Convergent and Divergent Strategies: A New Perspective for Evaluating Alternative Investments

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Authored by:
Jon Sundt, President & CEO, Altegris
Allen Cheng, Chief Investment Officer, Altegris Advisors

Executive Summary

Diversification has long been acknowledged as a critical goal when designing a portfolio—and yet investors interested in alternative investments as potential diversifiers are often unsure of how to best utilize them. Altegris recommends an enhanced approach to both the idea of diversification and the method of seeking to achieve it.

> While traditional techniques have typically centered on allocating to different asset classes, geographies or investment styles, we believe evaluating investment strategies as either convergent or divergent can provide a useful lens through which to view the idea of portfolio diversification.

> Convergent strategies—of which long-only equity and long-only fixed income are the standard examples—form the core of most traditional investors’ portfolios, and are based on the idea that the intrinsic value of an asset can be measured using fundamental data. By analyzing this data, a manager can express an opinion on whether an asset is over- or undervalued, based upon the belief that the price will “converge” to its intrinsic value over time in a market that is rational and efficient.

> Divergent strategies, in contrast, aim to profit when fundamental valuations are ignored by the market. These strategies—of which managed futures are the prime example—seek to identify and exploit price dislocations, often exemplified by serial price movement that reflects changing market themes and investor sentiment. Market shocks and crises have historically created ideal conditions for divergent strategies to potentially thrive.

> Global macro can be viewed as a hybrid of convergent and divergent approaches, with managers utilizing fundamental economic data to anticipate market dislocations and position a portfolio for “divergence,” or to identify mispriced markets and position a portfolio for “convergence.”
Most strategies—and investors’ portfolios, for that matter—are convergent-focused. However, investors should recognize that markets often go through periods when the macroeconomic environment can overwhelm bottom-up considerations, and those periods can be particularly harmful to portfolios designed to profit exclusively from conditions in which fundamentals drive pricing. As a result, we believe that moving beyond traditional notions of diversification is essential.

Among the range of alternative investment strategies that can be classified as convergent or divergent, we believe that a handful in particular, when taken together, can help maximize portfolio diversification and potential risk-adjusted returns: long/short equity, long/short fixed income, managed futures and global macro.

A multi-strategy approach offers a number of distinct potential advantages for accessing these strategies. Investors choosing a liquid, multi-strategy, multi-manager fund have the potential to enjoy some of the primary advantages of mutual funds and may also reap the possible rewards of alternative investment exposure.

By viewing diversification within a convergent/divergent context, and investing in those strategies that have the ability to profit in a wide variety of market conditions, investors can potentially inject their portfolios with additional sources of non-correlated returns, reduce their volatility and help mitigate the effects of down markets. A multi-strategy mutual fund can present a particularly appealing option: a convenient, liquid framework for helping achieve a more comprehensive degree of diversification. It is important to note that diversification does not ensure a profit or protect against loss in a positive or declining market.

“While traditional techniques have typically centered on allocating to different asset classes, geographies or investment styles, we believe evaluating investment strategies as either convergent or divergent can provide a useful lens through which to view the idea of portfolio diversification.”
A New Framework for Diversification

Diversification has long been recognized as a critical goal when designing an investment portfolio—not just in times of global macroeconomic uncertainty, but across all market cycles. Indeed, diversification/low correlation was the most often cited driver of alternative investment demand among financial advisors and institutional investors in Morningstar and Barron’s annual Alternative Investment Survey, published in May 2012. Similarly, diversification was cited by 90% of respondents as among the top three reasons for investing in alternatives, according to Russell Investments’ 2012 Global Survey on Alternative Investing, published in June 2012.

However, while many investors are interested in alternative investments as potential diversifiers for their portfolios, they remain unsure of how they can best utilize them. In response to this challenge, Altegris recommends an enhanced approach to both the concept of diversification as well as the method of seeking to achieve it.

While traditional diversification techniques have typically centered on allocating to different asset classes, geographies or investment styles, we believe that there is another method that investors should consider. We suggest that evaluating investment strategies as either convergent or divergent can provide a useful lens through which to view the idea of portfolio diversification. Further, we believe that allocating to a blend of the two categories offers the potential to build a truly diversified portfolio for the long term, with the ability to deliver non-correlated returns and potentially generate strong risk-adjusted performance through a range of market conditions.

Convergent strategies are based on the idea that the intrinsic value of an asset can be measured using fundamental data, such as a company’s projected earnings, dividends and growth rates. By analyzing this data, a convergent manager can express an opinion on whether a particular asset is over- or undervalued, based upon the belief that the price

1 True Hedge Fund of Fund Diversification Through a ‘Convergent/Divergent’ Approach, Robert Covino, SSARIS, February 2011
Convergent and Divergent Strategies

Traditional long-only investments are typically convergent strategies, while alternative investments can be either convergent or divergent in nature. Managed futures are the prime example of a divergent strategy. Managed futures managers pursuing this highly technical approach generally utilize proprietary, model-based trading systems to identify market trends and react to corresponding price movements in markets. Global macro can be considered a hybrid of convergent and divergent approaches, with managers utilizing fundamental economic data to anticipate market dislocations and position a portfolio for “divergence,” or to identify mispriced markets and position a portfolio for “convergence.” Figure 1 outlines some of the primary examples of convergent and divergent strategies among both traditional and alternative investments.

FIGURE 1.
EXAMPLES OF TRADITIONAL AND ALTERNATIVE CONVERGENT AND DIVERGENT STRATEGIES

Traditional Strategies | Alternative Strategies
---|---
**Divergent Strategies** | Managed Futures | Global Macro
**Convergent Strategies** | Long-Only Equity | Long/Short Fixed Income | Global Macro
| Long-Only Fixed Income | Long/Short Equity |

Source: Altegris

For illustrative purposes only. There is no guarantee any investment will achieve its objectives, generate profits or avoid losses. Not all managers following the above strategies will necessarily fall into these illustrative categories.

will “converge” to its intrinsic value over time in a market that is rational and efficient. Long-only equity and fixed income, which in the classic 60%/40% asset allocation model comprise the core of most traditional investors’ portfolios, are standard convergent strategies.

