GLOBAL VOLATILITY SUMMIT

NOVEMBER 2015 NEWSLETTER

Dear Investor,

The Global Volatility Summit ("GVS") brings together volatility and tail hedge managers, institutional investors, thought-provoking speakers, and other industry experts to discuss the volatility markets and the roles volatility strategies can play in institutional investment portfolios. The GVS aims to keep investors updated on the volatility markets throughout the year, and educated on innovations within the space.

Fortress Convex Strategies Group has provided the latest piece in the GVS newsletter series. In this interesting piece, Fortress uses the Western United States wildfire season as an analogy for the financial cycle and how these cycles evolve over time. Past cycles can give a good indication of new "seasons" to come. Additional newsletters and educational pieces will continue to be posted throughout the year.

Cheers,

Global Volatility Summit

2016 EVENT

The 2016 Global Volatility Summit is confirmed for March 16, 2016 at Pier Sixty in New York City. Registration will open in the coming weeks, along with the debut of a new GVS website. We will continue to update the website with the agenda and speakers as they develop. Stay tuned!

2015 EVENT RECAP

The 2015 event took place on March 11th at Chelsea Piers and was attended by some of the world's largest pensions, endowments, foundations, sovereign wealth funds and banks, and sponsored by hedge fund manager participants, global banks and exchanges. Innovation and technology were the key themes of the event with a focus on how technology and science augment the way we live, work and trade.

KEYNOTE AND GUEST SPEAKERS

Kevin Slavin, Algoworld expert from MIT gave a keynote address on how algorithms shape the world.
Brad Katsuyama, President and CEO of IEX, shared his story behind pioneering trading technologies.

MANAGER PARTICIPANTS

BlueMountain Capital
Capstone Investment Advisors
Capula Investment Management
Dominicé & Co. – Asset Management
Fortress Investment Group
Ionic Capital Management
JD Capital Management
Parallax Volatility Advisors
Pine River Capital Management
Saiers Capital

Global Volatility Summit

Fortress Convex Strategies Group

September 2015

Please see the Disclosures at the back of this presentation for important information regarding this document.

http://www.nbcnews.com/storyline/western-wildfires/resources-are-scarce-western-wildfires-rage-n411386

http://time.com/3992447/technology-wildfire-predictions/

As noted in the above reports, mid-summer has passed in the Western United States and that means fire season. Using the fire season as an analogy for the financial cycle, we also now appear to be past mid-summer in the EM financial cycle too. We have long found the below chart of the SGD/JPY currency rate a good visualization of how the cycles evolve over time. We think of this pair as the SGD being representative of "normalcy" and the JPY "carry/funding". We do not know if there really is meaning in this pair, but in our opinion, it has been a good indicator of the cycle in the past, and gives a nice view of the "seasons."

