rareview macro

sight beyond sight ™

by Neil Azous

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Overnight Risk-Adjusted Return Monitor

Cross-Asset	Foreign Exchange	Fixed Income	Equities	Commodities
Silver	USD/RUB	UST 10-Yr	China SHCOMP	Silver
S&P 500 E-minis	USD/JPY	German BUXL	S&P 500 E-minis	Palladium

*Highlights the largest positive and negative risk-adjusted returns overnight.

Overnight Summary & Views

You're Only as Good as Your Last Best Trade

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Admin

There will be no Sight *Beyond* Sight tomorrow (Monday) morning. Tonight's special edition is delivered in its place. We will resume normal production Tuesday morning. Happy New Year and best of luck in 2015!

Neil Azous

Wrong Way First ("WWF") Trading

An astute market practitioner that we are fond of once coined the trading phrase "Wrong Way First" ("WWF"). WWF refers to the risk the professional investment community is exposed to at the beginning of every New Year – that is, the first trade will be a reversal in the consensus positioning and inflict severe PnL duress.

While it is true that substantial wealth is only really created over time (i.e. by investing), the money management business is beholden to the Gregorian calendar and that means performance resets at the close of business on December 31st. Put another way, if you manage money for a living you're only as good as your last best trade.

Therefore it should be of little surprise that professionals begin each January more focused on not getting caught up in a New Year's malaise rather than trying to take advantage of opportunities by adding new risk or pressing 2014 positions. The memory of last January, a month which included the unwind of the long Japanese Nikkei and Chinese Yuan carry trade strategies and inflicted severe PnL duress, is still too fresh to forget. This is especially true considering it took the macro strategy six months to climb out of its negative PnL hole and it was only saved when the US Dollar theme sent down a ladder to climb up.

While there are many key discussions underway to start 2015 it is important to highlight that the dominant theme emerging from our discussions with any risk takers is concern over a WWF trading theme materializing. Such is the nature of this business, especially for absolute return strategies.

Our interpretation of these conversations is that the tolerance level to withstand PnL duress around any theme that is currently at a momentum and sentiment extreme – such as long Equities, fixed income duration, and the US Dollar, short Crude Oil, and underweight Emerging Markets – is very low.

As way of background if you apply this theme to actual positioning it reveals that the top WWF candidates across the major asset classes are:

- Currency: Long the US Dollar vs. Short the Euro and Yen
- Fixed Income: Short US and UK front-end, US flattener, Bund/UST Spread
- Commodities: Short Crude Oil, Long EM oil importers vs. Short exporters
- Equities: Long US vs. Underweight Europe

The question then becomes what catalyst could trigger a WWF event and what strategy would lead it?

The catalyst, if there is one, will in our view be a break in the deeply embedded view that the US will continue to diverge from the rest of the world, both in respect to monetary policy and economic growth.

The strategy that would lead it is Equities. Specifically, a rotation into Europe from the US.

After all, investors view the US as a one-engine economic plane propping up the rest of the world and the S&P 500 is therefore the barometer for global beta.

This is where the dogmatic bomb throwers, who make a living on selling blood, and the mass media are getting it wrong. They are only willing to focus on one-side of the view – the potential for US economic deterioration and stock market weakness.

The narrowing of the divergence cannot only be a result of a reversal in the US economic data, which is all most bomb throwers and the media want to talk about at the moment. It also has to be a result of stronger growth in Europe and a change in investor sentiment on China. Otherwise, the US will still be ahead.

In our view there is a greater possibility in the first quarter that the divergence narrows as a result of a positive surprise in Europe and China rather than one-way disappointment in the US.

Our key point is that there is a real risk investors miss out on a sharp rise in Eurozone and Chinese risk assets following the announcement of QE by the European Central Bank (ECB) and a change in investor sentiment on China given the State Owned Enterprise (SOE) outperformance over the private sector, the dramatic monetary easing over the last five weeks (i.e. interest rate cut, LDR increase, etc.), and what may still come before the Lunar New Year – a Reserve Ratio Requirement (RRR) cut and a continuing Government drive to prop-up the local stock markets.

Now add in the benefits from the lower price of Crude Oil and the Bank of Japan's even larger stimulus efforts and it is easier to understand why the "smart money" will look at the narrowing of global divergence as a two-way scenario where the US does not lead growth and sentiment to start 2015.

