

CTA Spotlight: AG Capital Management Partners, L.P.

August 2020

Trading futures and options involves substantial risk of loss and is not suitable for all investors. There is no guarantee of profit no matter who is managing your money. Past performance is not necessarily indicative of future results. An investor must read and understand the CTA's current disclosure document before investing.

Impressive Performance

AG Capital's managed account program is the Discretionary Global Macro Program ("Program").

Ending March 2020, the Program's cumulative return has outperformed the S&P by over 400% since its inception in October 2014 (247% vs. 47%). Even before the first quarter of 2020's plunge in stocks, the Program had performed very well. During one of stocks' best runs in history, ending in December 2019, AG Capital's cumulative return of 161% strongly outperformed the S&P's cumulative return of 82%.

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Discretionary Global Macro Program (October 2014 - August 2020)

Compound ROR	25%
Cumulative Return	276%
Worst Drawdown	25% (February 2016 – January 2017)
Best 36 Month Period	131% (May 1, 2017 – April 30, 2017)
Worst 36 Month Period	12% (December 1, 2015 – November 30, 2018)
Average 36 Month Period	68% (October 2014 – August 2020)

AG Capital VS. S&P 500 TR* (October 2104 through August 2020)

	AG Capital	S&P 500 TR
Annualized Compounded ROR	25%	12%
Cumulative Return	276%	100%
Worst Cumulative Drawdown	25%	20%

Program's Performance During S&P Losing Months

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The S&P 500 had 13 losing months since the inception of AG Capital's program in 2014. Out of those 13 losing months AG Capital was profitable 10 out of the 13 times the S&P 500 had its largest down months. In all 3 instances where AG Capital was down alongside the index, its drawdown was less than the S&P 500's. Furthermore, AG Capital was up 15% to 25% in their best 3 months, with the difference in performance versus the S&P 500, 23/7% better in January 2015, 26.6% better in October 2016 and 35% better in March 2020. Most recently, when the S&P was down 12.5% in March 2020, AG Capital was up 22.65%.

*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.

Interview with AG Capital's CIO, Asim Ghaffar

Autumn Gold: Asim, could you share with our readers your background?

Asim: I graduated Dartmouth College with a Bachelor of Arts in Economics and went on to attain an MBA from the MIT Sloan School of Management. Over the past 18 years, I have developed an extensive background in economics, strategy and investment consulting, as well as futures trading and risk management. I have worked as a foreign exchange and futures trader, and also as an investment consultant at Cambridge Associates advising foundations, universities, private clients, and insurance groups ranging in size from \$100 million to \$20 billion. I previously worked as a strategy consultant at Bain & Company, and as an economics and business analyst at Charles River Associates.

AG Capital's co-founder, Roger Dowd, previously worked at Caxton Associates on the US dollar / Japanese yen desk; he was also a proprietary stock index futures trader.

Autumn Gold: Please tell our readers about your Trading Program.

Asim: The Program was developed over the past 10 years utilizing my and Roger's educational and work experience. It is a futures trading global macro investment program. We utilize both fundamental analysis to determine direction and technical analysis and risk management for entry and exit of positions. We primarily focus on trading the major, liquid North American futures markets. The program currently follows approximately 45 different markets on U.S. exchanges in the following complexes: **Currencies, Equity Indices, Interest rates, Metals, Energy, and Agriculture.**

Importantly, we only place trades after careful analysis where we have a strong conviction on the underlying fundamentals. Trades typically last one to several months.

Autumn Gold: Tell us about your risk management.

Asim: Prudent risk management by being disciplined to always cut losses is the cornerstone of the Program. **All positions have predetermined protective stops typically ranging from ½ to 2% of an account's value. No matter how strong of a conviction we have on the direction and profit potential in any commodity traded, we**

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have predetermined stop losses. If we get stopped out, and still feel strongly about a trade we will try to reposition up to 3 times. If we're unsuccessful, we're happy to stand aside and reevaluate the position. **As a general rule, in the event the composite performance of accounts under management are down around 8% in any given month, we begin to liquidate open positions.** We then look to take a breather, resize the number of positions, and go back into the market when the timing feels right.

Autumn Gold: March of 2020 was one of the worst months on record for stocks with the S&P declining 12.5%. However, the Program was up 25%. Can you tell us how you were able to do so well when so many investments suffered substantial losses?

