



**Systematic Global Opportunity  
Fund**

$\uparrow (+\beta) + \downarrow (+\alpha)$

Presentation for:

**DRAFT – NOT FOR DISTRIBUTION**

February 2015

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## Agenda



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A torus is a surface of revolution generated by revolving a circle in three-dimensional space about an axis coplanar with the circle

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## Investment Process Overview



**Edge: Combining predictive price and realized volatility models to capture scalable alpha across global markets**



- *The Atorus Approach* generates upside beta with downside alpha
- Broad global investment universe to profit wherever and whenever opportunities arise
- Portfolio is dynamically rebalanced with respect to changes in realized volatility
- Targeted Sharpe ratio >1.25, Sortino ratio >2.7 uncorrelated to broader equity/credit markets and hedge fund strategies with a similar underlying opportunity set
- Defined and extensive portfolio risk management protocols and best-in-class operational risk management

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## Signal Generation



Combining proprietary price and realized volatility models to generate positive return expectancy across high and low volatility environments



Highly differentiated average trade duration (>100 days)

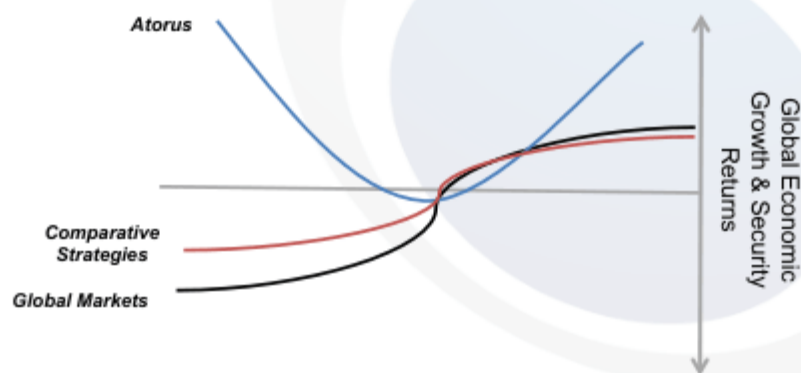
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## Investment Point of View



Generating upside beta in periods of economic growth with downside alpha in periods of economic contraction in comparison to relative beta



Downside alpha driven by proprietary signals without the negative carry costs associated with the purchase of downside protection

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## Systematic Risk Framework



Designed to provide return consistency and mitigate downside variance in both high and low realized volatility environments

### Position Sizing

- Positions are sized relative to their current realized volatility. Higher volatility yielding asset have lower notional exposures

### Rebalancing

- Realized volatility recalculated daily and positions are resized dependent upon threshold changes to target consistent portfolio variance

### Exposure Limits

- Max notional exposures defined systematically by asset class

### Drawdowns

- At defined NAV drawdown thresholds overall portfolio risk is systematically reduced

Daily monitoring of realized volatility within a quantitative risk framework reduces portfolio volatility

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## Systematic Risk Framework (continued)



### Multiple market risk monitoring tools are continuously implemented

#### Order Management

- Orders subject to detailed automated review and human confirmation before submission
- Automatic monitoring of active orders for execution efficiency

#### Position Level Risk Review

- In house trade reconciliation and shadow record keeping for controls against administrator / prime broker errors
- Automated position by position risk management including potential for news and event risk assuring balance and diversity to prevent outsized single event exposure risk
- Portfolio is stressed to be liquid within one day with minimal to no market impact

#### Risk Committee Oversight

- Software tools and alerts to allow human review of risks
- Independent 3<sup>rd</sup> party parametric VAR model run daily
- Risk committee established to provide oversight at assigned thresholds (e.g. -2% one day drop, single position > 10% of NAV, exposure to a single nation > 25%)

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## Operational Risk Management



**Operational risks are monitored, identified and remedied on a real-time continual basis**

- CDS rates of bi-lateral credit counterparties monitored daily
- Estimated 75% of trades are exchange cleared
- Multiple Prime Broker relationships for redundancy and informational security
- Transactions reconciled internally and with Prime Brokers on a daily basis
- Investor funds held in custodial account that is separate from portfolio margin accounts at the Prime Broker
- Internal accounting system maintains independent, real-time PnL and expenses that can be verified against the fund administrator on an ongoing and end of month basis
- Portfolio manager signs off on portfolio risk metrics and trade reconciliation each day