Divergent strategies, in contrast, aim to profit when fundamental valuations are ignored by the market. These strategies seek to identify and exploit price dislocations, often exemplified by serial price movement (trends and momentum) that reflects changing market themes and investor sentiment. Market shocks and crises have historically created ideal conditions for divergent strategies.
An ‘Alternative’ to Traditional Asset Allocation Approaches

It’s important to bear in mind that most strategies—and investors’ portfolios, for that matter—are convergent-focused, and for good reason. There is indeed value over time in investing in a “rational” strategy, as markets do behave rationally the majority of the time, and valuations and fundamentals clearly matter in the long run.\(^2\)

However, investors should also recognize that markets often go through periods when the macroeconomic environment can override what pure bottom-up fundamentals can account for—when prices behave irrationally and are punctuated by high levels of volatility. Such times, when asset prices can become detached from their underlying fundamental characteristics, can be particularly harmful to portfolios that are designed to profit exclusively from conditions in which fundamentals drive pricing.

That’s why we believe that moving beyond traditional notions of diversification—which typically result in an overexposure to long-only convergent strategies—is so critical. The first step in improving upon this conventional framework is to seek “alternative convergent” strategies: more flexible approaches driven less by market beta and more by opportunistic, skill-based investing.

“Alternative convergent strategies can help investors employ a more aggressive defense in down markets, as compared to long-only approaches that have more rigid parameters.”

\(^2\) A Case for SSARIS’ Convergent/Divergent Philosophy, SSARIS, January 2012; Hedge Funds in an Institutional Portfolio, Pension Consulting Alliance, 2011
Alternative convergent investment strategies have historically displayed strong risk-reward characteristics compared to long-only approaches. Manager pursuit of a long/short equity strategy seeks to profit through effective stock selection and market exposure management. Managers have the ability to buy (“go long”) securities they expect to increase in price and sell (“go short”) borrowed securities they expect to depreciate, allowing them to profit from convergence in both undervalued and overvalued securities. They also control the portfolio’s net exposure to the market by adjusting the mix of long and short holdings. Managers’ ability to profit from both rising and falling prices of individual equities, as well as their ability to adjust their aggregate market exposure, determines their success.

Long/short equity and long/short fixed income are prominent examples of such alternative convergent strategies. Managers pursing a long/short equity strategy seek to profit through effective stock selection and market exposure management. Managers have the ability to buy (“go long”) securities they expect to increase in price and sell (“go short”) borrowed securities they expect to depreciate, allowing them to profit from convergence in both undervalued and overvalued securities. They also control the portfolio’s net exposure to the market by adjusting the mix of long and short holdings. Managers’ ability to profit from both rising and falling prices of individual equities, as well as their ability to adjust their aggregate market exposure, determines their success. Long/short fixed income managers invest in both corporate and sovereign debt while incorporating short strategies to mitigate credit and interest-rate risks.

While convergent strategies tend to have a higher level of correlation to the broader equity market when compared to divergent strategies, alternative convergent strategies such as long/short approaches to equity and fixed income depend less on market beta to generate returns, are able to take advantage of a greater range of opportunities due to their flexibility (e.g., ability to go long and short and manage net exposure), and therefore possess the capacity for lower volatility and greater risk–reward potential. As a result, alternative convergent strategies can help investors employ a more aggressive defense in down markets, as compared to long-only approaches that have more rigid parameters (See Figure 2).

This table underscores how the long/short equity and fixed income managers composing their respective indices have displayed the ability to opportunistically deliver returns across a broad array of market environments—in contrast to long-only approaches that depend solely upon positive price movements to produce positive portfolio returns.

### FIGURE 2.
**PERFORMANCE STATISTICS | January 1990–May 2012**

<table>
<thead>
<tr>
<th></th>
<th>Long-Only Equity</th>
<th>Long/Short Equity</th>
<th>Long-Only Fixed Income</th>
<th>Long/Short Fixed Income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Rate of Return</strong></td>
<td>8.31%</td>
<td>12.73%</td>
<td>7.00%</td>
<td>10.75%</td>
</tr>
<tr>
<td><strong>Annual Standard Deviation</strong></td>
<td>15.17%</td>
<td>9.31%</td>
<td>3.73%</td>
<td>4.73%</td>
</tr>
<tr>
<td><strong>Sharpe Ratio</strong></td>
<td>0.38</td>
<td>1.10</td>
<td>1.21</td>
<td>1.74</td>
</tr>
</tbody>
</table>
Preparing for the Worst

While more flexible alternative convergent strategies offer the potential to markedly improve a traditional long-only portfolio’s risk-return profile in a range of markets, severe downturns remain a particularly vexing challenge. Indeed, market crises—as the name would imply—are generally not conducive to most investment approaches, and can be particularly difficult for convergent strategies that are based purely on fundamentals.

Divergent strategies, however, have historically exhibited a talent for prospering in these types of conditions, and it is for this reason we suggest that investors consider looking beyond long-only convergent strategies alone as they design a long-term investment plan.

The reason divergent strategies differ from other approaches is that they are generally agnostic to fundamentals, and thus can capitalize on market environments in which convergent strategies can be negatively impacted. As a result, even a relatively modest allocation to divergent strategies can potentially serve as a “seatbelt” for a portfolio, and thus represent a particularly strong option for investors looking beyond customary long-only asset allocation models.