Asim: We were fortunate to correctly position on the short side of Palladium and Gold during a brief but substantial decline. We had tried the palladium short a couple of times in 2019 but were stopped out. Our conviction was maintained by deteriorating global auto sales (the auto industry is the end market for palladium use) throughout late 2019 and early 2020. We liquidated the position in Palladium and separately reversed near the bottom of the decline in gold and went long. This is also a good example of where even though we have a strong fundamental conviction on the long-term upside in gold, we will position counter-trend at times if our analysis concludes the odds are strong of an impending market correction.

Autumn Gold: How much margin of an account do you typically use?

Asim: Margin usage usually varies between 5% to 30% with the average of 15%. During drawdowns, when we are stopped out of positions often, our margin usage ranges between 5-10%. When we have multiple positions that are working, it can range from 15-30%.

Autumn Gold: What do you believe are the most attractive features of your Trading Program?

Asim: I believe some of the most attractive features of the Program are as follows:

- The Program is uncorrelated to stocks and can potentially increase performance and reduce risk in an overall securities portfolio. I believe strong support for this stems from the fact that out of the 13 down months the S&P had since the inception of AG Capital's track record, we were profitable in 10, with our best 3 months outperforming the S&P by a difference of 23% to 30%. Additionally, we added substantial alpha over the performance of the S&P 500 over the past 5 ½ years, during a bull market in stocks.
- The Program has prospered in virtually all types of market conditions, from the most stable to the most volatile in history. The worst peak to valley drawdown was 25.26%, which occurred February 2016 through January 2017.
- The Program is well diversified and can select from approximately 45 different futures contracts, across multiple asset classes, and can be positioned both long and short. Diversification can help limit drawdowns from adverse moves because assets are not all in one commodity or financial future.
- The Program seeks to capture large, concentrated returns by participating in major moves. By catching a major move, drawdowns can be better overcome to make new highs in equity. The program also

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complements these long-term, thematic trades with smaller singles and doubles in order to smooth out performance and produce returns in between the big winners. **If you examine the Program's performance record this has been the case since the Program's inception 5 ½ years ago.**

- For the past 10 years investors have been rewarded by buying the dips in stocks because the market was in an uptrend. However, I believe this time is different -- buying dips does not work in a bear market until the bear market bottoms which no one knows until after the fact. Although bear markets have huge rallies to lure investors back in the market, as in 1929-1932, 2000-2002, and 2007-2009, the rallies eventually give way to lower lows and bigger losses. I believe this bear market will not be different. Unlike stocks our Program can potentially capitalize during bear markets.

Autumn Gold: What is your performance objective?

Asim: Our performance objective is to control risk the best we can and allow our strategy to deliver on the upside, which historically has allowed us to deliver 20% average annualized returns. Bear in mind, there can never be any assurances of performance.

Autumn Gold: Do you have any proprietary funds invested in your Program?

Asim: Yes. Roger and I have a significant amount of personal capital invested, approximately \$5 million, representing a substantial part of our net worth's. My family is also invested in the Program.

Autumn Gold: Do you have any advice for investors concerning your program?

Asim: I believe investors had been lulled into complacency by the longest bull market in stocks, not realizing the potential for the substantial risk of loss. However, with the onslaught of the current bear market wiping out years of gains, I believe investors should now realize that there is no place to hide from risk. There are no safe havens. The same holds true for our Program. While we cannot guarantee performance, we can guarantee we'll have drawdowns. I believe investors need to accept drawdowns as an inescapable part of our Program and invest with a 3-year horizon to evaluate performance. We have never had a 36-month period that has lost, even if an investor started at the worst point in time. Investors who have embraced a long-term approach have been rewarded with substantial returns with every drawdown being overcome to achieve new equity highs.

Autumn Gold: What is your outlook for the program?

Asim: Understanding there can never be any assurances, Roger and I believe 2020 and the foreseeable future look very bright for our Program. There have been tremendous dislocations in many commodity and financial markets due to the Coronavirus. Prices of many commodities are way out of sync with underlying fundamentals, presenting very attractive potential opportunities. I also believe the collateral damage to economic activity and the financial markets will take years to unwind. I believe our extensive experience analyzing market fundamentals from a macro perspective will prove instrumental in allowing us to manage risk and profitably navigate through the years ahead.

Autumn Gold: Thank you Asim for the interview. You have been most informative.

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