



# Managed Futures Trading Program





TRADING FUTURES AND OPTIONS INVOLVES SUBSTANTIAL RISK OF LOSS AND IS NOT SUITABLE FOR ALL INVESTORS. THERE ARE NO GUARANTEES OF PROFIT NO MATTER WHO IS MANAGING YOUR MONEY.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

THE RISK OF LOSS IN TRADING COMMODITY INTERESTS CAN BE SUBSTANTIAL. YOU SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. IN CONSIDERING WHETHER TO TRADE OR TO AUTHORIZE SOMEONE ELSE TO TRADE FOR YOU, YOU SHOULD BE AWARE OF THE FOLLOWING:

IF YOU PURCHASE A COMMODITY OPTION YOU MAY SUSTAIN A TOTAL LOSS OF THE PREMIUM AND OF ALL TRANSACTION COSTS. IF YOU PURCHASE OR SELL A COMMODITY FUTURES CONTRACT OR SELL A COMMODITY OPTION YOU MAY SUSTAIN A TOTAL LOSS OF THE INITIAL MARGIN FUNDS OR SECURITY DEPOSIT AND ANY ADDITIONAL FUNDS THAT YOU DEPOSIT WITH YOUR BROKER TO ESTABLISH OR MAINTAIN YOUR POSITION. IF THE MARKET MOVES AGAINST YOUR POSITION, YOU MAY BE CALLED UPON BY YOUR BROKER TO DEPOSIT A SUBSTANTIAL AMOUNT OF ADDITIONAL MARGIN FUNDS, ON SHORT NOTICE, IN ORDER TO MAINTAIN YOUR POSITION. IF YOU DO NOT PROVIDE THE REQUESTED FUNDS WITHIN THE PRESCRIBED TIME, YOUR POSITION MAY BE LIQUIDATED AT A LOSS, AND YOU WILL BE LIABLE FOR ANY RESULTING DEFICIT IN YOUR ACCOUNT.

UNDER CERTAIN MARKET CONDITIONS, YOU MAY FIND IT DIFFICULT OR IMPOSSIBLE TO LIQUIDATE A POSITION. THIS CAN OCCUR, FOR EXAMPLE, WHEN THE MARKET MAKES A "LIMIT MOVE."

MANAGED FUTURES MAY NOT NECESSARILY BE PROFITABLE UNDER ALL MARKET CONDITIONS AND ALSO MAY NOT NECESSARILY REDUCE VOLATILITY.

THE PLACEMENT OF CONTINGENT ORDERS BY YOU OR YOUR TRADING ADVISOR, SUCH AS A "STOP-LOSS" OR "STOP-LIMIT" ORDER, WILL NOT NECESSARILY LIMIT YOUR LOSSES TO THE INTENDED AMOUNTS, SINCE MARKET CONDITIONS MAY MAKE IT IMPOSSIBLE TO EXECUTE SUCH ORDERS.

A "SPREAD" POSITION MAY NOT BE LESS RISKY THAN A SIMPLE "LONG" OR "SHORT" POSITION.

THE HIGH DEGREE OF LEVERAGE THAT IS OFTEN OBTAINABLE IN COMMODITY INTEREST TRADING CAN WORK AGAINST YOU AS WELL AS FOR YOU. THE USE OF LEVERAGE CAN LEAD TO LARGE LOSSES AS WELL AS GAINS.

FUNDAMENTAL FACTORS, SEASONAL AND WEATHER TRENDS, AND CURRENT EVENTS MAY HAVE ALREADY BEEN FACTORED INTO THE MARKETS.

THE CTA DISCLOSURE DOCUMENT CONTAINS A COMPLETE DESCRIPTION OF THE PRINCIPAL RISK FACTORS AND EACH FEE TO BE CHARGED TO YOUR ACCOUNT BY THE COMMODITY TRADING ADVISOR ("CTA").

# Manager's Career

Education: B.S. in Economics with an emphasis on Finance from Northern Illinois University in 1990. Further study in Options Theory, Advanced Options Theory and technical analysis from DePaul University.



Scott Shepard, Manager

1990

- Started career as a Floor Clerk and Market Analyst on the CME floor with Cargill Investor Services Inc.