The most famous example of the seatbelt effect was in the financial crisis of 2008. During that period, as panic and irrationality overwhelmed the markets, the trading values of securities and asset classes became massively disconnected from their fundamental values. The high correlations to equities—and associated losses—of many convergent portfolios highlighted the fact that returns for a number of investment managers over time had been driven largely by exposure to market beta. In contrast, divergent strategies significantly outperformed convergent strategies during this
period, providing investors fortunate enough to be allocated to them with a crucial defense during an otherwise brutal market environment (See Figure 3).

It is important to note, however, that this relative outperformance was not confined to the Credit Crisis. Indeed, divergent strategies have a long history of providing “crisis alpha.” During such times, when equity markets plunge and liquidity dries up, most investors—who are generally long-biased—can suffer substantial losses in their portfolios. These losses, in turn, tend to prompt subsequent investment decisions governed less by reason and more by behavioral biases and emotions, which tend to lead to synchronized waves of selloffs\(^3\).

It is within this kind of environment (when long-only convergent strategies tend to be stuck in a negative feedback loop) that more versatile strategies can thrive. Both alternative convergent and divergent strategies differ from long-only approaches, in that they employ dynamic trading strategies that are dependent primarily on a manager’s skill to generate strong risk-adjusted returns, rather than on the performance of the broader markets. They also share the flexibility to hold both long and/or short positions, and adjust their net exposure to the market as well. Where divergent strategies have an added advantage in down markets, however, is that these managers can move fluidly between commodities, currencies, interest rates and equity indices, and can thus trade in the most liquid instruments at a time when some asset classes seize up. Ultimately, managers engaged in long/short equity, long/short fixed income, managed futures and global macro alike have the flexibility within their strategies to pursue a greater range of opportunities, regardless of where the broader markets are moving. Thus, they

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**FIGURE 3.**

**TOTAL RETURN DURING CRISIS PERIOD | October 2007–February 2009**

Managed futures and global macro represented rare bright spots amid the Credit Crisis.

<table>
<thead>
<tr>
<th></th>
<th>US Stocks</th>
<th>Managed Futures</th>
<th>Global Macro</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Credit Crisis (Oct-07 – Feb-09)</strong></td>
<td>–50%</td>
<td>19%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Note: Please see non-crisis period performance in Figure 6 on page 14.

Source: Altegris

**PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.** 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 an investment will achieve its objective, generate profits or avoid losses. **INDICES:** US Stocks: S&P 500 Total Return Index; Managed Futures: Altegris 40 Index® (started in July 2000; data is available back to 1990); Global Macro: Barclay Global Macro Index. Total return is only one measure of performance. Performance should never be the sole consideration when making an investment decision. See page 21 for performance returns over various time frames. See pages 24 and 25 for additional index definitions, descriptions and risks.

\(^3\) Crisis Alpha and Risk in Alternative Investment Strategies, Kathryn Kaminski and Alexander Mende; In Search of Crisis Alpha: A Guide to Investing in Managed Futures, Kathryn Kaminski
possess greater risk-adjusted return potential than managers that confine themselves to strict benchmark-oriented mandates, as is the case for long-only convergent approaches.

In addition, convergent strategies tend to be short volatility, because they expect volatile moves away from fundamentals to converge back to "normal." In contrast, divergent strategies make no such assumption, and instead may take sharp price moves as a sign of additional price moves to come. The fact that investor actions have been shown to proceed in lockstep and follow recognizable behavioral patterns during a market crisis has played right into strategies such as trend-following managed futures and global macro on a historical basis. While past performance is not necessarily indicative of future results, managed futures and global macro managers have historically been able to generate strong returns during multiple market crises. During both the Tech Bubble and "Summer Shock" of 2011, for example, US stocks fell substantially, while managed futures and global macro managed to more than hold their own (See Figure 4).

FIGURE 4.
TOTAL RETURN DURING CRISIS PERIODS
Managed futures and global macro outperformed long-only equities in recent market downturns beyond the Credit Crisis.

<table>
<thead>
<tr>
<th></th>
<th>US Stocks</th>
<th>Managed Futures</th>
<th>Global Macro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tech Bubble</td>
<td>-45%</td>
<td>43%</td>
<td>17%</td>
</tr>
<tr>
<td>(Sep-00–Sep-02)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Summer Shock</td>
<td>-14%</td>
<td>3%</td>
<td>-2%</td>
</tr>
<tr>
<td>(Jul-11–Sep-11)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Please see non-crisis period performance in Figure 6 on page 14.
Source: Altegris

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. 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 an investment will achieve its objective, generate profits or avoid losses. INDICES: US Stocks: S&P 500 Total Return Index; Managed Futures: Altegris 40 Index® (started in July 2000; data is available back to 1990); Global Macro: Barclay Global Macro Index. Total return is only one measure of performance. Performance should never be the sole consideration when making an investment decision. See page 21 for performance returns over various time frames. See pages 24 and 25 for additional index definitions, descriptions and risks.

This performance review also highlights the fact that convergent strategies are generally more susceptible to large negative “tail events,” or low probability but highly destructive downward market moves. In addition, these events are generally highly correlated with stressed assets (read: equities) that comprise the bulk of a typical investor’s portfolio during times of crisis. Figure 5 illustrates the degree to which managed futures and global macro have historically been able to mitigate some of the most deleterious effects of crises.

As a result, investors should endeavor to diversify their portfolios both in general and for the extreme. True diversification is important in typical market environments, but when markets fall into crises, the ability to limit the downside (i.e., to have a seatbelt) is absolutely critical for survival.
Managed futures and global macro have exhibited lower standard deviations and drawdowns compared to stocks through several market cycles.

“The fact that investor actions have been shown to proceed in lockstep and follow recognizable behavioral patterns during a market crisis has played right into strategies such as trend-following managed futures and global macro on a historical basis.”

