

# OUTSIDE THE BOXES: ALTEGRIS BLOG

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## The Potential Benefits of Managed Futures

SEPTEMBER 7, 2017 / ALTEGRIS / LEAVE A COMMENT

Many investors don't want to miss growth opportunities. They would like to find a solution with seemingly less exposure to loss. Altegris believes there is an asset class with a historical track record for pursuing long-term growth that may also help to potentially reduce a portfolio's overall volatility—managed futures.

The infographic below highlights what Altegris considers to be four key features of managed futures:

## THE POTENTIAL BENEFITS OF MANAGED FUTURES

### Potential to Profit through Different Market Cycles

With market uncertainty, investors may be concerned about holding a large part of their portfolios in equities.

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## Opportunity for Growth and Resiliency

Managed futures may provide **long-term growth and portfolio resiliency** during periods of equity market stress.



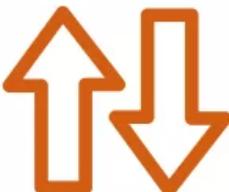
## Strategy Flexibility

Managed futures invest both **long and short, in multiple asset classes**, in more than 150 markets around the world.



## Portfolio Diversification

Managed futures **don't depend on the direction of equity or fixed income markets**, creating possible opportunities to enhance portfolio diversification.



## A Possible Cushion for Market Volatility

Managed futures have **historically outperformed equity markets during periods of heightened volatility**.\*

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www.altegris.com

Diversification does not ensure profit or protect against loss in a positive or declining market. The above is not intended, and should not be construed, as asset allocation advice. There is no guarantee that any investment will achieve its objective, generate profits or avoid losses.

\*Source: Altegris.com. For more information visit: [http://altegris.com/-/media/Files/White%20Paper/Managed\\_Futures-Performance\\_During\\_Equity-Market\\_Stress.pdf](http://altegris.com/-/media/Files/White%20Paper/Managed_Futures-Performance_During_Equity-Market_Stress.pdf)

#### IMPORTANT RISKS

It is important to note that every asset class is subject to various risks that affect their performance in different market cycles. Equity securities are subject to the risk of loss due to adverse company and industry news or general economic decline. Bonds are subject to credit risk, default risk, and interest rate risk; when interest rates rise, bond prices fall. Commodities are affected by adverse weather, geologic and environmental factors, and heightened regulatory oversight.

Alternative investments involve a high degree of risk and can be illiquid due to restrictions on transfer and lack of a secondary trading market. They can be highly leveraged, speculative and volatile, and an investor could lose all or a substantial amount of an investment. Alternative investments may lack transparency as to share price, valuation and portfolio holdings, and are subject to substantial changes for management and advisory fees. Complex tax structures often result in delayed tax reporting. Alternative investment managers typically exercise broad investment discretion and may apply similar strategies across multiple investment vehicles, resulting in less diversification. Trading may occur outside the United States which may pose greater risks than trading on U.S. exchanges and in U.S. markets.

There are substantial risks and conflicts of interests associated with managed futures and commodities accounts, and you should only invest risk capital. The success of an investment is dependent upon the ability of a commodity trading advisor (CTA) to identify profitable investment opportunities and successfully trade. The identification of attractive trading opportunities is difficult, requires skill, and involves a significant degree of uncertainty. CTAs have total trading authority, and the use of a single CTA could mean a lack of diversification and higher risk. The high degree of leverage often obtainable in commodity trading can work against you as well as for you, and can lead to large losses as well as gains. Returns generated from a CTA's trading, if any, may not adequately compensate you for the business and financial risks you assume. CTAs may trade highly illiquid markets, or on foreign markets, and may not be able to close or offset positions immediately upon request. You may have market exposure even after the CTA has a request for closure or liquidation. You can lose all or a substantial amount of your investment.

Compared to mutual funds, hedge funds and commodity pools are subject to less regulation and often charge higher fees. It may be necessary for accounts that are subject to these charges to make substantial trading profits in order to avoid depletion or exhaustion of their assets. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

#### IMPORTANT CONSIDERATIONS

Altegris Advisors LLC is a CFTC-registered commodity pool operator, commodity trading advisor, NFA member, and SEC-registered investment adviser that sponsors and/or manages a platform of alternative investment products.