The overall message is that while a reversal in US economic data would be the most negative acute pressure point globally, there also has to be a probability discounted that a positive surprise in other regions will dictate whether these US consensus positions will be WWF victims.

So while everyone wants to say they like being long on European and Chinese equities versus the US to start 2015 there is a big difference between having an opinion and an actual position in the market. The key point here is that the professional community does not have anywhere near the needed long market exposure to those regions if there were to be an upside surprise, especially the US investor base, which has been selling Europe for the past few months and still getting educated on China's new market conventions and the opportunity set.

Now many of you may ask why we have chosen to focus on Europe and Eurozone equities as a leading WWF trigger.

The answer is that a surprise in European growth/sentiment has the biggest potential to disrupt consensus portfolios as it would result in a "bear steepening" of the interest rate curves in the G3 blocks, a resurgence of Emerging Market exports, and would put a short-term floor under the Euro exchange rate. Now you can debate the degree and lasting impact of each of those moves in terms of PnL duress and duration but the fact is that this outcome would just result in pain, period.

Before dismissing this view on Europe as a possible New Year's surprise, we would point you towards this quick list of data points to consider in your analysis. This list in our view trumps the risks over the legal decision of the ECB Outright Monetary Transactions (OMT) program, the German Bundesbank's continued opposition to QE, or the threat of Greece leaving the Eurozone should a radical party take over the Government after the elections later this month. We know all of these negatives already and so do the prices across asset classes.

- Being ultra-bearish on the Eurozone is the most consensual trade in the world currently. Not one paid forecaster is bullish on the Euro or bearish on German bunds.

- See ECB Money Supply data last week (i.e. M3 and M1); no one wants to talk about ECB monetary growth, despite it being a clear link to German IFO 6-months ahead. (Hat Tip: CP) The same can be said about a weaker Euro exchange rate and the lower price of Crude Oil, both of which benefit both Germany and Spain as leading exporters.

- Greece Elections: If Germany has to choose between either loosening their fiscal restraints and giving the current, more moderate leadership, a chance to maintain power and continue on the current reform path or tighten its grip and increase the chance of a more radical party coming into power (i.e. Syrzia), thereby increasing the chances of disrupting the reform path, Germany is likely to back down after a few weeks of saber-rattling. (Hat Tip: CX) This weekend's news flow that Germany believes the Eurozone could cope with a Greece exit is just politics for example, not reality.

- QE: After two and a half years of investing on words and promises why would professionals reverse course if Draghi finally delivered some tangible action to defend price stability? The answer is they won't.

Personally, we find it prudent to analyze the risk of WWF themes and positions in a two-way framework and so should you. Additionally, you should not only remain open minded as to how or why the divergence theme could narrow but be positioned for at least one major event to materialize just as we are – that is, long on European and short of US Equities.

Below we talk about why the US equity leg is vulnerable.

New Position – Portfolio Overlay – Long S&P 500 Put Option Spread

Below is a matrix containing our trade construction details for being short of the S&P 500.

On a scale of 1-10, with 10 being the most bearish on US risk assets, we begin 2015 at 6-7. Put another way, we think that one of the first exercises for 2015 is for US equity indices to trade lower by 3-4%.

Despite the fact that we are very constructive on the intermediate-term trajectory of the US economy we would concede that professionals are likely to first discount the possibility that the earnings season will show a greater sensitivity to lower Crude Oil prices and a stronger US Dollar beyond just the Energy sector. If this was a court case in a country without the rule of democratic law, the analogy would be that Equities are guilty until proven innocent.

The narrative goes something like this and has a deflation bent built in.

Currently, the consensus view is that the S&P 500 will earn ~$130 of EPS in 2015 and the index should be trading on a 17x multiple. That translates into a price target of ~2200 or +7% higher.

The consensus also believes that at a maximum only ~$5 will be detracted from the S&P 500 top-line EPS number as a result of the Energy sector being damaged by lower Crude Oil prices and that the other nine (9) sectors in the S&P 500 will offset the losses in the Energy sector given the positive earnings tailwind that lower Crude Oil prices will provide.

The risk is two-fold: 1) the detraction in the Energy sector is beyond $5 and 2) before the other sectors share in the benefit of lower Crude Oil prices the initial shock lowers their earnings profile.