Identify and Analyze



Implement Techniques



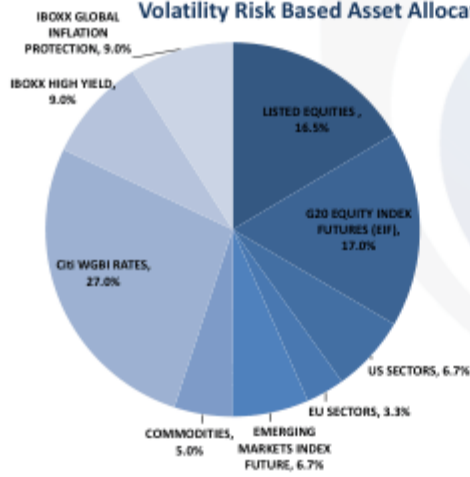
Monitor Results

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Take out chart, screen short of article,

### Volatility Risk Based Asset Allocation



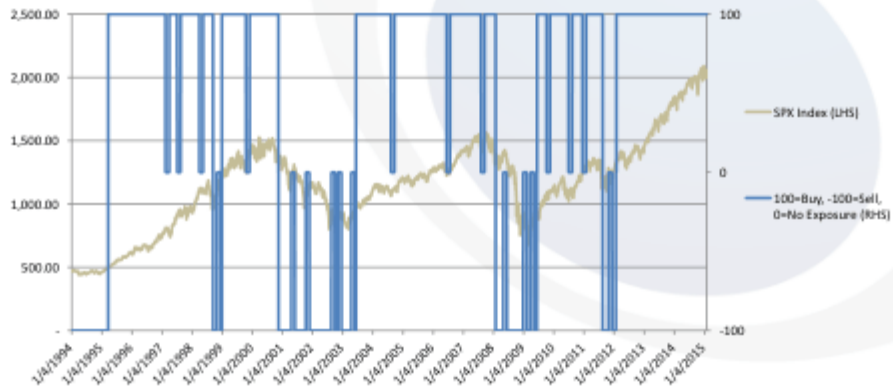
- Portfolio of highly liquid global assets: (i) G20 Equity Index Futures, (ii) G20 Rates, (iii) Commodities, (iv) G8 Credit Indices, and (v) G8 Listed Equities
- Directional risk on individual positions independent of any cross-asset correlations, based solely upon signal output generated from price & realized volatility models
- No shorting of credit or rate products, based on Atrorus' proprietary research of the inherent asymmetry in upside vs. downside volatility driven by the seniority of these instruments in the sovereign capital structure
- Majority of positions account for less than 1% of total volume traded per day

Volatility based risk allocation, not benchmark weighted, with low portfolio turnover

## Representative Trade Example



Accurate trade signals capture a large portion of the available return with low turnover (10 total changes in direction; Long-to-Short & Short-to-Long)



The infrequency of the change in trade signals allows for scale and only a de minimis amount of return is driven from initial entry and exit timing

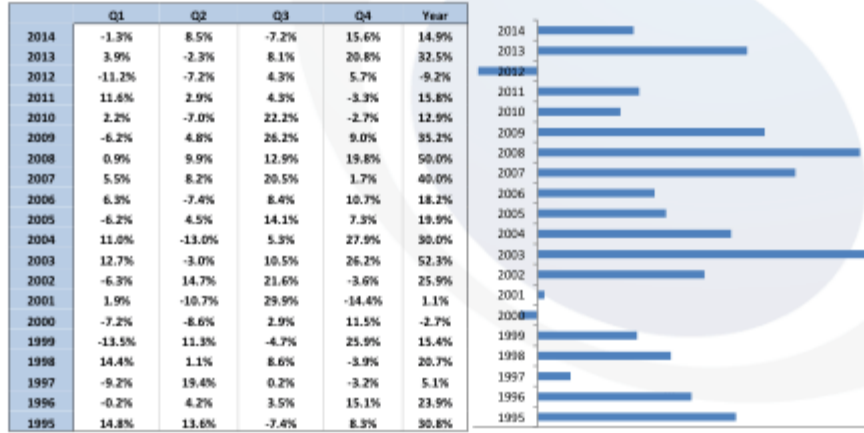
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## Return Profile



### Atorus 12% Annualized Downside Volatility - Historical 20 Year Simulated Net Returns



Generating upside beta (2003, 2009) with downside alpha (2002, 2008)