The Altegris group of affiliated companies is wholly-owned and controlled by (i) private equity funds managed by Aquiline Capital Partners LLC and its affiliates ("Aquiline"), and by Genstar Capital Management, LLC and its affiliates ("Genstar"), and (ii) certain senior management of Altegris and other affiliates. The Altegris companies include Altegris Investments, Altegris Advisors, and Altegris Clearing Solutions.

#### GLOSSARY

**Long.** Buying an asset/security that gives partial ownership to the buyer of the position. Long positions profit from an increase in price.  
**Short.** Selling an asset/security that may have been borrowed from a third party with the intention of buying back at a later date. Short positions profit from a decline in price. If a short position increases in price, the potential loss of an uncovered short is unlimited.

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# The Role of Private Equity in a Volatile World

AUGUST 24, 2017 / ERIC BUNDONIS / LEAVE A COMMENT

We live in a world of increasing complexity—one in which technological revolutions are unmaking and remaking every industry. The private equity model offers a way to adapt to, and potentially benefit from, these profound changes.

Private equity can also continue to help investors advance toward their financial goals despite a challenging climate. Since the 2009 market bottom, global public equity markets have seen tremendous appreciation driven primarily by quantitative easing and much lower interest rates around the world. With interest rates currently near all-time lows and equity market valuations at historically high levels, we believe financial market returns are unlikely to repeat the past eight years' performance over the next eight years. In our view, this suggests that investment strategies with return-enhancing capabilities could play an increasingly important role in investors' portfolios.

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## Advisors Consider Increasing Allocations to Managed Futures

AUGUST 17, 2017 / ALTEGRIS / LEAVE A COMMENT

At Altegris, our goal is to make alternative investments more accessible and easier to understand. Managed futures is a key component of our business and is often overlooked.

We conducted a survey to find out more about how financial advisors are using managed futures, and have put the results in the following infographic. It shows that some financial advisors are seeking further allocation to managed futures.



# ADVISORS CONSIDER INCREASING ALLOCATIONS

# TO MANAGED FUTURES

Altegris survey finds that financial advisors are considering managed futures as a complementary component of client portfolios and plan to increase allocations in 2017.



## A COMPLEMENTARY COMPONENT

Nearly half of advisors **currently use managed futures** solutions in their clients' accounts.



## PART OF A DIVERSIFICATION STRATEGY

One quarter primarily **use managed futures to diversify both traditional equity and fixed income strategies.**



## INCORPORATING INTO A PORTFOLIO

Thirty-one percent responded that **managed futures should make up more than five percent** of a client's investment portfolio.

**More than 4 in 10  
advisors plan to  
increase their  
allocation to managed  
futures in 2017.**



To learn more about managed futures, visit  
**[www.altegris.com](http://www.altegris.com)** or call **888.524.9441** to  
connect with a managed futures expert today.



Altegris is an investment research firm, with deep expertise in alternative manager selection, structuring unique solutions, and providing portfolio management and oversight. Beginning with an analysis of the current and anticipated investment environment, our solutions are based on themes that we believe solve the most important client needs. For more information about the Altegris family of alternative strategies, visit [www.altegris.com](http://www.altegris.com).

#### ABOUT THE SURVEY

The Altegris Managed Futures Survey was conducted at the 2016 InvestmentNews Alternative Investments Conference on November 14, 2016 in Miami, FL. The data is based on responses from 101 random respondents described as financial advisors and registered investment advisors (RIAs).

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# Our Global Trend Watchlist for Private Equity

AUGUST 10, 2017 / KEN MEHLMAN / LEAVE A COMMENT

In today's global landscape we see trends that hold a variety of unfolding opportunities and risks—and often they are the converse of each other. At Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, "KKR"), close attention is paid to these big-picture trends as we work to source investments and systematically de-risk our portfolio companies.

## A Reduction In Global Trade

Even before the last US presidential election, we were seeing a clear decline in global trade over the past several years. This trend clearly benefits companies with ample domestic markets and more reliance on local supply chains. That profile fits many firms in the US, the world's biggest market, and others in Indonesia and India. What we might call "deglobalization" could also lead some companies, especially those with strong pricing power, to spin off some of their units, creating separate entities that could present new investment opportunities.