1993

- Became Livestock Floor Manager and held full seat on the CME Exchange under Cargill.

2000

- Promoted to Senior Livestock Analyst and Cargill's Trading Floor Manager of livestock floor operations.

2005

- Joined JBS USA LLC, in Greeley, CO as their Director of Hedging. In this position, Mr. Shepard successfully developed, executed and managed a dynamic hedging portfolio of futures and options for the beef division of JBS USA LLC, the world's largest processor of fresh beef.

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# Trader's Edge: Having a Finger on the Pulse of the Livestock Market

Over the two decades Mr. Shepard has been in the livestock industry, he developed an inner circle of livestock industry professionals whom he cultivated for sharing pertinent data relating to cattle and hogs. These professionals include individuals from all aspects of cattle and hog production and usage, including packers, processors, farmers, exporters, importers and retail chain stores. In his opinion, they are very knowledgeable concerning their segment of the livestock industry. Altogether, their information represents pieces of a “puzzle” which Mr. Shepard pieces together to determine where he believes livestock prices are headed.

Mr. Shepard believes his access to strategic decision makers in the industry has been integral to his success trading livestock futures.

In summary, cattle futures prices ultimately tend to follow their underlying cash market prices. Mr. Shepard works extensively to have his finger on the pulse of the livestock market.

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# Managed Account Program

M&R Capital's managed account program, Livestock Trading Program, focuses on trading livestock futures; specifically live cattle and feeder cattle. Trading instruments include futures, options and spreads.

Trading is discretionary and fundamentally based.



Along with analyzing currency relationships, political issues, domestic and global weather conditions affecting livestock markets, Mr. Shepard gathers information from his inner circle of contacts throughout the livestock industry in formulating the direction of cattle and hog prices. He then uses his expertise in Options Theory, Advanced Options Theory and Technical Analysis in formulating intra and inter spreads, options and outright futures positions.

It should be noted that Mr. Shepard has his own personal money in the program trading the exact same positions as investors.

**THERE IS NO ASSURANCE THAT ANY PROFIT WILL BE PROVIDED TO THE INVESTORS IN THE TRADING AS A RESULT OF THESE TRADING METHODS BY THE COMMODITY TRADING ADVISOR.**

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# Livestock Trading Program Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	-3.22%	2.33%											-0.97%
2018	-0.73%	-0.69%	14.93%	-0.55%	2.53%	1.90%	1.28%	-0.04%	3.56%	-0.81%	0.01%	15.20%	22.06%
2017	4.22%	3.13%	0.78%	1.04%	-10.92%	2.70%	1.49%	-0.56%	5.42%	4.08%	0.29%	2.39%	13.84%
2016	-12.40%	3.82%	1.74%	-3.99%	14.10%	-3.73%	2.46%	-5.85%	-3.15%	1.10%	11.84%	0.80%	3.91%
2015	28.26%	-6.43%	4.96%	9.06%	-5.74%	2.53%	-1.55%	7.37%	-10.30%	8.25%	-13.88%	4.60%	22.76%
2014					1.53%	-0.73%	9.59%	8.67%	17.38%	9.13%	-3.27%	15.20%	71.33%
Annualized ROR				25.62%	*In February 2015, accounts managed by Scott Shepard were moved into the M&R Capital, LLC program. As Scott Shepard is the Trading Principal of M&R Capital, LLC, all previous months' results were made under the same trading strategies as of today. Returns have been adjusted to reflect the 2% Management and 20% Incentive fees.								
Cumulative Return				201.13%									
Worst Peak-to-Valley Drawdown				23.38% (Aug 2015 – Jan 2016)									

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

**Note: over the same time period, M&R Capital beat the cumulative return of the S&P TR Index\* by three-fold (201.13% vs 63.41%) despite the S&P TR having one of its best performance periods in history.**

\*S&P 500 TR Index -The S&P 500 indices are designed to reflect all sectors of the U.S. equity markets. The S&P 500 includes 500 blue chip, large cap stocks, which together represent about 75% of the total U.S. equities market. Companies eligible for addition to the S&P 500 have market capitalization of at least US\$3.5 billion. The TR Index accounts for the reinvestment of dividends.