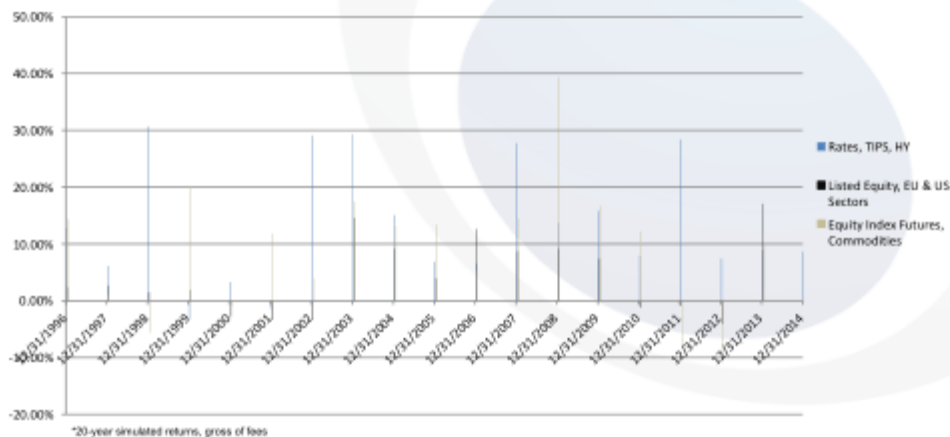
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## Return Profile (continued)



Fluctuating sources driving yearly NAV contribution, validating robustness of alpha capture



\*20-year simulated returns, gross of fees

Global opportunity set increases dispersion and lowers intra-portfolio correlation

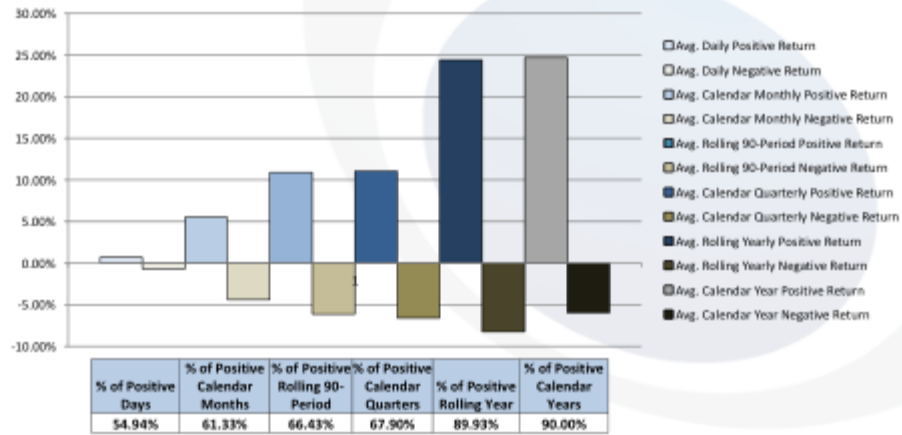
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## Return Profile (continued)



