ASYMmetric Risk Management Technology™

Measuring, Monitoring and Managing Market Risk

Overview

ASYMmetric Risk Management Technology™ is a powerful tool for accurately measuring, monitoring and managing market risk. The technology is engineered to produce ASYMmetric returns: generating positive returns in bear markets and capturing most of the upside of bull markets. ASYMmetric returns are generally uncorrelated to stocks and bonds and can be a portfolio diversification tool.

Measuring Market Risk

ASYMmetric Risk Management Technology™ uses two **PRICE-BASED** signals to measure market risk. Price-based signals are used because a market or stock price reflects 100% of all known information. ASYMmetric Risk Management Technology is not trying to predict where a market is going, but with a high degree of confidence accurately identify its current risk environment.

The **Price Momentum Indicator** is a technical measure of market risk. The **Price Volatility Indicator** measures the realized volatility of the market (as calculated by PriceVol™). The Price Momentum Indicator is signaling: **Don't Walk** (high risk) when the market is **trending down** and **Walk** (low risk) when the market is **trending up**. The Price Volatility Indicator is signaling: **Don't Walk** (high risk) when realized **volatility is high** and **Walk** (low risk) when realized **volatility is low**.

Price Momentum Indicator	Market is Trending Down	Market is Trending Up

Price Volatility Indicator	Realized Volatility is High	Realized Volatility is Low

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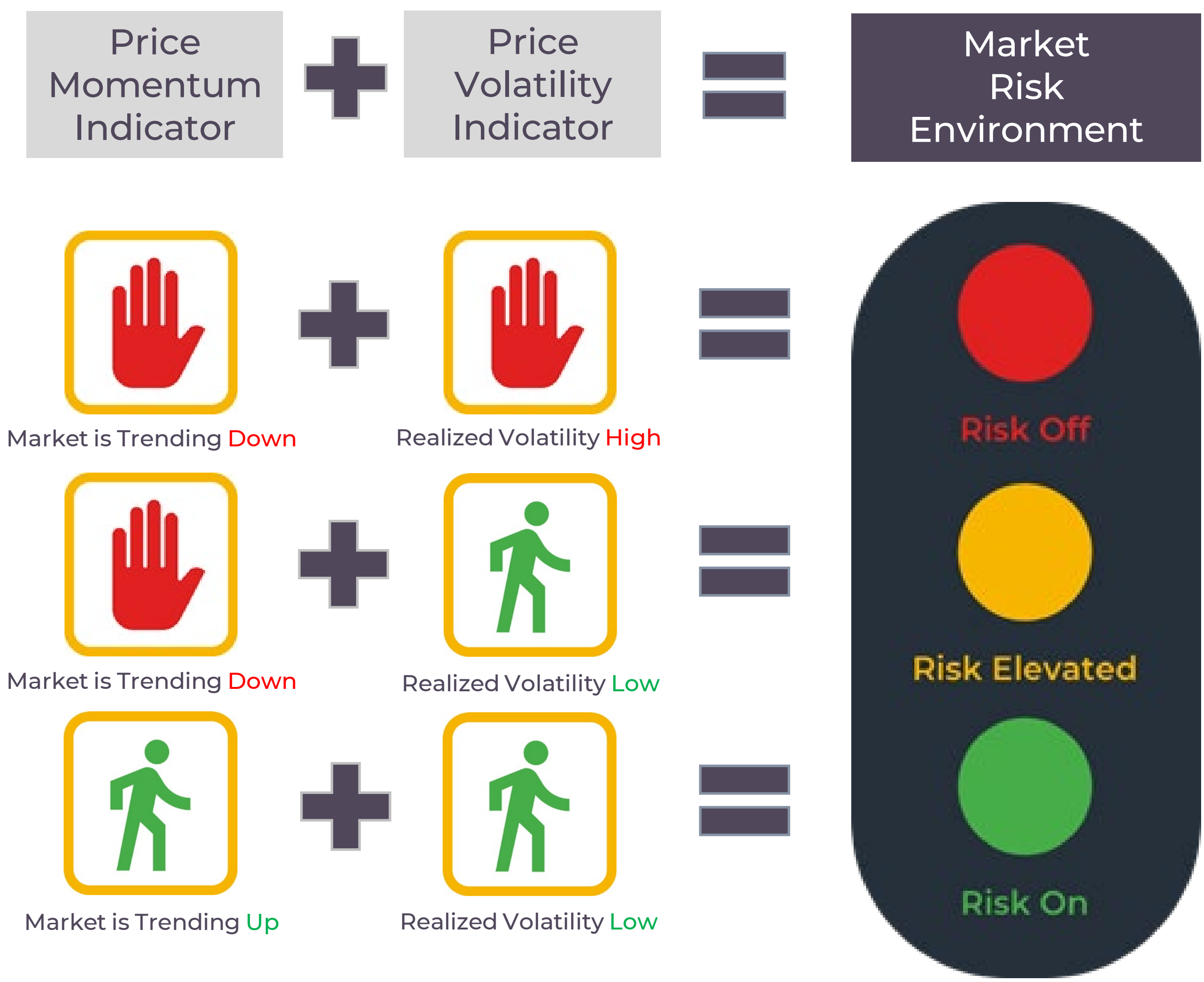
Monitoring Market Risk

ASYMmetric Risk Management Technology™ is designed to accurately monitor market risk. The price-based measures of market risk calculated by the Price Momentum and Price Volatility Indicators are combined to determine the current **MARKET RISK ENVIRONMENT**.

Market risk environments fall into three categories:

- Risk-Off market risk is high (bear market).
- Risk-Elevated market risk is moderate (uncertain market).
- Risk-On market risk is low (bull market).



Managing Market Risk

The Market Risk Environment is used to position the portfolio to profit in either a bear (Risk-Off) or bull (Risk-On) market. ASYMmetric Risk Management Technology™ accomplishes this by systematically adjusting the **NET EXPOSURE** of the portfolio.

Net exposure is adjusted by changing the long and short exposure based on the Risk Environment:

- Risk-Off the portfolio is net short, positioned to make money in a bear market.
- Risk-Elevated the portfolio is market neutral, positioned to preserve capital.
- Risk-On the portfolio is net long, positioned to capture most of the upside of a bull market.

Market Risk Environment	Long Exposure	−	Short Exposure	=	Net Exposure
Risk Off	20%	−	45%	=	-25%
Risk Elevated	35%	−	35%	=	0%
Risk On	100%	−	25%	=	75%

Conclusion

Uncorrelated ASYMmetric returns have the potential to open new frontiers beyond stock and bonds. They may be harnessed to optimize stock and bond portfolios: lower the risk and improve the performance.

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