Singapore Dollar vs. Japanese Yen as Cyclical / Seasonal Indicator

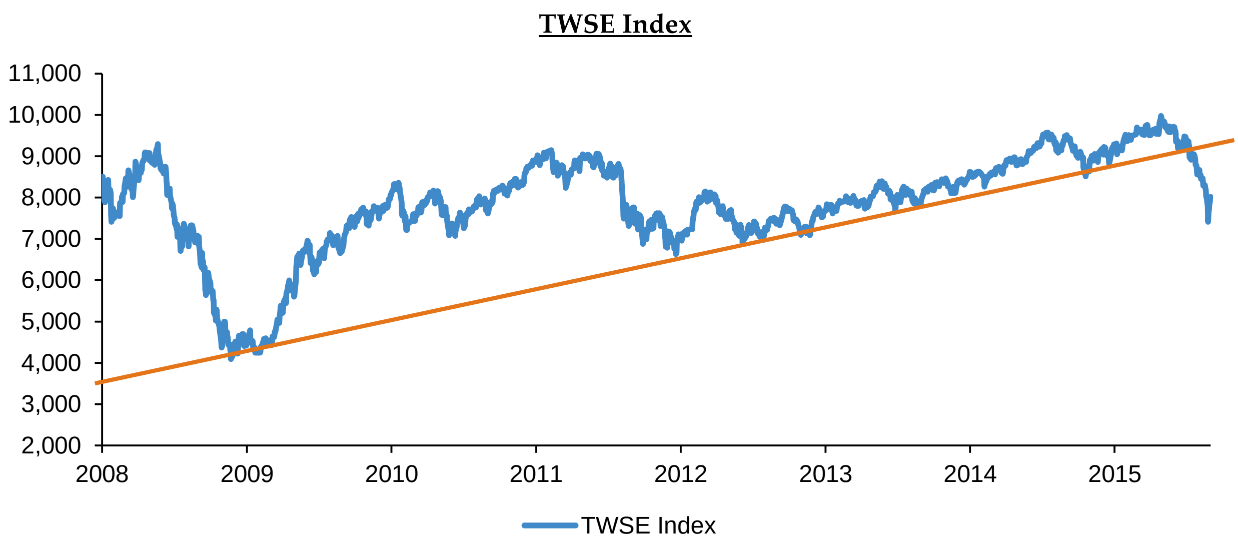
Blue = Winter Green = Spring Yellow = Summer Red = Fall

Source: Bloomberg data, as of July 2015.

In winter, grass neither grows nor burns; markets go sideways and are good opportunities for asset gathering or alpha generation. In spring, the water hits the ground and grass starts growing, markets rally and beta opportunities abound as leverage regenerates. In early summer, the water slows down/stops, but the grass still grows as the sun hits the still moist ground, markets progress to their cycle highs. Mid-summer, growth stops and grass dries out, the fire season commences, markets become susceptible to sharp sell-offs and increased volatility. Late summer, the fire season well and truly kicks off, fires start to spread and increase in severity, fire fighters apply water to put out fires, eventually weather cools and maybe some rain comes, markets recover briefly in hopes that policymakers have stopped the fires from spreading. Autumn comes and water will not turn the remaining dry grass green again, winds and storms pick up spreading subsequent fires across the remaining dry grass, markets have their crescendo sell-off. Winter returns once more.

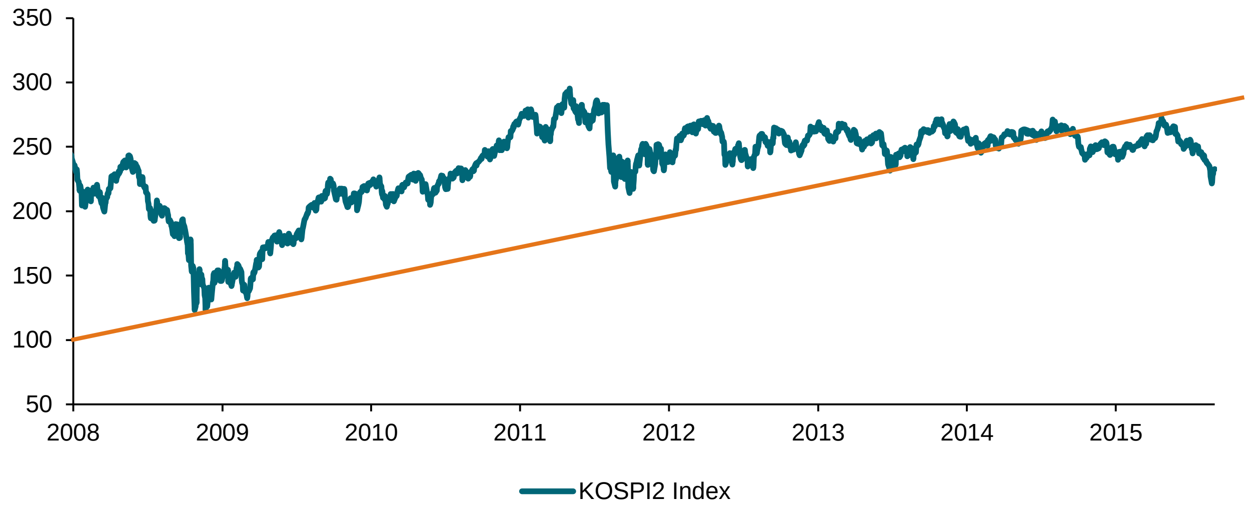
Note the dates of the past mid-summer peaks and trend-line breaks (confirmation of the transition to late summer), May 1997 and July 2007. It appears that the current trend line is breaking, as are so many others in the EM world. In our view, we are past mid-summer in EM, while DM is likely trailing in this cycle, much as it did in the 1997/1998 period. Eventually the fires spread there as well (maybe sooner than later if the Fed speeds up the drying of grass). We will not bother to overlay the Fed Funds into the above cyclical representation, we all know what that looks like, but it raises the point as to how far behind the Fed is in terms of storing up water for the next fire season. In our opinion, seasonal change is with us again; the global liquidity pendulum is already swinging back the other way, the contraction period has commenced, and wild fires are breaking out in markets.