### Positive returns with low downside volatility scale with time



\*20-year simulated returns, gross of fees

Systematic risk methodology drives the autocorrelation of returns

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## Comparative Returns



### Uncorrelated outperformance with lower downside variance

|                                                     | Cumulative Total Return (X) | Max Drawdown from Peak Monthly NAV | Correlation of Monthly Returns to Atorus | Sortino Ratio** | Percentage of Positive Rolling Yearly Returns | Ratio of Avg. Rolling Yearly Positive/Negative Return | Time to Recovery to Peak NAV (Months) |
|-----------------------------------------------------|-----------------------------|------------------------------------|------------------------------------------|-----------------|-----------------------------------------------|-------------------------------------------------------|---------------------------------------|
| Atorus Systematic Global Opportunity Fund***        | 42.7%                       | -26.56%                            |                                          | 2.74            | 92.04%                                        | 4.45                                                  | 23                                    |
| Man AHL Diversified plc (3/31/96)                   | 10.6                        | -19.91%                            | 44.72%                                   | 2.04            | 76.84%                                        | 3.83                                                  | 68                                    |
| Winton Futures Fund Class B USD (5/30/97)           | 9.2                         | -25.59%                            | 45.73%                                   | 1.91            | 88.76%                                        | 3.67                                                  | 14                                    |
| Graham K4D-10V (5/31/06)                            | 3.3                         | -20.71%                            | 50.03%                                   | 1.35            | 73.85%                                        | 1.98                                                  | 42                                    |
| Bridgewater All Weather Strategy (5/31/06)          | 0.8                         | -32.27%                            | -1.82%                                   | 0.78            | 73.91%                                        | 1.14                                                  | 31                                    |
| Bridgewater Pure Alpha Fund I                       | 5.1                         | -14.18%                            | 15.76%                                   | 2.16            | 86.24%                                        | 3.33                                                  | 22                                    |
| RIEF Class B (7/31/05)                              | 1.5                         | -28.58%                            | 4.60%                                    | 2.05            | 77.45%                                        | 1.41                                                  | 45                                    |
| MSCI World Index                                    | 3.5                         | -53.51%                            | 3.19%                                    | 0.92            | 72.94%                                        | 1.08                                                  | 69                                    |
| CS Hedge Fund Index                                 | 4.9                         | -19.68%                            | 22.96%                                   | 2.46            | 86.24%                                        | 1.62                                                  | 34                                    |
| Blackrock Global Allocation Fund                    | 5.4                         | -29.49%                            | 0.26%                                    | 1.62            | 82.57%                                        | 1.48                                                  | 28                                    |
| CS Global Macro Fund Index                          | 8.6                         | -26.79%                            | 23.44%                                   | 2.52            | 88.53%                                        | 1.66                                                  | 31                                    |
| JPM Morgan Global Aggregate Bond Index - USD Hedged | 2.0                         | -9.42%                             | 31.96%                                   | 2.06            | 84.40%                                        | 2.92                                                  | 31                                    |
| Berkshire Hathaway, Inc.                            | 8.2                         | -44.49%                            | 0.79%                                    | 1.25            | 72.35%                                        | 1.81                                                  | 64                                    |
| ■ GSCI Index                                        | 1.4                         | -61.03%                            | 9.31%                                    | 0.52            | 63.76%                                        | 1.45                                                  | 78                                    |

\*Unless otherwise noted all comparative monthly returns are from 5/1/95 - 12/31/14; Atorus Systematic Global Opportunity Fund 20-year simulated returns

\*\*Sortino Ratios is calculated on monthly time intervals, and is not inclusive of a risk-free rate

\*\*\* "Cumulative Total Return (X)" is net of fees; All other calculations are gross

\*\*\*\* Comparative return data was sourced from publicly available sources

Consistent outperformance over a 20 year period

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## Fund Terms & Service Providers



| Fund Terms                    |                                                              | Proposed Service Providers |                                   |
|-------------------------------|--------------------------------------------------------------|----------------------------|-----------------------------------|
| Launch Date                   | May 1, 2015                                                  | Legal Counsel              | Morgan, Lewis & Bockius LLP       |
| Min. Individual Investment    | \$2 MM                                                       |                            |                                   |
| Min. Institutional Investment | \$10 MM                                                      |                            |                                   |
| Management Fee                | 2.0%                                                         | Administrator              | Maples Fund services (pending)    |
| Performance Fee               | 20.0% quarterly                                              |                            |                                   |
| High Water Mark               | Yes                                                          | Auditor                    | KPMG (pending)                    |
| Eligible Investors            | Qualified Purchasers                                         |                            |                                   |
| Contributions                 | Monthly                                                      | Prime Broker(s)            | Morgan Stanley / Nomura (pending) |
| Lock-Up                       | 6-month soft, 5% penalty                                     |                            |                                   |
| Redemptions                   | Monthly, following initial 6-month period with 60-day notice | Banking Services           | State Street (pending)            |

### Transparency

- Monthly performance estimate on the third business day of each month
- NAV available on the 10<sup>th</sup> business day of each month & monthly capital account statements
- Annual audited financial results
- Portfolio Managers available to discuss performance, portfolio, and policies

A robust support network of operational expertise and service providers supplies constant and redundant operational security

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## Offerings & Objectives



| Offerings                                                                                                                                     | Objectives                    |                                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-----------------------------------|
| <ul style="list-style-type: none"> <li>Robust and scalable quantitative process with first-in-class systems and talent</li> </ul>             | Target Return                 | 2X Annualized Downside Volatility |
| <ul style="list-style-type: none"> <li>Optimal exposure to global risk markets in periods of economic expansion and contraction</li> </ul>    | Target Annualized Volatility  | Bespoke (10-35%)                  |
| <ul style="list-style-type: none"> <li>Bespoke targeted volatility that allows investors to create a portfolio to suit their needs</li> </ul> | Target Initial Capitalization | \$500 MM                          |
| <ul style="list-style-type: none"> <li>Uncorrelated to other equity, fixed income, and global allocation strategies</li> </ul>                |                               |                                   |
| <ul style="list-style-type: none"> <li><u>Superior &amp; Sustainable</u>, 20+ years, Sortino of &gt;2 net of fees</li> </ul>                  |                               |                                   |