## Increased Global Defense Spending

KKR is looking closely at this area today, especially in Europe and the US, with a particular focus on cybersecurity.

## The Rise of The United States of Asia

We're seeing a big uptick in inter-Asia exports based on trade deals and proximity. Infrastructure is a particularly interesting facet of that trade, and one where we see

strong growth potential.

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# My Investment Strategy: Find Tenants Who Stay Put

MAY 18, 2017 / BURLAND EAST, CFA / LEAVE A COMMENT

After a career of nearly three decades investing in commercial real estate, it is my opinion that the sector performs best when these conditions exist: tenants are reluctant to leave because they have few options; developers have limited options to add new supply; and tenants' demand for space is growing, requiring more real estate. Who are my dream tenants?

Before I identify them, let me back up. I invest in commercial real estate via real estate securities, which includes Real Estate Investment Trusts (REITs)<sup>1</sup> and C-Corporations<sup>2</sup>. Most of these companies typically specialize in one property type, giving investors the chance to invest in "pure plays" of property types they otherwise may not have investment access to, such as shopping malls, cell-tower networks, data centers, casinos or ski areas. Specialization requires that the people who put these securities together become experts in the underlying properties.

To view the article in its entirety, [click here](#).

<sup>1</sup>) A REIT (real estate investment trust) is a type of real estate company that mainly owns and operates income-producing real estate; some engage in financing real estate. Most REITs trade on major exchanges.

2) A C-Corporation generally refers to any corporation that is public and for-profit, unless the corporation elects the option to treat the corporation as a flow-through entity.

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# How to Potentially Enhance Equity Performance in a Climate of Uncertainty

FEBRUARY 21, 2017 / ERIC BUNDONIS / LEAVE A COMMENT

As challenging as the investment landscape has been, we expect it to be even more so going forward. Global growth is slow, and the returns we have seen in recent years have been pulled forward by quantitative easing and the low interest-rate environment. Over the next ten years, returns are likely to be lower across all asset classes than they were during the past ten years.

In that context, we offer three themes investors can potentially utilize to enhance the returns of their equity portfolios. These themes underscore the reasons we believe private equity can be a useful component of investor portfolios in this kind of climate.

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# 2017: A Challenging Year Ahead for Portfolio Allocation Decisions

FEBRUARY 13, 2017 / MATT OSBORNE / LEAVE A COMMENT

Surprising many investors and pundits alike, the S&P 500 posted a solid return for 2016, finishing the year up close to 10%. If investors never looked at their statements, one might be naïve to how much markets zinged and zagged throughout the year.

Can we expect more of the same in 2017?

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## Can ESG Investors Do Well While Doing Good?

JANUARY 31, 2017 / KEN MEHLMAN / LEAVE A COMMENT

Investors can play a pivotal role in addressing global issues with solutions government organizations can't achieve on their own. ESG investing—meaning investments guided by environmental, social and corporate governance criteria, also known as impact investing—is one avenue for those efforts. Not only is ESG investing a way to do the right thing, it can help improve public opinion regarding companies and industries.

Some believe that the positive societal impacts of ESG investing necessarily come at the cost of lower returns. We disagree. KKR has developed what we call solution-focused investing, a proactive approach designed to add value for investors while helping to solve important global challenges.

Rather than looking at companies and ESG issues from a de-risking perspective, we ask, “Which societal changes lead to an investment thesis we can get behind?” We have a team that is dedicated especially to helping us explore complex ESG issues and arrive at win/win investments in global solutions.

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# THE ORACLE

NOVEMBER 17, 2016 / LARA MAGNUSEN / LEAVE A COMMENT

In May of this year, our former CEO and Chief Investment Strategist, Jack Rivkin, posted a prophetic blog post entitled, “Beginning the Look Back at What We Expected for 2016 (and Beyond.”

As many of you know, Jack will never finish his 2016 review. He passed away from pancreatic cancer this past Election Day, Tuesday, November 8th. This was a cruel irony since there is no investment luminary, nor human being, generally, we would rather have spoken to that event on Election Day. Very few individuals come into our lives and make such a profound impact. From Jack’s intelligence, humor, empathy and love of his family, there is no comparison.

