GLOBAL VOLATILITY SUMMIT 2012

January 2012

Event Details

Date. March 6, 2012

Details. A one day summit to educate investors on the universe of volatility funds and tail hedging managers and discuss the market environment.

Location. Skylight Studio in Soho in New York City.

Event Update

Keynote speakers. We are excited to report that General Stanley McChrystal and The Honorable Rahm Emanuel (Mayor of Chicago) will be speaking at the event.

Managers. The following managers will be speaking at the event.

36 South Capital Advisors
Acorn Derivatives Management Corp.
Alphabet Partners
Amundi Asset Management
ArrowGrass Capital Partners
Blue Mountain Captial
Capstone Investment Advisors
Fortress Investment Group
III Associates
JD Capital Management
Man Group
Parallax Fund
Pine River Capital Management
Vulpes Investment Management

Registration. Space is limited, please visit the website to sign up as soon as possible.

Agenda and speakers. Please continue to check the website for event details and tentative agenda.

Questions? Please contact info@globalvolatilitysummit.com

The goal of the Global Volatility Summit ("GVS") is to educate investors about investing in volatility. With the approach of the third annual GVS, we felt it was appropriate to launch a newsletter continuing this mission. Each month leading up to GVS, we will ask industry experts to discuss their thoughts and opinions on the volatility universe. This past year we have seen an uptick in interest in various strategies available in the volatility space, namely in relative value and tail risk, and we are keen to ensure investors are kept abreast of the most recent developments in all relevant strategies. We believe there is a volatility strategy that can be a suitable component of every investor's portfolio. That said, a concerted effort from the volatility community is required to continue to educate investors so they are aware of the pitfalls and benefits of various strategies available to them.

We asked *Paul Britton, CEO and founder of Capstone Investment Advisors* **and the man behind the Global Volatility Summit, to share his outlook for volatility markets in 2012.**

I believe the impending regulatory cloud looming over financial markets will bring even more volatility. There is an interesting dichotomy occurring, which will affect the pricing of volatility instruments presently and, I feel, will play an even bigger role in 2012. The price of insurance, namely longer dated volatility instruments, is being driven persistently higher by the forces of supply and demand. The typical suppliers of these products have historically been banks, which are now being forced from holding large positions because of the impending "Volcker Rule". As a result, demand for such products is being driven by new regulatory constraints in the insurance field (Solvency 2, etc.), affecting the end users of these products, typically insurance companies. In my opinion, this is causing the longer ended part of the volatility curve to remain highly elevated, and with hedge funds being scared away by a lack of liquidity in such instruments, there are really no natural sellers to provide the necessary flows for the insurance community.

I cannot begin to tell you where volatility will be in 2012, but I am duly confident in predicting there will be an ample supply of volatility of volatility. The schizophrenic nature of the markets is causing huge swings in volatility and I do not see this abating in 2012. The cause of this is seemingly tied to my previous point where the banks, typical sellers of volatility, have been taken out of the market because of pending regulatory issues. It now feels that banks have moved from the 'storage business' to the 'moving business' where they are happy to enable customers and are eager to 'move' inventory. The beneficiaries of this new arrangement would seemingly be hedge funds, who are already in the 'storage business' and now will have to find larger warehouses (capital) to store this increase in inventory.

In the coming weeks, I would not be surprised if we see the VIX print below 20, but also see spikes near the levels we saw this year as the world grapples with new financial structures that the regulators are placing on the industry.

Viva La Volatility.

Cheers,
Global Volatility Summit