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## Management Team



**Diverse backgrounds and experience combined with complementary skill sets is the foundation for creating and growing Atorus into a global, leadership-driven asset management business**

**Michael J. Fowler** – Chief Investment Officer, Portfolio Manager (trading, position level analysis, quantitative systems development, and risk management)

Michael's career has been focused on understanding the nuances of complex financial systems and markets. In 2007 Michael was the Co-Founder and Senior Portfolio Manager at Red Dot Trading, LLC, where in cooperation with Joshua, he was responsible for the day to day trading of a sector specific core listed-equity book. Prior to this, he was the Director of Structured Products & Finance at The Geneva Group in New York where he was responsible for developing financial structures to provide bank-regulatory capital relief solutions given Basel III risk re-weightings. Michael also focused on project and acquisition financings primarily in the infrastructure, real estate and energy industries, including the acquisition of London City Airport by various European banks. He began his financial career at the age of 14 as a runner for the American Stock Exchange and at the age of 16 was hired by the hedge fund MHG Capital as an equity and equity derivatives trader. Michael is an avid ultra marathoner who runs 50 and 100 mile+ races.

**Joshua L. Levy** – Chief Executive Officer (quantitative systems development, implementation, and operations).

Joshua has focused on bringing simplicity and systematic thinking to complex processes. In addition to his role as founder and director with Michael Fowler at Red Dot Trading, Joshua, since 2002, has been instrumental in directing and supporting the growth of Round Hill Capital, a European investment / asset management company with more than \$6B USD in transactions completed. Joshua was also the Director of Private Investments at MUUS Asset Management, responsible for the operational restructuring and management of portfolio companies. Previously Joshua worked at Alvarez & Marsal Europe where he focused on advising distressed international companies and their debt restructurings. In 1996, he founded Creative Ideas International, a consumer goods distribution and marketing firm in Eastern Europe, which he sold to a NYSE listed company in 2001. Recognized as a global operations and turnaround expert, he holds an MBA from the MIT Sloan School of Management and a BA from Vanderbilt University. Joshua is an ice hockey goalie who has played for teams in the USA, Poland and Norway.

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## Management Team (continued)



**Carey M. Metz** – Chief Strategist (*risk management, investor relations, portfolio construction*)

Carey Metz began his investment career as a day trader on the NASDAQ SOES market in 1994. In 1997 he began his Energy trading career with Enron Capital & Trade as a member of the Texas natural gas trading desk. He moved to American Electric Power in early 2001 following the acquisition of Houston Pipeline from Enron, where he subsequently directed the Western United States natural gas trading operations. Following AEP's decision to exit deregulated trading in the fall of 2002, Carey joined Citadel Investment Group in 2002 as they built out their energy trading operation. Carey left Citadel to co-found Alpha Energy Partners in 2004, and launched Whiteside Energy (\$1B AUM) as Chief Investment Officer in 2007. Carey is a strategic adviser to the Atorus fund group and continues to serve as CIO for Whiteside Energy. Carey is an avid outdoorsman, and prolific golfer and snowboarder. He holds a BS from the University of Texas at Dallas and an MBA in Finance from the University of Chicago.

**Michael Zatorski** – Chief Risk Officer, Portfolio Manager (*trading, risk management*)

Michael has over 20 years of experience trading the U.S. equity and financial futures markets. Over the past 8 years, Michael has developed and implemented quantitative models to assist him in generating positive outsized returns. Michael has produced positive returns in low and high volatility markets throughout his career, demonstrating upside and downside alpha. During the financial crisis of 2008-2009, Michael generated substantial positive returns, marking 2008 as one of the best of his career. Prior to trading independently and as an exempt QEP trader (Qualified Eligible Person), Michael was a Principal with Cornerstone Securities/(Protrader Group), until the firm was purchased by Instinet in 2001. During his tenure at Cornerstone, Michael was consistently one of the premier traders in the firm. Prior to Cornerstone, he was also one of the top traders at Momentum Securities from 1996 – 1998. Michael attended the University of Texas at Austin, majoring in Economics. Michael is an avid tennis player, golfer, and skier.

