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CAPITAL MANAGEMENT, LLC

February 8, 2018

Commentary on February Performance

Market Events

Equity markets have exhibited extreme moves this month, including a 4.6 standard deviation move in the S&P 500 Index on 2/2 and a 7.3 standard deviation move on 2/3. While the magnitude of movements on these individual days is not unheard of, the magnitude of the cumulative loss over the last 10 trading days is the largest immediately following an S&P peak since 1985. On top of this there was a ~150% spike in Volatility on 2/2. These examples are indicative of the rare territory we find ourselves in right now.

Impact on WMA Strategy Performance

The program has taken losses in almost every sector, with VIX being the lone small exception. WMA has lost 19.2% month-to-date (WMA Institutional is down 9.6%). Sector attributions are as follows: Equities -12.2%, Energies -4.1%, Currencies -2.3%, Ags -0.7%, Fixed Income -0.4%, Metals 0.0%, VIX 0.50%. WMA Institutional sector attributions are half that of the standard leverage WMA program.

Reaction of the WMA System

The WMA program is working as designed and has responded as we would expect. The Adaptive Risk Profile methodology has processed the falling signals strengths (which would generally cause the program to reduce risk) combined with the decrease in correlations of our portfolio positions (which would generally cause the program to increase risk) and the resulting overall portfolio risk has been incrementally ratcheted down throughout the month thus far with the program currently targeting a monthly VaR of 16.7% (WMA Institutional targeting 8.2%). The combination of reduction in primary single strengths, triggering of Exit Targets and reduction of VaR caused our exposure to equities to be cut by more than 50% during January.

Current Positioning

As a result of the WMA program's reactions to market events, long equities is no longer the largest position risk within the portfolio. Currently long energies and short agriculturals are the most substantial positions, followed by moderately long equities, moderately long currencies, moderately short fixed income and small longs in metals and volatility.

Sensitivity Analysis

Note that these assume inter-market correlations remain unchanged. Sensitivities for WMA Institutional are half those of the WMA figures that appear below for both dates.

<u>WMA</u>	<u>2/8/18</u>	<u>1/31/18</u>
Stock Indices Drop 1%:	-0.84%	-2.71%
Energies Drop 1%:	-0.88%	-0.93%
Bond Yields Increase 10bps:	0.80%	0.53%
Dollar Index Drop 1%:	-1.50%	-1.11%

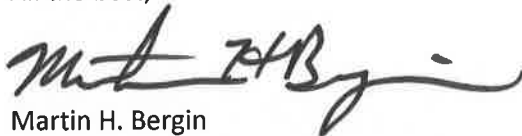
Conclusion

Although these market upheavals, even if temporary, create losses that can be painful, they are not unexpected. Trend following is about discerning trends (and reversals) from noise, and time will tell if we are merely in a correction or if this is the beginning of a bear market. We are confident that the WMA strategy will adapt to whatever the outcome.

	<u>WMA</u>	<u>SocGen Trend Index</u>
Trailing 1 year performance (at 2/8/18):	6.06%	-1.63%
Trailing 2 year performance (at 2/8/18):	-4.38%	-13.32%
Trailing 3 year performance (at 2/8/18):	13.24%	-9.55%

If you have any questions or concerns please reach out to us.

All the best,



Martin H. Bergin

President