Some simple charts follow to support our view that EM is past mid-summer, but not yet clear that DM has done the same. The point is that one after another EM markets/assets/risks are breaking their relevant post-crisis trends and moving averages but DM world is still hovering around its equivalents. Our explanation is simply that the explosion of credit took place much earlier and to a far greater extent in EM from 2009 onwards, in essence pushing them ahead in the cycle. We believe that "inflation/expansion" (drinking) is now coming to its inevitable after effect, "deflation/contraction" (hangover).



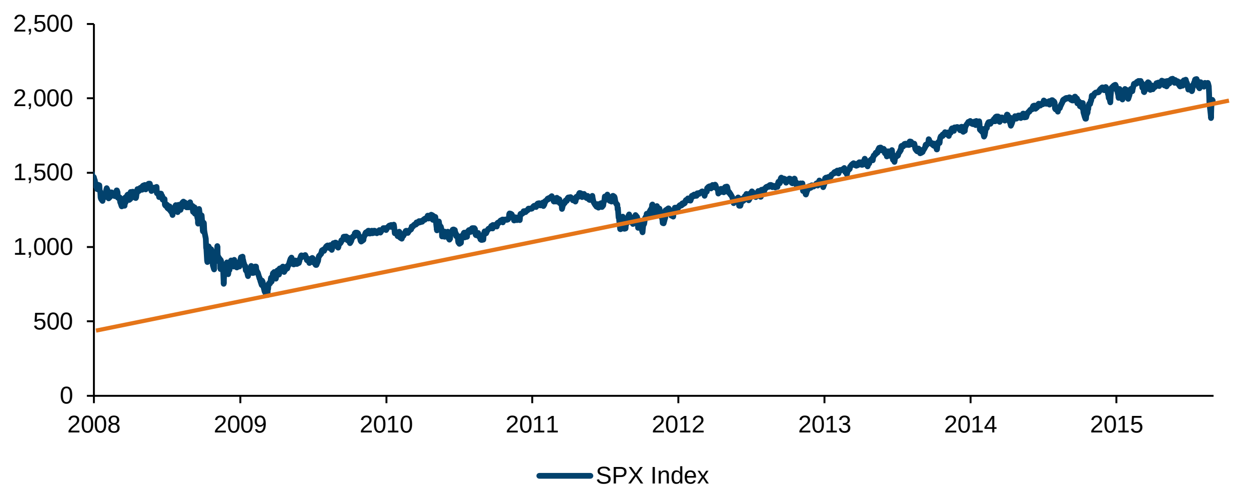
Source: Bloomberg data, as of July 2015.

KOSPI2 Index



Source: Bloomberg data, as of July 2015.

SPX Index



Source: Bloomberg data, as of July 2015.

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