Source: Altegris.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. 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 that any investment will achieve its objectives, generate profits or avoid losses. Drawdown measures the peak-to-valley loss relative to the peak for a stated time period. INDICES: US Stocks: S&P 500 Total Return Index; Managed Futures: Altegris 40 Index® (started in July 2000; data is available back to 1990); Global Macro: Barclay Global Macro Index. Performance should never be the sole consideration when making an investment decision. See page 21 for performance returns over various time frames. Date range based on common period of data availability for shown indices. See pages 24 and 25 for additional index definitions, descriptions and risks.
A Ride on the Upside

Investors should also keep in mind an important point about divergent strategies: while they have a history of excelling when stocks are tanking, they have also demonstrated the ability to do well even when stocks are thriving.

This characteristic is illustrated in Figure 6, which shows that even in the recent periods of greatest stock performance, divergent strategies still fared well. Of course, there is no guarantee that these results will be achieved in the future.

As the chart makes clear, the solid performance of divergent strategies in some of these particular market environments highlights the “smoother” ride that a portfolio can potentially enjoy if it contains a balance of convergent and divergent allocations. In this way, managed futures and global macro do not represent an all-or-nothing approach—as long-only equities can be, largely due to the fact that the strategy’s managers are essentially confined to adjusting one variable. Just because divergent strategies can offer a seatbelt to investors in difficult periods doesn’t mean that the seatbelt constrains a portfolio during more sanguine times.

By embracing an investment approach that combines convergent and divergent strategies, investors can best achieve true diversification: the ability for their portfolios to generate solid risk-adjusted returns across a wide range of markets—even throughout the most challenging of conditions. Such a portfolio could also help investors minimize the impact that large negative tail events can have on portfolios that are typically confined to largely convergent (and market beta-dependent) strategies.
“By embracing an investment approach that combines convergent and divergent strategies, investors can best achieve true diversification: the ability for their portfolios to generate solid risk-adjusted returns across a wide range of markets—even throughout the most challenging of conditions.”
Convergent/Divergent in Practice: A Multi-Strategy Approach

Among the range of alternative investment strategies that can be classified as convergent or divergent, we believe that a handful in particular, when taken together, can help maximize portfolio diversification: long/short equity, long/short fixed income, managed futures and global macro.

These four strategies share some key similarities. All generally focus on deep, actively traded markets. All also have the flexibility to go long and short, thus providing investors with the capacity to generate returns in a variety of market conditions. Ultimately, these strategies have all stood the test of time in terms of delivering strong, non-correlated, risk-adjusted returns in a variety of markets, and when taken as a group can also provide potential downside protection for investors seeking alternative investment strategies for difficult environments.

Investors have several avenues for accessing these alternative convergent and divergent strategies. Making direct private placement investments with individual managers is one option. Another, given the relatively liquid nature of the four approaches outlined above, is to invest in one or more strategy-specific alternative mutual funds. Finally, a multi-strategy approach offers what we believe is a particularly compelling value for investors seeking efficient exposure to a mix of convergent and divergent strategies, particularly within a multi-manager structure.

A multi-strategy, multi-manager framework provides the potential for a number of distinct advantages, including:

- Astute manager selection and access to underlying managers who are rarely open to new capital, especially within a mutual fund format;
- Diversification benefits within one fund at both the strategy and manager levels, thus lowering the potential volatility for an investor’s overall portfolio;
- Dynamic and efficient allocations between the sub-strategies overseen by the portfolio manager; and
- Ongoing risk management and comprehensive monitoring of underlying managers and portfolio positions.

For investors looking at a multi-strategy approach, partnering with an experienced, sophisticated portfolio manager is key.
Such a portfolio manager brings to the table the ability to identify and evaluate both strategies and managers, the expertise to negotiate access and the proper vehicles through which investors can invest in top-tier managers, the skill to deliver both strategic and tactical allocation benefits (providing additional diversification and risk–return potential), and the operational infrastructure to supply investors with a robust risk management system. Figure 7 illustrates the potential benefits of adding both alternative convergent and divergent allocations to a traditional portfolio.

**FIGURE 7.**
**CONVERGENT AND DIVERGENT ALTERNATIVES IN AN ILLUSTRATIVE PORTFOLIO** | January 1997–May 2012

A portfolio can see enhanced potential risk–reward characteristics as a result of allocations to both alternative convergent and divergent strategies.

<table>
<thead>
<tr>
<th>Traditional Portfolio</th>
<th>Traditional Portfolio + Alternative Convergent Strategies</th>
<th>Traditional Portfolio + Alternative Convergent and Divergent Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Return</td>
<td>163.00%</td>
<td>183.49%</td>
</tr>
<tr>
<td>Annual Rate of Return</td>
<td>6.47%</td>
<td>6.99%</td>
</tr>
<tr>
<td>Annual Standard Deviation</td>
<td>9.72%</td>
<td>8.72%</td>
</tr>
<tr>
<td>Worst Drawdown</td>
<td>-30.75%</td>
<td>-29.02%</td>
</tr>
<tr>
<td>Sharpe Ratio</td>
<td>0.41</td>
<td>0.52</td>
</tr>
</tbody>
</table>

Source: Altegris

The referenced indices are for shown for general market comparisons and are not meant to represent any particular fund. The above hypothetical illustration is not intended, and should not be construed as, asset allocation advice. **Diversification does not ensure profit or protect against loss in a positive or declining market.** There is no guarantee that any investment product will achieve its objectives, generate profits or avoid losses. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. 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. Sharpe ratio assumes a 2.50% risk-free rate. INDICES: Long-only Fixed Income: Barclays Capital US Aggregate Index; Long-only Equity: S&P 500 Total Return Index; Long/Short Equity (LSE): HFRI Equity Hedge (Total) Index; Managed Futures (MF): Altegris 40 Index® (started in July 2000; data is available back to 1990); Global Macro (GM): Barclay Global Macro Index; Long/Short Fixed Income (LSFI): HFN Fixed Income (non-arbitrage) Index. Assumes annual rebalancing. Date range based on common period of data availability for shown indices. See pages 24 and 25 for additional index definitions, descriptions and risks.
The diversification benefits of a multi-strategy approach include low correlations not only to traditional asset classes, but also among the underlying strategies. Within a convergent/divergent context, long/short equity, long/short fixed income, global macro and managed futures have historically provided return streams that are lowly correlated to each other and to the broader markets (See Figure 8). However, it is important to remember that diversification does not ensure profit or protect against loss in a positive or declining market.