As homage to Jack, we invite you to read excerpts of his two most uncannily prescient blog posts:

## The Election

In his May 2016 post, Jack led his section on the election with the late Leonard Cohen’s “Democracy.”

*I'm sentimental, if you know what I mean,  
I love the country, but I can't stand the scene.  
And I'm neither left or right,*

*I'm just staying home tonight,  
Getting lost in that hopeless little screen.  
...I'm still holding up,  
This little wild bouquet,  
Democracy is coming to the USA."*

—Leonard Cohen

Jack wrote, "This may be one of the most democratic elections we have had in a long time. The constituencies have been motivated by non-establishment candidates on both sides to vote as they feel in terms of their innate fears and beliefs coming from the gut and the heart. This is in contrast to the more "enlightened" fears that would come from the head, calling for preservation of the system. This is what, historically, has been presented by the 'Establishment'.

There have always been differences in the views between the two major parties of what really is important in the system, but the outcomes have been conventional and, ultimately, supportive of global commerce, finance, and an expanding role of government. In this election, the anti-establishment elements may end up determining what will appear to be a different path. Although, I would expect that the ultimate differences will not be long-lasting."

On November 7, 2016, Leonard Cohen passed away.

## Oil and the Environment

Many of you may not know that Jack was born in Oklahoma. He was also an avid follower of the impact of climate change on the environment. These two worlds collided in Jack's January 2016 commentary, where he strayed from more conventional market outlooks; sounding alarm bells for the US oil market. While the price of crude has yet to be impacted by the recent spike in such earthquakes, however, this 'tail risk' disruption could be just ahead.

## An Earthquake on the Recently Discovered Cushing Fault causes Major Damage and throws US Oil Markets into Turmoil

"I don't want to go the route of Iben Browning, forecasting an earthquake in late 1990 on the New Madrid fault that has yet to occur. However, we are seeing daily tremors in Oklahoma in the vicinity of the Cushing storage facility and pipeline

system. In 2015 Oklahoma had more quakes of 3.0 or higher than any other state. Yes, that includes California. Some recent studies have identified a fault, named the Cushing fault, in the region where there is increased risk of a major earthquake in part from the introduction of ground water from fracking activity and tertiary recovery. I don't know enough to make the mistake Iben did of putting a date on when an earthquake could occur, but if there is a disruption of the storage and pipeline systems in Cushing, for whatever reason at whatever time, it could push up the prices of refined product from shortages of crude and possibly lower further the price of crude as producers struggle to find storage and other shipment means for what they are producing. Gulf Coast refiners will likely bid up crude prices to keep the refineries going, but producers will need to move what they are producing by any means possible. It will be an interesting tug of war between the domestic producers and the refiners re who is in the best position to bargain. In the meantime offshore producers will step in to deliver oil to the Gulf Coast refiners who account for close to half of the production in the US."

Cushing, Oklahoma experienced a 5.0 magnitude earthquake on November 6, 2016. Despite a swarm of earthquakes that occurred after his post in Oklahoma, this one hit the closest to where the US stores its largest number of crude oil barrels.

Jack will be sorely missed. We are truly honored to have worked with him, and aim to continue his legacy in our every day.

If you would like to share your thoughts, memories and condolences, please email [rememberingjack@altegris.com](mailto:rememberingjack@altegris.com).

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## The Political Bull Market and Your Portfolio

In the eight years since the financial crisis, we have been in what I call a political bull market—a time when the thinking, decisions, and activities of political actors have had a disproportionate impact on the performance of companies around the globe. By “political actors,” I mean elected officials, other policy makers and NGOs as well as critics of business and the increasingly restive populations we see in various parts of the world.

As far as the coming election is concerned, we see some areas of business where the impacts could be quite different depending on outcome of the vote (see page 2). But the bigger issue—the politicization of business—isn’t going to diminish, no matter whether the next president is Donald Trump or Hillary Clinton. In fact, all indications are that it will not only continue, but accelerate. Grasping this is especially important for investors in private equity, real estate, and any other asset class involving long-term commitments.

To view the article in its entirety, [click here](#).

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