What that means is that the original mindset of the Energy sector detracting only $5 from the S&P 500 top line EPS number of $130 and the other nine (9) sectors providing an earnings offset, ends up overshooting because there is a larger pullback in the Energy sector (i.e. -$7) and either the other nine (9) sectors provide no offset, or worse they surprise and actually show an EPS detraction as well.

The latter scenario in quantitative terms would translate into an S&P 500 $119-123 EPS profile, down from $130, and a reduction in the multiple to 15-16x, down from 17x. In S&P 500 index terms that translates into a trading range of 1785-1968 or down 5-13%. Historically, when that happens the re-pricing of that deflation risk is swift because it makes investors question the structural backdrop.

As a result of that, the index skew is asymmetric in the first quarter, that is – more downside (i.e. -5-13%) than upside (i.e. +2-3%), and professionals will need to partially discount the risk of a larger corrective scenario by at least 3-4% before CEO's tell us the verdict that the S&P 500 top-line EPS is innocent, not guilty.

At this point, it is important to distinguish that our view is a drawdown of 3-4% and a discount before companies reinforce the outlook that lower Crude Oil will benefit them in the medium term and that US Dollar strength is manageable.

If companies do not provide that reassurance and actually lower guidance outside of the Energy sector we are of the view that a repeat of October (i.e. S&P 500 -10% correction) will not just be a clear talking point but will materialize very quickly. The difference this time around will be that there is no year-end positive stock market seasonality to help out and investors will be entering a period where the ECB President Mario Draghi now has to deliver, a reasonable probability that a radical party will take power in Greece, and the US is moving closer to interest rate normalization. The key point here is that there might be no short-term catalyst to bail out professionals should a significant correction get underway. That means portfolios would have to be repaired largely through a function of time and lower prices.

Based on this view, during the morning of December 31st, when the S&P 500 was trading positive, we bought a put option spread on the index. The details were sent in real-time via Twitter. Specifically, we bought a put spread that was close to at-the-money because we believe that the long S&P 500 position is a key candidate for a WWF trade to start 2015 and we wanted to participate by being net short deltas right away.

To be honest we did not anticipate that the S&P 500 would fall 1% over the rest of the last trading day of the year. We were hoping it would start on the first trading day of the New Year. In fact, because the model portfolio is beholden to the Gregorian calendar, just like everyone else, and the year-end reset, it really did not help us, and actually made it more difficult to start the New Year. Such is life. It is what it is.

Sidebar: During this 3-4% pullback the money will not be leaving the market. It will likely rotate to long European equities on the view that this asset class has lagged the ferocious moves in the Euro exchange rate and fixed income markets ahead of the anticipated January 22nd announcement of QE by the ECB. What that means is that European equities should be more resilient should the US come under duress. The theory of European resilience only becomes wrong if US corporations outside of the Energy sector tell investors that

Crude Oil is a short-term negative as that would suggest corporate operating performance has an issue in both regions. The same applies to the European leg of this relative value view should Draghi disappoint.

Net net, we start 2015 mildly bearish on the US equity market and we are looking for an initial 3-4% market pullback to discount the risk of a larger correction if corporations do not make us feel better in the second half of January. If we are wrong, the upside in Q1 should be somewhat capped and that gives us an opportunity to recapture a good portion of the option premium currently outlaid as we purchased March paper.

Macro Model Portfolio - Portfolio Overlay - Long S&P 500 Put Option Spread

Position Details		**Thesis**
Date Added	31-Dec-2014	Fits RVM Option Spread Criteria: 3-month time buck, greater than 5:1 risk-reward, ~30 deltas
Tactical/Strategic	Tactical	1/3rd of NAV hedged, portfolio overlay for Q1, measured short bias to begin 2015
Asset Class	Equities	Close to at-the-money put spread to participate in 3-7% Q1 retracement
Cash/Derivative	Derivative	SPX Operating EPS & multiple repriced beyond negative Energy sector earnings deterioration
Option 1: Long	SPY 3/20/15 P205	Candidate for Wrong Way First (WWF) trades to start 2015
Option 2: Short	SPY 3/20/15 P190	Hedge to accelerating econ data, i.e. interest rate hike brought forward &/or 50 bps first
Entry Price	2.86	
Contracts	5,250	**Plan for Gains**
Premium (USD)	1,501,500	Total PnL possibility is +2.1%; each 0.5% gain in premium/NAV ratio add/raise trailing stop-loss
Strike Notional	107,625,000	If a market correction initially starts due to SPX earnings concern consider buying back short put
Delta Notional	29,058,750	
Price Target	198.85 (-3%) - 190.65 (-7%)	**Plan for Losses**
Hard Stop	0.00	Take into consideration annual goal to spend 70-120 bps of NAV on tail risk or book hedge
Risk to Hard Stop (NAV)	50 bps	At a minumum look to recapture 20 of the 50 bps post January if SPX rises 1-2%
Unit Size	1.0	If rapid rise (i.e. first 3-weeks of Jan) for wrong reasons, considering selling the SPY 3/20/15 C215
Risk-Reward	5.2:1	(i.e. SPX 2150) or applicable at-the-money stike to leg into a put spread collar
Twitter Real-Time Stamp	10:07 a.m. EST	