Investors allocating to these strategies via liquid alternatives have the potential to enjoy some of the primary advantages of mutual funds—ease of allocating and rebalancing, low investment minimums, more flexible investor pre-qualifications and efficient tax reporting—while also reaping the possible rewards of alternative investment exposure, including strong potential risk-adjusted returns and reduced volatility.

FIGURE 8.
CORRELATION TABLE | January 1997–May 2012
Long/short equity, long/short fixed income, managed futures and global macro have historically been characterized by low correlations to other asset classes.

<table>
<thead>
<tr>
<th>Long-only Equity</th>
<th>Long-only Fixed Income</th>
<th>Managed Futures</th>
<th>Global Macro</th>
<th>Long/Short Equity</th>
<th>Long/Short Fixed Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-only Equity</td>
<td>1.00</td>
<td>-0.03</td>
<td>-0.16</td>
<td>0.46</td>
<td>0.77</td>
</tr>
<tr>
<td>Long-only Fixed Income</td>
<td>-0.03</td>
<td>1.00</td>
<td>0.24</td>
<td>0.17</td>
<td>-0.02</td>
</tr>
<tr>
<td>Managed Futures</td>
<td>-0.16</td>
<td>0.24</td>
<td>1.00</td>
<td>0.51</td>
<td>-0.01</td>
</tr>
<tr>
<td>Global Macro</td>
<td>0.46</td>
<td>0.17</td>
<td>0.51</td>
<td>1.00</td>
<td>0.72</td>
</tr>
<tr>
<td>Long/Short Equity</td>
<td>0.77</td>
<td>-0.02</td>
<td>-0.01</td>
<td>0.72</td>
<td>1.00</td>
</tr>
<tr>
<td>Long/Short Fixed Income</td>
<td>0.60</td>
<td>0.22</td>
<td>0.02</td>
<td>0.56</td>
<td>0.71</td>
</tr>
</tbody>
</table>

Source: Altegris
PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. 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 an investment will achieve its objective, generate profits or avoid losses. Correlation is a statistical measure of how returns of two strategies move together over time; a correlation of 1 indicates the two returns move perfectly together, 0 indicates movements are random, and -1 indicates opposite movements. INDICES: Long-only Fixed Income: Barclays Capital US Aggregate Index; Long-only Equity: S&P 500 Total Return Index; Long/Short Equity: HFRX Equity Hedge (Total) Index; Managed Futures: Altegris 40 Index® (started in July 2000; data is available back to 1990); Global Macro: Barclay Global Macro Index; Long/Short Fixed Income: HFN Fixed Income (non-arbitrage) Index. Performance should never be the sole consideration when making an investment decision. Correlations will by nature vary over time. See page 22 for correlations over various time frames. See pages 24 and 25 for additional index definitions, descriptions, and risks.
Within a multi-strategy framework, partnering with a portfolio manager with access to “the real deal”—elite alternative investment managers with a history of delivering strong risk-adjusted returns in a variety of markets—is critical, across both convergent and divergent strategies. These underlying managers should possess extensive experience actively managing both long and short sides of portfolios, and be of such overall quality that experienced alternative investors like Altegris would consider allocating to them on a stand-alone, private placement basis. As a result, these managers would typically command higher fees than traditional mutual fund managers. This contrasts with a number of mutual funds that are not “true” alternative investment offerings, in that they might include underlying managers transitioning from the long-only world who have not yet mastered the difficult skill of executing profitable short trades, which is essential for pursuing all of the strategies within our recommended convergent/divergent basket. Mutual fund investors in particular have historically been fee-sensitive, as they are more accustomed to buying low-cost, index-based products. We believe that true talent is worth paying for—potentially higher fees are appropriate in exchange for access to some of the best investment talent in the world. Whether in private placement or mutual fund format, the best managers can be more expensive for investors to engage directly—if they are open to new investors at all. These managers are generally in a position to be able to command higher fees, regardless of the vehicle in which they are available, and if they can deliver consistently strong risk-adjusted net returns, these fees would likely represent a wise investment. Figure 9 illustrates how this caliber of manager, packaged in a well-designed, multi-strategy framework, can potentially help investors achieve their long-term risk-adjusted return objectives, as shown by the hypothetical growth of a $1,000 investment using index data to represent the strategies.
Investors can potentially benefit from a multi-strategy approach that includes investments in both convergent and divergent strategies.

Sources: Altegris

**Past performance is not indicative of future results.** 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 an investment will achieve its objective, generate profits or avoid losses. INDICES: US Bonds: Barclays Capital US Aggregate Index; US Stocks: S&P 500 Total Return Index; Long/Short Equity: HFRI Equity Hedge (Total) Index; Managed Futures: Altegris 40 Index® (started in July 2000; data is available back to 1990); Global Macro: Barclay Global Macro Index; Long/Short Fixed Income: HFN Fixed Income (non-arbitrage) Index. Total return is only one measure of performance. Performance should never be the sole consideration when making an investment decision. See page 21 for performance returns over various time frames. See pages 24 and 25 for additional index definitions, descriptions and risks.