Significant team experience managing institutional and private investment capital across multiple market environments and disciplines

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## Organizational Hierarchy



Combined trading and operational experience in excess of 100 years



Clearly defined roles and processes ensuring team continuity

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## Atorus History



- 2006 – Michael Fowler and Joshua Levy were introduced to collaborate on a leveraged buyout of a major US Oil and Gas company
- 2006 - Research and development of the Atorus methodology begins
- 2008 - Red Dot Trading, LLC is incorporated and later becomes a Registered Investment Advisor in New York and the principals begin successfully trading utilizing their research
- 2011 - Red Dot Trading, LLC was purchased by Eastbridge who utilized the Atorus methodology as a part of a trading strategy for US listed financial securities for a large European commercial bank with Credit Suisse as the prime broker.
- 2012 – Atorus registers as a Registered Investment Advisor in the State of Massachusetts
- 2013 - The founders leave to finalize research and development on the portfolio construction methodology given a global mandate
- 2014 – Michael Zatorski & Carey Metz joins as partners. Total Partners' capital contributions exceed \$20MM.

Over seven years of quantitative systems development

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## **Contact Information**



**For further information:**

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## Appendix – Drawdown Correlation Matrix



**Uncorrelated drawdowns from peak monthly NAV with significantly higher cumulative total returns**

|                                                         | Man AHL Diversified<br>pt | Alison Futures Fund<br>Class B USD | Graham<br>F&O-10Y | Bridgewater<br>All Weather<br>Strategy | Oriswator<br>Pure Alpha<br>Fund I | BEST Class D | ATORUS<br>Systematic<br>Global<br>Opportunity Fund | HSO<br>Global Index | CS Hedge<br>Fund Index | Blackrock<br>Global<br>Allocation<br>Fund | CS Global<br>Macro Fund<br>Index | JPMorgan Global<br>Aggregate Bond Index<br>- USD Hedged | Barclays<br>Hedged Index | USDC Index | Average |
|---------------------------------------------------------|---------------------------|------------------------------------|-------------------|----------------------------------------|-----------------------------------|--------------|----------------------------------------------------|---------------------|------------------------|-------------------------------------------|----------------------------------|---------------------------------------------------------|--------------------------|------------|---------|
| ATORUS Systematic<br>Global Opportunity<br>Fund         | 41.77%                    | 44.38%                             | 43.81%            | 0.83%                                  | -3.87%                            | 0.83%        |                                                    | 18.81%              | 18.80%                 | 8.18%                                     | 20.21%                           | 22.88%                                                  | 18.00%                   | 18.48%     | 18.37%  |
| Man AHL Diversified<br>pt (3/20/2020)                   |                           | 34.58%                             | 62.12%            | 17.38%                                 | -2.13%                            | 17.81%       | 41.71%                                             | 21.72%              | 3.28%                  | 4.62%                                     | -18.15%                          | -7.82%                                                  | 8.00%                    | 35.00%     | 17.13%  |
| Alison Futures Fund<br>Class B USD (3/30/20)            | 34.58%                    |                                    | 23.57%            | 30.12%                                 | 25.44%                            | 30.19%       | 44.10%                                             | 28.41%              | 8.82%                  | 1.34%                                     | 13.02%                           | 19.84%                                                  | 18.42%                   | 2.11%      | 17.84%  |
| Graham F&O-10Y<br>(5/1/18)                              | 62.12%                    | 62.12%                             |                   | -30.44%                                | -18.00%                           | -44.11%      | 43.81%                                             | 8.34%               | -18.18%                | -18.18%                                   | -21.02%                          | -2.34%                                                  | -19.21%                  | 12.34%     | 1.00%   |
| Bridgewater All<br>Weather Strategy<br>(5/1/18)         | 17.38%                    | 30.12%                             | -30.44%           |                                        | 40.75%                            | 62.21%       | 0.83%                                              | 78.73%              | 83.30%                 | 78.30%                                    | 85.18%                           | 45.33%                                                  | 79.30%                   | 74.30%     | 47.88%  |
| Oriswator Pure Alpha<br>Fund I                          | -3.87%                    | 25.80%                             | -18.00%           | 40.75%                                 |                                   | 38.38%       | -3.87%                                             | 7.82%               | 12.30%                 | 12.30%                                    | 8.42%                            | 13.80%                                                  | 12.30%                   | -1.88%     | 8.88%   |
| BEST Class D (1/31/20)                                  | 17.81%                    | 30.19%                             | -44.11%           | 87.21%                                 | 36.30%                            |              | 8.81%                                              | 85.80%              | 78.15%                 | 78.20%                                    | 78.34%                           | 20.81%                                                  | 78.64%                   | 64.00%     | 41.88%  |
| HSO World Index                                         | 21.72%                    | 28.41%                             | -8.34%            | 78.73%                                 | 7.82%                             | 85.80%       |                                                    | 18.81%              | 88.82%                 | 78.20%                                    | -7.80%                           | -5.38%                                                  | 82.31%                   | 62.80%     | 27.88%  |
| CS Hedge Fund Index                                     | 3.28%                     | 8.82%                              | -18.18%           | 83.30%                                 | 12.30%                            | 79.15%       | 18.84%                                             | 48.81%              |                        | 88.15%                                    | 58.89%                           | 20.30%                                                  | 84.15%                   | 81.20%     | 36.52%  |
| Blackrock Global<br>Allocation Fund                     | 8.18%                     | 1.34%                              | -18.18%           | 78.30%                                 | 12.30%                            | 35.38%       | 8.10%                                              | 78.80%              | 88.15%                 |                                           | 23.15%                           | 5.11%                                                   | 58.80%                   | 60.20%     | 31.88%  |
| CS Global Macro Fund<br>Index                           | -18.15%                   | 13.80%                             | -21.02%           | 88.38%                                 | 8.42%                             | 78.31%       | 23.21%                                             | -7.80%              | 88.88%                 | 23.18%                                    |                                  | 82.88%                                                  | 88.18%                   | 21.88%     | 24.88%  |
| JPMorgan Global<br>Aggregate Bond Index<br>- USD Hedged | -7.82%                    | 19.84%                             | -2.34%            | 45.33%                                 | 13.80%                            | 20.81%       | 22.88%                                             | -5.15%              | 28.30%                 | 3.11%                                     | 51.88%                           |                                                         | 31.72%                   | 7.18%      | 15.32%  |
| Barclays Hedged<br>Index                                | 8.00%                     | 12.42%                             | -19.21%           | 79.30%                                 | 12.30%                            | 78.64%       | 18.81%                                             | 82.31%              | 84.18%                 | 88.88%                                    | 88.78%                           | 31.72%                                                  |                          | 39.88%     | 31.72%  |
| USDC Index                                              | 35.00%                    | 2.11%                              | 12.34%            | 74.30%                                 | -1.00%                            | 64.85%       | 18.40%                                             | 42.81%              | 81.20%                 | 85.22%                                    | 21.02%                           | 7.35%                                                   | 38.88%                   |            | 31.88%  |