Source: Rareview Macro

New Position – Long Silver vs. Short Gold w/ Tail Risk Hedged Out

Below are two illustrations: A "monthly" chart of long Gold versus short Silver and a matrix containing our trade construction details.

Note that this is not a short-term "tactical" trade but rather an intermediate term "strategic" trade. As such, it will be managed with greater latitude in terms of risk.

Similar to the 200-day Moving Average (200-DMAVG), we find long-term Linear Regression Channels can be a strong technical indicator.

For those not familiar with Linear Regression Lines, it is a line that best fits all the data points of interest and consists of three parts:

- Upper Channel Line: A line that runs parallel to the Linear Regression Line and is usually one to two standard deviations above the Linear Regression Line.

- Lower Channel Line: This line runs parallel to the Linear Regression Line and is usually one to two standard deviations below the Linear Regression Line.

- The upper and lower channel lines contain between themselves either 68% of all prices (if 1 standard deviation is used) or 95% of all prices (if 2 standard deviations are used).

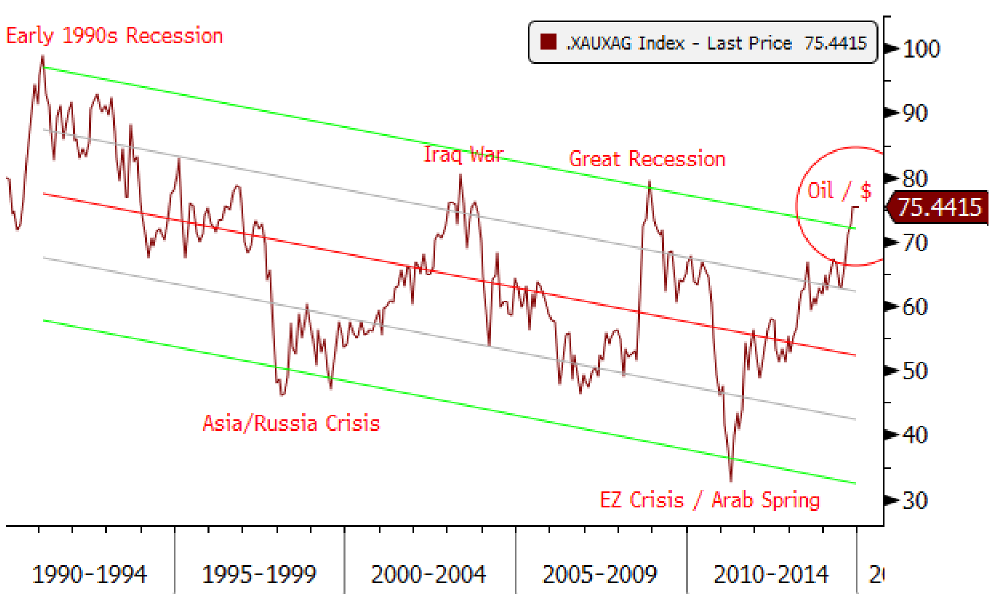
When prices break outside of the channels, it tells you either that there are buy or sell opportunities or else that the prior trend could be ending.

When long-term ratios, as defined by a "monthly" period, are beyond the 2 standard deviation (2-SD) threshold we believe an opportunity presents itself and the prior trend is ending.

Interestingly, the long-term trend has a tendency to reverse around historic economic or geopolitical events. In today's case, the combination of US Dollar strength, Crude Oil weakness or Russian turmoil would all qualify.