**Traditional Portfolio: 60% US Stocks, 40% US Bonds**

**Traditional Portfolio + Alternative Convergent & Divergent Strategies: 35% US Stocks, 25% US Bonds, 15% Long/Short Equity, 10% Long/Short Fixed Income, 7.5% Global Macro, 7.5% Managed Futures.**
The idea of diversification, while long coveted by investors, can be viewed in a variety of ways. Investors have traditionally focused on the correlations between asset classes, geographies or investment styles, yet such measures can only tell part of the story—particularly when severe market downturns can upend historical norms.

By looking at diversification through a convergent/divergent lens, and investing in those strategies that have the ability to profit in a wide variety of market conditions, investors can potentially inject their portfolios with additional sources of non-correlated returns, reduce their volatility and help mitigate the corrosive effects of down markets. A multi-strategy approach that includes exposure to best-of-breed managers pursuing a range of core alternative investment methods that represent both convergent and divergent strategies offers the potential to efficiently deliver these benefits to investors.

For investors attracted to alternative investments’ potential benefits but unsure of exactly how to implement them, a multi-manager, multi-strategy mutual fund can present a particularly appealing choice: a convenient, liquid framework for helping achieve a more comprehensive degree of diversification.

Conclusion

For more information and perspectives on alternatives, please visit altegrisacademy.com or contact your alternatives consultant at Altegris Investments (800) 828-5225.
### FIGURE 10.

INDEX HISTORICAL PERFORMANCE (AS OF MAY 2012)

#### Annual Rate of Return

<table>
<thead>
<tr>
<th>10-Year</th>
<th>5-Year</th>
<th>3-Year</th>
<th>1-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Macro</td>
<td>6.34%</td>
<td>3.55%</td>
<td>2.65%</td>
</tr>
<tr>
<td>Long/Short Equity</td>
<td>4.61%</td>
<td>-0.54%</td>
<td>4.75%</td>
</tr>
<tr>
<td>Long/Short Fixed Income</td>
<td>6.99%</td>
<td>5.09%</td>
<td>11.07%</td>
</tr>
<tr>
<td>Managed Futures</td>
<td>7.03%</td>
<td>3.70%</td>
<td>1.82%</td>
</tr>
<tr>
<td>US Bonds/Long-Only Fixed Income</td>
<td>5.72%</td>
<td>6.73%</td>
<td>7.13%</td>
</tr>
<tr>
<td>US Stocks/Long-Only Equity</td>
<td>4.13%</td>
<td>-0.92%</td>
<td>14.91%</td>
</tr>
</tbody>
</table>

#### Annual Standard Deviation

<table>
<thead>
<tr>
<th>10-Year</th>
<th>5-Year</th>
<th>3-Year</th>
<th>1-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Macro</td>
<td>5.29%</td>
<td>5.42%</td>
<td>4.46%</td>
</tr>
<tr>
<td>Long/Short Equity</td>
<td>8.91%</td>
<td>10.91%</td>
<td>8.99%</td>
</tr>
<tr>
<td>Long/Short Fixed Income</td>
<td>3.89%</td>
<td>5.00%</td>
<td>2.88%</td>
</tr>
<tr>
<td>Managed Futures</td>
<td>10.46%</td>
<td>9.40%</td>
<td>8.77%</td>
</tr>
<tr>
<td>US Bonds/Long-Only Fixed Income</td>
<td>3.61%</td>
<td>3.53%</td>
<td>2.68%</td>
</tr>
<tr>
<td>US Stocks/Long-Only Equity</td>
<td>15.92%</td>
<td>18.98%</td>
<td>15.81%</td>
</tr>
</tbody>
</table>

#### Worst Drawdown

<table>
<thead>
<tr>
<th>10-Year</th>
<th>5-Year</th>
<th>3-Year</th>
<th>1-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Macro</td>
<td>-6.42%</td>
<td>-6.42%</td>
<td>-5.30%</td>
</tr>
<tr>
<td>Long/Short Equity</td>
<td>-30.57%</td>
<td>-30.57%</td>
<td>-13.18%</td>
</tr>
<tr>
<td>Long/Short Fixed Income</td>
<td>-14.56%</td>
<td>-14.56%</td>
<td>-1.35%</td>
</tr>
<tr>
<td>Managed Futures</td>
<td>-13.24%</td>
<td>-10.27%</td>
<td>-7.18%</td>
</tr>
<tr>
<td>US Bonds/Long-Only Fixed Income</td>
<td>-3.82%</td>
<td>-3.82%</td>
<td>-1.64%</td>
</tr>
<tr>
<td>US Stocks/Long-Only Equity</td>
<td>-50.95%</td>
<td>-50.95%</td>
<td>-16.26%</td>
</tr>
</tbody>
</table>

**PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.** 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 an investment will achieve its objective, generate profits or avoid losses. Performance should never be the sole consideration when making an investment decision. INDICES: US Bonds: Barclays US Aggregate Bond Index; US Stocks: S&P 500 Total Return Index; Long/Short Equity: HFRI Equity Hedge (Total) Index; Managed Futures: Altegris 40 Index® (started in July 2000; data is available back to 1990); Global Macro: Barclay Global Macro Index; Long/Short Fixed Income: HFN Fixed Income (non-arbitrage) Index. See pages 24 and 25 for additional index definitions, descriptions and risks.
## FIGURE 11.
### INDEX HISTORICAL CORRELATION (AS OF MAY 2012)