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# Risk Management Breakthrough

Prior to approximately June 2017, Mr. Shepard utilized options primarily to enhance existing positions or to take a directional position in the markets rather than as a risk management tool. Due to the volatility in the markets it became clear to Mr. Shepard that a specific risk management program had to be implemented. Being forced to liquidate positions that he still felt confident in caused him to look for a change. With the goal of minimizing volatility Mr. Shepard started using option strategies more frequently to lessen the risk he saw associated with outright directional positions. While the use of options may also lessen upside potential Mr. Shepard feels his downside risk is protected and, just as importantly, he feels he can stay in positions longer due to the lessened volatility. Nothing hurts a trader more than being right about a market move but being forced to liquidate because you were on the trade too early.

**How has M&R Capital performed since the implementation of option strategies?**

Below is the performance of M&R Capital since using options starting June 2017. Bear in mind, there can be no assurances that the use of options will minimize losses. The risk of substantial loss exists in futures trading. Past performance is not necessarily indicative of future results.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2019</b>	-3.22%	2.33%											-0.97%
<b>2018</b>	-0.73%	-0.69%	14.93%	-0.55%	2.53%	1.90%	1.28%	-0.04%	3.56%	-0.81%	0.01%	15.20%	22.06%
<b>2017</b>						2.70%	1.49%	-0.56%	5.42%	4.08%	0.29%	2.39%	16.78%*

\*The fully 2017 YTD return was 13.84%. 16.78% represents the return from June 2017 - December 2017

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# Major Moves

The livestock market occasionally has major moves due to weather or some other occurrence that has a sharp impact on supply. These moves can be quite substantial and potentially equal years of highly attractive gains.

With Mr. Shepard's "Traders Edge" described in slide #4 he is in a unique position to potentially capitalize on these major moves when they occur.

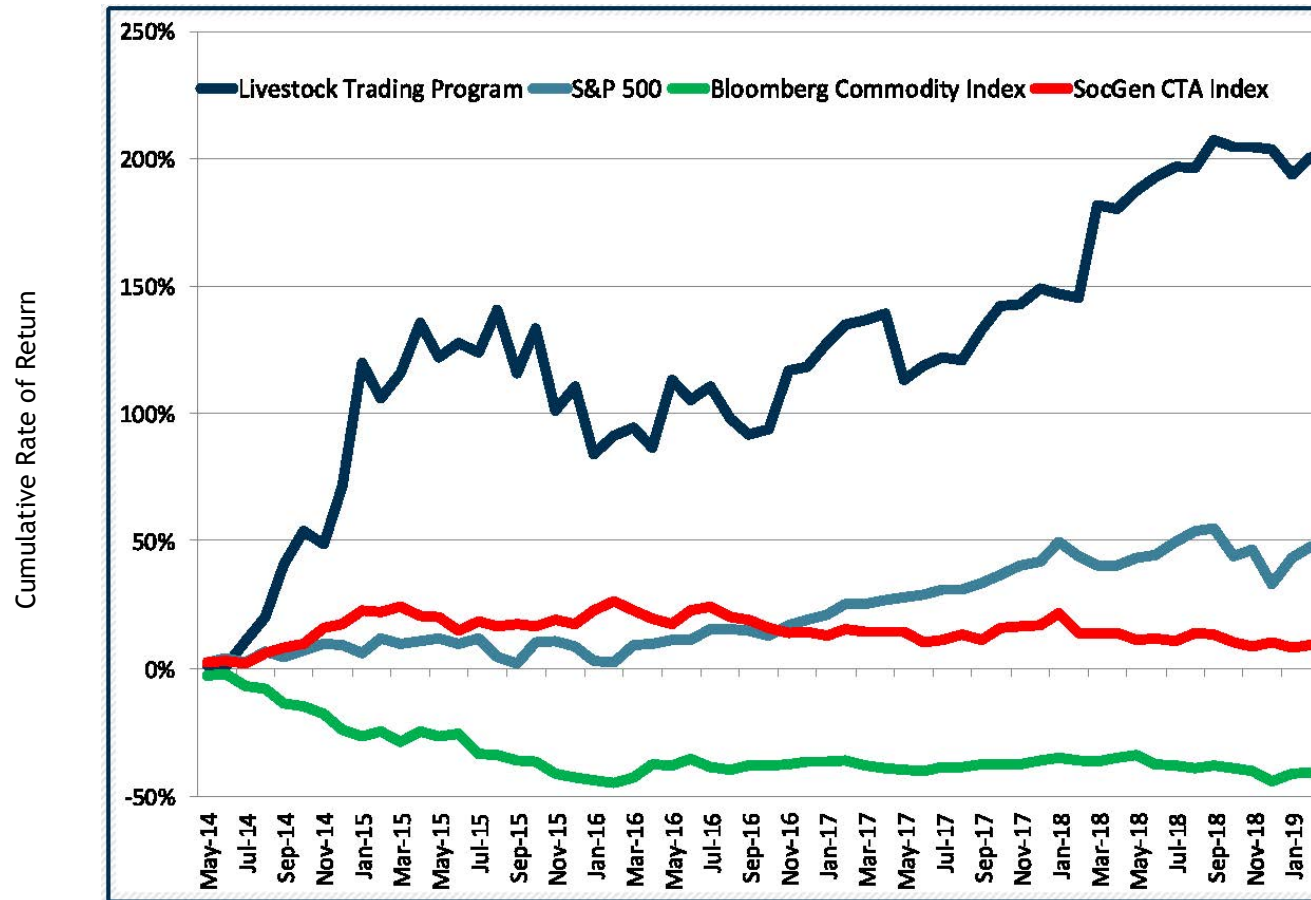
As an example, in only nine months (May 2014 - January 2015), Mr. Shepard's managed accounts gained 100%. Following an expansion within the industry, a drought forced the liquidation of cattle herds causing a glut on the market and prices to fall sharply. Mr. Shepard was able to capitalize on a good part of a downward move in cattle, producing significant returns for investors from May 2014 through January 2015. Be advised this was an unusual market event and past performance is not indicative of future results.