Finally, while we are bearish on Gold we are mindful that there are forces at work beyond our comprehension and it is prudent to hedge that tail risk rather than be "naked short" futures. Therefore, we spent 6 basis points of the model portfolio NAV to buy three-times (3x) the notional amount (i.e. 90 million) of the short Gold futures position (i.e. 30 million) via a medium-term (i.e. June) upside wing call option (i.e. 4 deltas) in the Gold ETF. We are happy to throw away that premium if it helps us to sleep at night.

XAUUSD Spot Exchange Rate / XAGUSD Spot Exchange Rate



Source: Bloomberg, Rareview Macro

Macro Model Portfolio - Long Silver vs. Short Gold w/ Tail Risk Hedged Out

Position Details		**Thesis**
Date Added	31-Dec-2014	Gold/Silver ratio above its upper regression bands (i.e. 2 standard deviation range)
Tactical/Strategic	Strategic	Historically, ratio reverts inside bands within 1-3 months when outside upper band
Asset Class	Commodities	Gold remains in final leg of 5-wave decline from Sept 2011 (target sub-1000)
Cash/Derivative	Futures & ETF Option	Oil & USD Dollar thematic inflection point similar to recessions, war, crisis periods
Instrument 1: Silver	SIH5	When the reversion happens the speed and degree is swift
Long/Short	Long	When the reversion happens it is historically at least 1 of the 2 standard deviations
Entry Price	15.57	Silver has favorable 2015 risk-reward (i.e. 13 downside vs. 20 upside)
Contracts	385	
Notional (USD)	29,972,250	**Plan for Gains**
Instrument 2: Gold	GCG5	On break of 2nd standard deviation band (~72), add 1/3 to position
Long/Short	Short	Between 60-55 consider taking profits as move to 52 in the XAU/XAG ratio is not linear
Entry Price	1180.6	Adjust trailing-stop prices at ~70, ~66, ~62 in XAU/XAG ratio
Contracts	254	
Notional (USD)	-29,987,240	**Plan for Losses**
Instrument 3: Gold	GLD 6/30/15 C150	If rest of portfolio has gains/cushions evaluate stop-loss level relative to 6-12-mo view
Long/Short	Long	Do not average in a loser but consider managing with wide stop on "strategic" view
Entry Price	0.30	Taking out the 2009 "Greet Recession" XAU/XAG ratio high (~81-84) suggests regresssion flawed
Contracts	6000	Tail: Monitor Gold reaction to possible USD/JPY multiple SD move (i.e. 1.20 to 1.40)
Total Premium (USD)	180,000	
Total Strike Notional	90,000,000	**Tail Risk Hedged Out - Gold Leg**
Total Delta Notional	3,600,000	Risk Budget: Spend 10-12 bps of NAV on annualized basis to hedge upside Gold tail risk
Ratio Entry Price	75.76	Spent 6 bps to protect 1H 2015
Price Target (XAU/XAG)	62 (1st) - 52 (2nd)	Bought GLD ETF 6-month 4-delta upside wing call options; plan to roll at end of Q2 to Dec 2015
Hard Stop (XAU/XAG)	83.33	Bought 3x strike notional (i.e. 90mm) relative to short Gold futures position (i.e. 30mm)
Risk to Hard Stop (NAV)	100 bps	
Unit Size	2.00	
Risk-Reward	3:1	
Twitter Real-Time Stamp	2:06 p.m. EST (SIH5/GCG5)	
Twitter Real-Time Stamp	2:15 p.m. EST (GLD)	