<table>
<thead>
<tr>
<th></th>
<th>Global Macro</th>
<th>Long/Short Equity</th>
<th>Long/Short Fixed Income</th>
<th>Managed Futures</th>
<th>US Bonds/Long-Only Fixed Income</th>
<th>US Stocks/Long-Only Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Macro</td>
<td>1.00</td>
<td>0.69</td>
<td>0.48</td>
<td>0.61</td>
<td>0.12</td>
<td>0.43</td>
</tr>
<tr>
<td>Long/Short Equity</td>
<td>0.69</td>
<td>1.00</td>
<td>0.76</td>
<td>0.08</td>
<td>-0.06</td>
<td>0.84</td>
</tr>
<tr>
<td>Long/Short Fixed Income</td>
<td>0.48</td>
<td>0.76</td>
<td>1.00</td>
<td>0.02</td>
<td>0.22</td>
<td>0.63</td>
</tr>
<tr>
<td>Managed Futures</td>
<td>0.61</td>
<td>0.08</td>
<td>0.02</td>
<td>1.00</td>
<td>0.18</td>
<td>-0.11</td>
</tr>
<tr>
<td>US Bonds/Long-Only Fixed Income</td>
<td>0.12</td>
<td>-0.06</td>
<td>0.22</td>
<td>0.18</td>
<td>1.00</td>
<td>-0.04</td>
</tr>
<tr>
<td>US Stocks/Long-Only Equity</td>
<td>0.43</td>
<td>0.84</td>
<td>0.63</td>
<td>-0.11</td>
<td>-0.04</td>
<td>1.00</td>
</tr>
</tbody>
</table>

**PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.** 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 an investment will achieve its objective, generate profits or avoid losses. Performance should never be the sole consideration when making an investment decision. INDICES: US Bonds: Barclays US Aggregate Bond Index; US Stocks: S&P 500 Total Return Index; Long/Short Equity: HFRI Equity Hedge (Total) Index; Managed Futures: Altegris 40 Index® (started in July 2000; data is available back to 1990); Global Macro: Barclay Global Macro Index; Long/Short Fixed Income: HFN Fixed Income (non-arbitrage) Index. See pages 24 and 25 for additional index definitions, descriptions and risks. Correlations will by nature vary over time.
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.

**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.

**Exposure**: the proportion of money invested in a particular type of security and/or market sector or industry. Usually expressed as a percentage of total portfolio holdings.

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

**Sector**: group of businesses that share similar characteristics or a related product of service (e.g., energy, consumer, financials, technology).

**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.

**Style**: the primary strategy or philosophy used by an investor or money manager to select individual securities.

**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.

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.

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 have been actively trading for at least twelve months.

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 Fixed Income/US Bonds. 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.

Long-only Equity/US Stocks. 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.

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.
### Index Descriptions And Risks

<table>
<thead>
<tr>
<th>Representative Index</th>
<th>Characteristics</th>
<th>Key Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Long/Short Fixed Income</strong>&lt;br&gt;HFN Fixed Income (Non-Arbitrage) Index</td>
<td>Long fixed income strategies reported to eVestment</td>
<td><strong>Interest rate risk.</strong> Bond prices will decline if rates rise.&lt;br&gt;<strong>Credit risk.</strong> Bond issuer may not pay.&lt;br&gt;<strong>Income risk.</strong> Income may decline.&lt;br&gt;<strong>Leverage risk.</strong> Volatility and risk of loss may magnify with use of leverage.</td>
</tr>
<tr>
<td><strong>Long/Short Equity</strong>&lt;br&gt;HFRI Equity Hedge (Total) Index</td>
<td>Long/short strategies with &gt; 50% equities by monthly values, as reported to HFR database</td>
<td><strong>Stock market risk.</strong> Stock prices may decline.&lt;br&gt;<strong>Industry risk.</strong> Adverse sector performance may cause declines.&lt;br&gt;<strong>Leverage risk.</strong> Volatility and risk of loss may magnify with use of leverage.&lt;br&gt;<strong>Country/regional risk.</strong> World events may adversely affect values.</td>
</tr>
<tr>
<td><strong>Managed Futures</strong>&lt;br&gt;Altegris 40 Index®</td>
<td>40 top AUM managed futures programs, monthly, as reported to Altegris</td>
<td><strong>Market risk.</strong> Prices may decline.&lt;br&gt;<strong>Leverage risk.</strong> Volatility and risk of loss may magnify with use of leverage.&lt;br&gt;<strong>Country/regional risk.</strong> World events may adversely affect values.</td>
</tr>
<tr>
<td><strong>US Bonds</strong>&lt;br&gt;Barclays Capital US Aggregate Index</td>
<td>Wide spectrum of taxable, investment-grade US fixed income</td>
<td><strong>Interest rate risk.</strong> Bond prices will decline if rates rise.&lt;br&gt;<strong>Credit risk.</strong> Bond issuer may not pay.&lt;br&gt;<strong>Income risk.</strong> Income may decline.</td>
</tr>
<tr>
<td><strong>US Stocks</strong>&lt;br&gt;S&amp;P 500 Total Return (TR) Index</td>
<td>500 US stocks Weighted towards large capitalizations</td>
<td><strong>Stock market risk.</strong> Stock prices may decline.&lt;br&gt;<strong>Country/regional risk.</strong> World events may adversely affect values.</td>
</tr>
<tr>
<td><strong>Global Macro</strong>&lt;br&gt;Barclay Global Macro Index</td>
<td>~175 global macro programs by monthly values as reported to Barclay</td>
<td><strong>Market risk.</strong> Prices may decline.&lt;br&gt;<strong>Leverage risk.</strong> Volatility and risk of loss may magnify with use of leverage.&lt;br&gt;<strong>Country/regional risk.</strong> World events may adversely affect values.</td>
</tr>
</tbody>
</table>
Risks and Important Considerations

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.

MUTUAL FUNDS INVOLVE RISK INCLUDING POSSIBLE LOSS OF PRINCIPAL.