> Annualized Returns < Downside Volatility Correlation

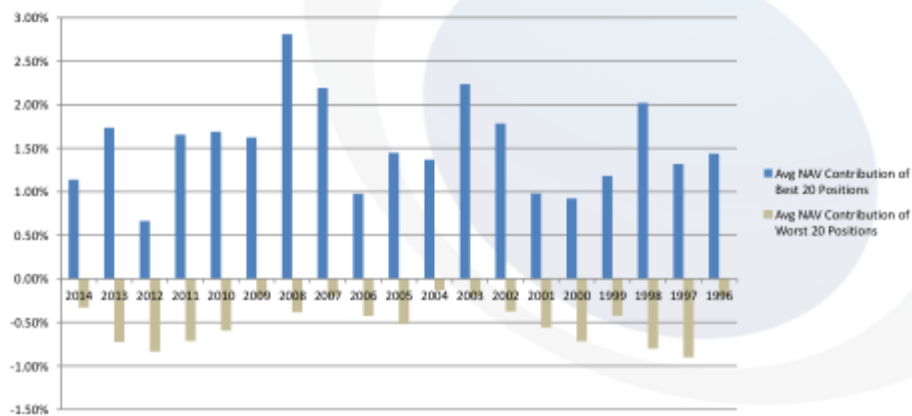
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## Appendix – Top/Bottom NAV Contribution



Top avg. 20 positions contribute demonstrably more than bottom avg. 20 positions with minimal variance



\*20-year simulated returns, gross of fees

Systematic risk methodology allows for controlled downside variance, while maximizing upside returns

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