Source: Rareview Macro

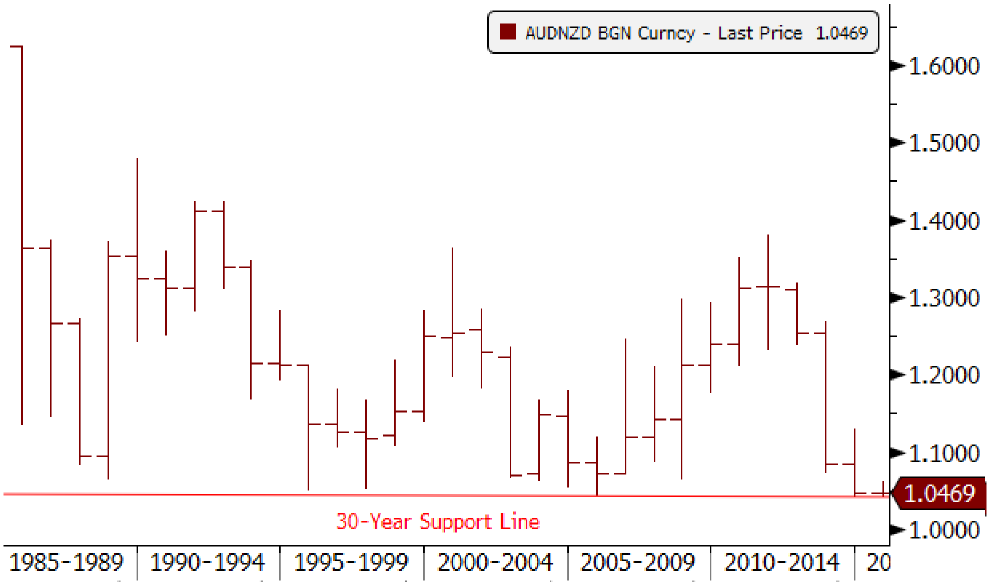
New Position – Long Australia vs. New Zealand Dollar (AUD/NZD)

Below are two illustrations: A "yearly" chart of long on Australia versus short of New Zealand Dollar (AUD) going back 30 years and a matrix containing our trade construction details.

Note that this is a short-term "tactical" trade. As such, it will be managed with a tighter stop-loss in terms of risk and could be removed at any time.

Amongst the many consensus strategies our view is that the short position in the AUD/NZD currency cross is a classic WWF candidate to undergo a sharp reversal in the New Year. More details about our thesis are in the illustration but, to put it simply, too many investors are bearish on the AUD and bullish on the NZD, and there are more than enough data points to argue that both sides of that view will have to be walked backward incrementally in the short-term.

AUDNZD Spot Exchange Rate - Price of 1 AUD in NZD



Source: Bloomberg, Rareview Macro

Macro Model Portfolio - New Position - Long Australia vs. New Zealand Dollar (AUD/NZD)

Position Details	
Date Added	31-Dec-2014
Tactical/Strategic	Tactical
Asset Class	Foreign Exchange
Spot/Derivative	Spot
Instrument	AUD/NZD
Long/Short	Long
Entry Price	1.0458
Notional (USD)	25,000,000
Price Target	1.13
Hard Stop	1.0144 (-3%)
Risk to Hard Stop (NAV)	25 bps
Unit Size	0.5
Risk-Reward	2.7:1
Twitter Real-Time Stamp	9:37 a.m. EST

Thesis

Technical: Key support over past 30-years holds at 1.04-05 during every major correction
Analog Resemblence: 1997 & 2005 vs. 2014 Mar-Dec double bottom in 1.04-1.05 range
Candidate for Wrong Way First (WWF) trades to start 2015
Iron Ore closed 2014 quietly up 5-days in a row
China cut interest rates (Nov), eased Loan-to-Deposit Ratio (Dec), RRR before Chinese New Year?
PBOC ends Q4 meeting; official "prudent" stance unchanged but qualifies w/ NEW commitment to an "appropriately elastic" approach.
Positioning: Investors one-way bearish & short AUD vs. bullish & long NZD
Possible Surprises: RBA hikes vs. RBNZ cuts rates
NZD Leg: low inflation, further declines in export commodity prices, cont. slowing economic momentum; RBNZ discontent w/ high level of NZD to cont. to encourage currency depreciation
RBNZ unscheduled Sept 25th “statement” NZD strength is unjustified and unsustainable; additional NZD selling cannot be ruled out.

Plan for Gains

On "technical" break of 1.06 Dec & 1.065 July gaps add 1/3rd to position
If "technical" break confirmed w/ fundamental central bank or FX change add 1/2 to position
Post 1.08 gap-fill, if technical & fundamental confirmation, consider turning into full unit
Above 1.08, implement trailing stop-loss at 1.06-1.065

Plan for Losses

Follow technicians closely to identify if a new 35-year weekly/monthly close low materializes
This is a tactical trade; close position at hard stop level; do not add on weakness

Source: Rareview Macro

Top Overnight Observations

NONE – LEFT BLANK INTENTIONALLY

RVM Model Portfolio – Macro Strategy

Model Portfolio – Allocation Increase & New Watch List Items

The starting NAV for 2013 was $100,000,000. The ending NAV was $113,137,939.