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# M&R Capital vs. Benchmarks



**S&P** - The Standard & Poor's 500, often abbreviated as the S&P 500, or just the S&P, is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.

**SocGen (SG CTA Index)** - Formerly called the Newedge CTA Index, the SG CTA Index provides the market with a reliable daily performance benchmark of major commodity trading advisors (CTAs). The SG CTA Index calculates the daily rate of return for a pool of CTAs selected from the larger managers that are open to new investment. The index does not represent the entire universe of commodity trading advisors. Investors should note that it is not possible to invest in this index.

**Bloomberg Commodity Index (BCOM)** - BCOM is a broadly diversified commodity price index. The BCOM tracks prices of futures contracts on physical commodities on the commodity markets. The index is designed to minimize concentration in any one commodity or sector. It currently has 22 commodity futures in seven sectors.

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# Diversification

Important question: Is your portfolio diversified with investments that are non-correlated to stocks, and that possess the potential to do well even if the stock market moves down or sideways?

The potential for managed futures to increase performance and reduce risk in a stock and bond portfolio has been substantiated by an extensive bank of academic research, beginning with the landmark study by Dr. John Lintner of Harvard University in which he wrote: "... the combined portfolios of stocks (or stocks and bonds) after including judicious investments ... in leveraged managed futures accounts show substantially less risk at every possible level of expected return than portfolios of stocks (or stocks and bonds) alone."\*

Diversification in asset classes non-correlated to stocks is the corner stone of modern portfolio theory and one of the best ways to potentially balance and protect an overall securities portfolio.

**The livestock market is one of the least correlated markets to stocks. M&R Capital's Livestock Program has a negative correlation to stocks and can potentially capitalize on both an up and down move in livestock markets! Be advised that there is no guarantee of profit no matter how uncorrelated a market is to stocks.**

\*Lintner, John, "The Potential Role of Managed Commodity Financial Futures Accounts (and/or Funds) in Portfolios of Stocks and Bonds," Annual Conference of Financial Analysts Federation, May 1983.

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For more information or questions on  
M&R Capital, LLC, please contact  
your broker.



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