As with all mutual funds, there is the risk that you could lose money through your investment in the fund. No fund is intended to be a complete investment program. Many factors affect a fund’s net asset value and performance and there can be no assurance that any fund will achieve its investment objectives.

Alternative investment mutual funds are subject to certain risks including, but not limited to, non-diversification risk, which means that a fund may invest in fewer securities at any one time than a diversified fund and the fund’s performance may be more sensitive to any single economic, business, political or regulatory occurrence. Factors such as domestic and foreign economic growth and market conditions, interest rate levels and political events affect the securities and derivatives markets. When the value of the fund’s investments goes down, your investment in a fund decreases in value and you could lose money.

An investment in derivatives, such as futures and options contracts, involves additional risks that a fund would not be subject to if it invested directly in the securities and commodities underlying those derivatives. The fund may experience losses that exceed losses experienced by funds that do not use futures contracts and options. Long options positions may expire worthless. Although futures contracts are generally liquid instruments, under certain market conditions there may not always be a liquid secondary market. Trading restrictions or limitations may be imposed by an exchange, and government regulations may restrict trading in futures contracts and options. Over-the-counter transactions are subject to little, if any, regulation and may be subject to the risk of counterparty default.

When a fund invests in fixed income securities or derivatives, the value of your investment in the fund will fluctuate with changes in interest rates. In general, the market price of debt securities with longer maturities will increase or decrease more in response to changes in interest rates than shorter-term securities. Other risk factors include credit risk (the debtor may default) and prepayment risk (the debtor may pay its obligation early, reducing the amount of interest payments). “High yield” or “junk” bonds present greater credit risk than bonds of higher quality, as well as heightened liquidity risk and risk of default.

Foreign investing involves risks not typically associated with US investments, including adverse fluctuations in foreign currency values, adverse political, social and economic developments, less liquidity, greater volatility, less developed or less efficient trading markets, political instability and differing auditing and legal standards. These risks are magnified in emerging markets.

Alternative investment mutual funds may also engage in short selling and short position derivative activities, which involve significant financial risk. Positions in shorted securities and derivatives are speculative and more risky than “long” positions (purchases) because the cost of the replacement security or derivative is unknown. Therefore, the potential loss on an uncovered short is unlimited, whereas the potential loss on long positions is limited to the original purchase price. You should be aware that any strategy that includes selling securities short could suffer significant losses. Shorting will also result in higher transaction costs (such as interest and dividends), which reduces a fund’s return, and may result in higher taxes. The use of leverage by a fund, such as borrowing money to purchase securities or the use of options, will cause the fund to incur additional expenses and magnify the fund’s gains or loss.

The investment expertise of the portfolio manager may prove to be inaccurate and may not produce the desired results. The manager’s judgments about the attractiveness, value and potential appreciation or depreciation of a particular security in which the fund invests may prove to be inaccurate and may not produce the desired results.

If used in connection with the sale or promotion of an investment company product, this material must be preceded or accompanied by a prospectus for the respective product.
About Altegris

Altegris searches the world to find what we believe are the best alternative investments. Our suite of private funds, actively managed mutual funds and managed accounts provides an efficient solution 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.

Veteran experts in the art and science of alternatives, Altegris guides investors through the complex and often opaque universe of alternative investing. 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 Companies, wholly owned subsidiaries of Genworth Financial, Inc., include Altegris Investments, Altegris Advisors, Altegris Funds and Altegris Clearing Solutions. Altegris currently has approximately $3.27 billion in client assets, and provides clearing services to $997 million in institutional client assets.*

* Altegris and its affiliates are subsidiaries of Genworth Financial, Inc., and are affiliated with Genworth Financial Wealth Management, Inc., and include: (1) Altegris Advisors, LLC, an SEC registered investment adviser, a CFTC-registered commodity pool operator, commodity trading advisor and NFA member; (2) Altegris Investments, Inc., an SEC-registered broker-dealer and FINRA member; (3) Altegris Portfolio Management, Inc. (dba Altegris Funds), a CFTC-registered commodity pool operator, NFA member and SEC-registered investment adviser; and (4) Altegris Clearing Solutions, LLC, a CFTC-registered futures introducing broker and commodity trading advisor and NFA member. The Altegris Companies and their affiliates have a financial interest in the products they sponsor, advise and/or recommend, as applicable. Depending on the investment, the Altegris Companies and their affiliates and employees may receive sales commissions, a portion of management or incentive fees, investment advisory fees, 12b-1 fees or similar payment for distribution, a portion of commodity futures trading commissions, margin interest and other futures-related charges, fee revenue and/or advisory consulting fees.

Genworth Financial, Inc. (NYSE: GNW) is a leading Fortune 500 insurance holding company dedicated to helping people secure their financial lives, families and futures. Genworth has leadership positions in offerings that assist consumers in protecting themselves, investing for the future and planning for retirement—including life insurance, long term care insurance, financial protection coverages, and independent advisor-based wealth management—and mortgage insurance that helps consumers achieve home ownership while assisting lenders in managing their risk and capital.

Genworth has approximately 6,400 employees and operates through three divisions: Insurance and Wealth Management, which includes US Life Insurance, Wealth Management, and International Protection segments; Mortgage Insurance, which includes US and International Mortgage Insurance segments; and the Corporate and Runoff division. Its products and services are offered through financial intermediaries, advisors, independent distributors and sales specialists. Genworth Financial, Inc., which traces its roots back to 1871, became a public company in 2004 and is headquartered in Richmond, Virginia. For more information, visit genworth.com. From time to time, Genworth Financial, Inc. releases important information via postings on its corporate website. Accordingly, investors and other interested parties are encouraged to enroll to receive automatic email alerts and Really Simple Syndication (RSS) feeds regarding new postings. Enrollment information is found under the “Investors” section of genworth.com.