The starting NAV for 2014 was $113,137,939. The ending NAV was $133,310,565.

The starting NAV for 2015 is $300,000,000.

After significantly outperforming the main industry benchmark – the Credit Suisse Global Macro Index (symbol: HEDGGLMA) – as well as our custom benchmark – 40% MSCI World Index, 30% Barclays Aggregate Index, 20% US Dollar Index, and 10% DJ UBS Commodities Index – in both 2013 and 2014 in terms of performance and Sharpe Ratio, the natural progression was to increase the starting NAV up to $300 million.

Why? Because we want to demonstrate that our process and portfolio construction are scalable well beyond $300 million and that our aptitude and emotion will not change with more “paper money” at stake. The key point here is that we are a “percentage”, not a “dollar” alpha generator.

We take pride in the fact that we are the most transparent and accountable writer in the newsletter business. We hope that by including our idea generation in a model portfolio our audience will continue to value our commentary above that of our peers and we also hope that readers benefit from being able to visualize our risk management strategies and see how we size positions based on our conviction levels.

Please note that as a result of the increase in allocation, some of the positioning left-over from 2014 may have to be upsized proportionately. Crossing the bid/offer spread and transaction costs will be adjusted within the new NAV as will the existing market values. However, we are in no rush and will pick our spots accordingly.

Next, we have added in a new matrix listing our current themes and whether they are Strategic (S) or Tactical (T). The specific trades related to each of these themes are illustrated in the Current Positions matrix.

Also, we have provided an updated Watch List, including over 10 new themes/strategies. When the risk-reward profile for each one lines up we will update you.

Finally, we are only too aware that you’re only as good as your last best trade and that past performance does not tell you much about future results. Therefore we start 2015 humbly going about our business, thinking hard about each trade, and placing a greater emphasis on learning from our mistakes rather than taking victory laps for past performance.

UPDATES

Asset Class	Date	Strategy	T/S	Start/Close PX	Capital at Risk (USD)
Foreign Exchange	31-Dec-14	Long AUD/NZD - new	T	$ 1.0458	$ 25,000,000
Equities	31-Dec-14	Long SPY 3/20/14 205-190 Put Spread - open	T	$ 2.86	$ 1,501,500
Commodities	31-Dec-14	Long Silver (SIH5) - new	S	$ 15.57	$ 29,972,250
Commodities	31-Dec-14	Short Gold (GCG5) - new	S	$ 1,180.60	$ (29,987,240)
Commodities	31-Dec-14	GLD 6/30/15 C150 - open	S	$ 0.30	$ 180,000

*Source: Bloomberg, Rareview Macro. Capital at Risk (USD) Start Price.

CURRENT POSITIONS

Asset Class	Entry Date	Strategy	T/S	Start/Avg PX	Capital at Risk (USD)
Foreign Exchange	05-Dec-14	Long USD/CHF	S	$ 0.9785	$ 25,592,744
Foreign Exchange	05-Dec-14	Long USD/CHF 9/7/15 C1.05	S	$ 110.314	$ 925,841
Foreign Exchange	05-Dec-14	Long USD/SGD	S	$ 1.3226	$ 25,163,432
Foreign Exchange	05-Dec-14	Long USD/SGD 9/7/15 C1.40	S	$ 57.2	$ 785,155
Foreign Exchange	31-Dec-14	Long AUD/NZD	T	$ 1.0458	$ 25,111,310
Equities	05-Dec-14	Long WisdomTree Europe Hedged Equity Fund (HEDJ)	S	$ 60.13	$ 24,248,281
Equities	05-Dec-14	Short SPDR S&P 500 ETF Trust (SPY)	S	$ 207.79	$ (24,849,633)
Equities	23-Jul-14	Long iShares China Large-Cap ETF (FXI) 1/17/15 C42	S	$ 0.98	$ 907,889
Equities	31-Dec-14	Long SPY 3/20/14 205-190 Put Spread	T	$ 2.86	$ 1,884,733
Commodities	31-Dec-14	Long GLD 6/30/15 C150	S	$ 0.30	$ 164,945
Commodities	31-Dec-14	Long Silver (SIH5)	S	$ 15.57	$ 30,353,206
Commodities	31-Dec-14	Short Gold (GCG5)	S	$ 1,180.60	$ (30,129,607)

*Source: Bloomberg, Rareview Macro. Capital at Risk (USD) COB January 2, 2015.

