained by the Russell Investment Group) comprises over 90% of the total market capitalization of all listed US stocks, and is considered a bellwether index for large cap investing. The Russell 1000 is a market capitalization-weighted index, meaning that the largest companies constitute the largest percentages in the index and will affect performance more than the smallest index members.

Managed Futures. The Altegris 40 Index[®] tracks the performance of the 40 leading managed futures programs, by ending monthly equity (assets) for the previous month, as reported to Altegris by the over 500 managed futures programs that report performance to Altegris' proprietary database. The Altegris 40 index represents the dollar-weighted average performance of those 40 constituent programs. The Index started in July 2000; data is available back to 1990.

Long-only Equity. The S&P 500 Total Return Index is the total return version of S&P 500 index. The S&P 500 index is unmanaged and is generally representative of certain portions of the US equity markets. For the S&P 500 Total Return Index, dividends are reinvested on a daily basis and the base date for the index is January 4, 1988. All regular cash dividends are assumed reinvested in the S&P 500 index on the ex-date. Special cash dividends trigger a price adjustment in the price return index.

Long/Short Equity. The HFRI Equity Hedge (Total) Index tracks funds that maintain positions both long and short in primarily equity derivative securities. Equity hedge managers would typically maintain at least 50% exposure, and may in some cases be entirely invested in, equities—both long and short. HFRI Equity Hedge (Total) is a fund weighted index and reflects monthly returns, net of all fees, of funds that have at least \$50 million under management or been actively trading for at least twelve months.

Long/Short Fixed Income. The HFN Fixed Income (non-arbitrage) Index includes funds that are invested in fixed income instruments and tend to be long-biased holders of securities. Funds may employ long/short strategies attempting to benefit from under or overvalued fixed income securities. These funds may be highly leveraged. The Index uses equal weighted averages of monthly returns funds reported by US and international investment managers and are grouped together based on primary strategy classifications contained in the HedgeFund.net Database.

US Bonds & Long-only Fixed Income. The Barclays Capital US Aggregate Index represents securities that are SEC-registered, taxable and dollar denominated. The index covers the US investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. These specific indices include the Government/Credit Index, Government Index, Treasury Index, Agency Index and Credit Index.

US Stocks & Long-only Equity. The S&P 500 Total Return Index is the total return version of S&P 500 index. The S&P 500 index is unmanaged and is generally representative of certain portions of the US equity markets. For the S&P 500 Total Return Index, dividends are reinvested on a daily basis and the base date for the index is January 4, 1988. All regular cash dividends are assumed reinvested in the S&P 500 index on the ex-date. Special cash dividends trigger a price adjustment in the price return index.

INDEX DESCRIPTIONS AND RISKS

	Representative Index	Characteristics	Key Risks
Global Macro	Barclay Global Macro Index	~175 global macro programs by monthly values as reported to Barclay	<p>Market risk. Prices may decline.</p> <p>Leverage risk. Volatility and risk of loss may magnify with use of leverage.</p> <p>Country / regional risk. World events may adversely affect values.</p>
Large Cap Equities	Russell 1000 Index	~1000 of the largest securities in the US equity universe based on market cap and current index membership	<p>Stock market risk. Stock prices may decline.</p> <p>Country / regional risk. World events may adversely affect values.</p>
Managed Futures	Altegris 40 Index®	40 top AUM managed futures programs, monthly, as reported to Altegris	<p>Market risk. Prices may decline.</p> <p>Leverage risk. Volatility and risk of loss may magnify with use of leverage.</p> <p>Country / regional risk. World events may adversely affect values.</p>
Long/Short Equity	HFRI Equity Hedge (Total) Index	Long/short strategies with >50% equities by monthly values, as reported to HFR	<p>Stock market risk. Stock prices may decline.</p> <p>Leverage risk. Volatility and risk of loss may magnify with use of leverage.</p> <p>Country / regional risk. World events may adversely affect values.</p> <p>Currency risk. Unfavorable exchange rates may occur.</p>
Long/Short Fixed Income	HFN Fixed Income (non-arbitrage) Index	Long/short fixed income strategies by monthly values, as reported to eVestment HFN	<p>Interest rate risk. Bond prices will decline if rates rise.</p> <p>Credit risk. Bond issuer may not pay.</p> <p>Income risk. Income may decline.</p> <p>Leverage risk. Volatility and risk of loss may magnify with use of leverage.</p>
US Bonds & Long-only Fixed Income	Barclays Capital US Aggregate Bond Index	Wide spectrum of taxable, investment-grade US fixed income	<p>Interest rate risk. Bond prices will decline if rates rise.</p> <p>Credit risk. Bond issuer may not pay.</p> <p>Income risk. Income may decline.</p>
US Stocks & Long-only Equity	S&P 500 Total Return (TR) Index	500 US stocks Weighted towards large capitalizations	<p>Stock market risk. Stock prices may decline.</p> <p>Country / regional risk. World events may adversely affect values.</p>



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