Subject: FW: Harvest CYES Update - April 2018
From: Stewart Oldfield <[redacted]>
Date: Tue, 05 Jun 2018 10:31:05 -0400
To: Andrew King <[redacted]>

This was the last email I sent him

From: Stewart Oldfield
Sent: Monday, May 07, 2018 11:20 AM
To: Paul Barrett ([redacted]) <[redacted]>
Cc: Andrew King <[redacted]>
Subject: FW: Harvest CYES Update - April 2018

Fyi. Thanks

From: Rick Selvala [mailto:[redacted]]
Sent: Friday, May 04, 2018 4:27 PM
Subject: Harvest CYES Update - April 2018

Dear Friends,

Summarized below is the Harvest Collateral Yield Enhancement Strategy (CYES) monthly update for April of 2018. The strategy, which prefers more moderate market gyrations and range trading, rebounded strongly in April after a challenging first quarter. The CYES was +0.96% on notional for the month and is -1.45% YTD; -1.35% on a trailing 12-month basis and +1.11% annualized since inception in April of 2008.

As we repeat often, our best months tend to follow our worst months (which once again proved true with our best month since 2011). After taking some market to market and cash hits in Q1, the higher volatility levels have translated into wider bands (to better absorb this market volatility) and greater premium collected (both of which should help us continue to recover from a performance perspective). The longer the SPX remains broadly in the 2575-2725 range the better (and if it doesn't, we will shift and respond accordingly).

Regarding April in particular, we benefitted from an SPX that, despite pockets of volatility, remained mostly range bound and a VIX that generally returned to more normal levels (albeit higher than most of 2016 and 2017). The intra-month and intra-day trading for both the SPX and VIX is shown below:

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As a reminder, the CYES:

Seeks to deliver additional cash-flow returns to your portfolio, over and above the return on your other liquid investments (equities, fixed income, municipal bonds, mutual funds, ETFs, MLPs, REITs, cash).
Enhances portfolio risk-adjusted returns given its low volatility and low correlation to other asset classes.
Has no opportunity cost since you are not required to commit capital at inception or change your existing asset allocation.
Manages a portfolio of short index option spreads (modified iron condors) on the S&P 500 to generate option premium with limited risk: Market and collateral agnostic.
Maximum potential loss in any given month ~5% of notional value (program size).
Conservative ongoing risk management.

Provides daily liquidity with no lock-up and Section 1256 tax efficiency.
Performs best when the equity market is generally range bound or trending at a moderate level (i.e., doesn't care whether the market goes up or down, but doesn't like extreme collapses (or surges) in the S&P 500).

Additional CYES Performance Metrics:

Positive in 8 out of 10 years since inception (including 2008, 2009, 2010, 2011, 2012, 2015, 2016, 2017).
Best year +3.6% on notional; worst year -0.7% on notional.
Monthly return distribution (66% positive; 34% negative).
Best month +3.5% on notional (December 2008); worst month -2.8% on notional (October 2008).
Worst drawdown -3.8% on notional (2 months from September 2008 thru October 2008); worst drawdown recovery = 2 months (November 2008 thru December

2008).
Annualized standard deviation since inception of 2.33% on notional; annualized standard deviation has averaged closer to 1% during the past 6 years (2012-17).
Correlation to the S&P 500 of 0.09 (even lower correlation to other liquid investments).

As ever, if you have any additional questions or comments, please don't hesitate to reply or call the office number below. Also, please advise if you would like to be removed from our distribution list.

Kind Regards,

Richard L. Selvala, Jr.

Chief Executive Officer

{Description: HarvestVolMgt_emailsig}

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