CURRENT THEMES

Asset Class	Strategy	Strategic (S)	Tactical (T)
Foreign Exchange	Long US Dollar vs. Short Swiss Franc & Singapore Dollar	X	
Foreign Exchange	Long Australia vs. Short New Zealand Dollar		X
Equities	Long European vs. Short US Equities Currency Hedged	X	
Equities	Long Chinese Equities	X	
Commodities	Long Silver vs. Short Gold	X	
Portfolio Overlay	Short US Equities or Long Volatility		X

*Source: Rareview Macro.

WATCH LIST

Asset Class	Entry Date	Strategy	Wake Up Price
Commodities	05-Jan-15	Base Metals - Long Nickel (LMNIDS03)	$ 14,800
Commodities	05-Jan-15	Long Uranium - Japan Nuclear/Elections (CCJ CN, DML CN, PDN AU)	TDB
Equities	05-Jan-15	Extraction of Risk Premia - Long Euro Stoxx 50 Index Dividend Futures (2017, DEDZ7)	€ 102.00
Equities	05-Jan-15	Event Driven + 2015 Darling - Long Microsoft (MSFT US)	$ 45.00
Equities	05-Jan-15	January Seasonality: Long NASDAQ (QQQ US) vs. Short Apple Inc. (AAPL US)	TBD
Equities	05-Jan-15	China: Long SOE & Telecom; H-Share Catch Up (1398 HK, 1288 HK, 3988 HK, 941 HK)	TBD
Equities	05-Jan-15	Short Higher Multiple US Defensives Basket (PG US, PEP US, JNJ US, MRK US)	TBD
Equities	05-Jan-15	Long US Security Theme (PANW US, PFPT US, IMPV US, FEYE US)	TBD
Foreign Exchange	05-Jan-15	Carry Trade: Short EUR & SGD vs. Long INR and TRY	TBD
Fixed Income	05-Jan-15	Short US Treasury 2-5-10 Butterfly (BF020510)	52-55 bps
Tail Risk	05-Jan-15	Long Credit Default Swap on Brazil (5-10-yr steepener or 5-yr outright)	<175 bps

*Source: Rareview Macro.

RISK EXPOSURE

Risk Level	% of Portfolio	Asset Class	Gross Exposure	Net Exposure
Medium	49.27%	Equities	$ 149,031,664	$ (10,445,102)
Medium	38.31%	Foreign Exchange (USD)	$ 119,685,998	$ 94,574,688
Low	0.00%	Fixed Income (DV01)	$ -	$ -
Medium	21.23%	Commodities	$ 64,082,813	$ 3,823,599
Low	0.00%	Credit (DV01)	$ -	$ -
Low	0.92%	Option Premium (<3-mo.)	$ 2,792,622	$ -
Low	0.56%	Option Premium (>3-mo.)	$ 1,875,941	$ -

*Source: Bloomberg, Rareview Macro. Options Delta Adjusted. Risk Exposure (USD) COB January 2, 2015.

PERFORMANCE UPDATE

Portfolio	Macro Strategy	Start NAV	End NAV
2015 Year to Date Return	0.34%	$ 300,000,000	$ 301,006,645
2015 Month to Date Return	0.34%	Net	$ 1,006,645
2015 Week to Date Return	0.34%		
2014 Year to Date Return	17.81%	$ 113,160,023	$ 133,310,565
2014 Sharpe Ratio	1.92	Net	$ 20,150,542
2013 Year to Date Return	13.16%	$ 100,000,000	$ 113,160,023
2013 Sharpe Ratio	2.73	Net	$ 13,160,023

*Source: Bloomberg, Rareview Macro. Performance COB January 2, 2015.

Portfolio Background

Click here to see how the portfolio is administered, including benchmark, risk management, PnL and execution guidelines.

Disclaimer

The portfolio illustrations referenced within this material are hypothetical. No actual investments have been implemented and any references to transactions, positions, gains, or loses with respect to the portfolio are hypothetical.

Data & News

NONE – LEFT BLANK INTENTIONALLY

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