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Commodity Trade Services
Trade Finance | Risk Management

Straits Financial

Beyond Traditional Investment Portfolio with Managed Futures

Singapore (Headquarter) | Chicago | Shanghai | Jakarta | Dubai

September 2020

Risk Disclosure

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•THE RISK OF LOSS IN TRADING COMMODITIES CAN BE SUBSTANTIAL. YOU SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. THE HIGH DEGREE OF LEVERAGE THAT IS OFTEN OBTAINABLE IN COMMODITY TRADING CAN WORK AGAINST YOU AS WELL AS FOR YOU. THE USE OF LEVERAGE CAN LEAD TO LARGE LOSSES AS WELL AS GAINS.

•IN SOME CASES, MANAGED COMMODITY ACCOUNTS ARE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT AND ADVISORY FEES. IT MAY BE NECESSARY FOR THOSE ACCOUNTS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. THE DISCLOSURE DOCUMENT CONTAINS A COMPLETE DESCRIPTION OF THE PRINCIPAL RISK FACTORS AND EACH FEE TO BE CHARGED TO YOUR ACCOUNT BY THE COMMODITY TRADING ADVISOR ("CTA").

•THE REGULATIONS OF THE COMMODITY FUTURES TRADING COMMISSION ("CFTC") REQUIRE THAT PROSPECTIVE CUSTOMERS OF A CTA RECEIVE A DISCLOSURE DOCUMENT WHEN THEY ARE SOLICITED TO ENTER INTO AN AGREEMENT WHEREBY THE CTA WILL DIRECT OR GUIDE THE CLIENT'S COMMODITY INTEREST TRADING AND THAT CERTAIN RISK FACTORS BE HIGHLIGHTED. THIS BRIEF STATEMENT CANNOT DISCLOSE ALL OF THE RISKS AND OTHER SIGNIFICANT ASPECTS OF THE COMMODITY MARKETS. THEREFORE, YOU SHOULD PROCEED DIRECTLY TO THE DISCLOSURE DOCUMENT AND STUDY IT CAREFULLY TO DETERMINE WHETHER SUCH TRADING IS APPROPRIATE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. YOU MAY ALSO REQUEST DELIVERY OF A HARD COPY OF THE DISCLOSURE DOCUMENT, WHICH WILL ALSO BE PROVIDED TO YOU AT NO ADDITIONAL COST. THE CFTC HAS NOT PASSED UPON THE MERITS OF PARTICIPATING IN ANY OF THESE TRADING PROGRAMS NOR ON THE ADEQUACY OR ACCURACY OF ANY OF THESE DISCLOSURE DOCUMENTS.

•OTHER DISCLOSURE STATEMENTS ARE REQUIRED TO BE PROVIDED YOU BEFORE A COMMODITY ACCOUNT MAY BE OPENED FOR YOU. ADDITIONAL DISCLOSURE REQUIRED FOR ADMINISTRATIVE FEES. A COMPLETE DISCUSSION OF FEES AND CHARGES ARE REPORTED IN THE CTA's DISCLOSURE DOCUMENT.

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Introduction

- Consider the state of the stock market over the past 25-35 years.
- Now imagine if over the past 5 worst period declines for stocks since 1987, you could make positive returns in your investment portfolio.
- Or imagine if your investments could outperform stocks during the most critical events of the last 4 decades.

As we continue, I will validate these findings and hopefully pique your interest regarding the use of Managed Futures in your portfolio.

Trading futures and options involves significant risk of loss and is not appropriate for every investor. Past performance is not necessarily indicative of future results.

Managed Futures

Managed Futures is an investment class that may provide the opportunity for diversification not typically available in traditional stock and bond portfolios and used by investors seeking to diversify their portfolios for more than thirty years.

The Managed Futures Industry is comprised of professional money managers know as Commodity Trading Advisors ("CTAs") who trade on behalf of investors using their own unique trading system usually through the analysis of fundamental or technical factors.

Generally, a CTA takes a market position when, in their opinion, the potential for profit outweighs the risk of the trade.

Each CTA must be registered as a Commodity Trading Advisor with the National Futures Association (“NFA”), the industry's self-regulatory organization authorized by Congress in 1982 or the CTA must have filed an exemption with the NFA.

Professional Money Management

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Commodity Trading Advisors

Commodity Trading Advisors (“CTAs”) may potentially offer investors benefits similar to those experienced with mutual funds and other investment advisors. These include:

1. Full-time commitment to the markets and their trading programs

2. A disciplined trading approach with risk management strategies that attempt to control losses and protect profits.

3. Trading and risk management strategies that endeavor to balance risk with reward.

Why Managed Futures

A well-balanced managed futures portfolio can potentially provide a diversified global investment opportunity for investors. Managed Futures can potentially provide:

The Opportunity for Risk Reduction

The opportunity to reduce portfolio volatility risk.

The Opportunity for Global Diversification

The opportunity to participate in global markets.

The Opportunity for Enhanced Return

The opportunity to enhance a portfolio's returns.

The Opportunity for Profit Potential

The opportunity to profit in both rising and falling markets

The addition of managed futures to a client's portfolio does not mean that a portfolio will be profitable or that it will not experience substantial losses and that the studies conducted in the past may not be indicative of current time periods or of the performance of any individual CTA.

Risk Reduction through Diversification

- Managed Futures offer the opportunity to reduce the volatility risk of a portfolio

- Modern Portfolio Theory was developed by the Nobel Prize winning economist Dr. Harry M. Markowitz.

- Dr. Markowitz stated that diversifying across asset classes that have low to negative correlations have the potential to increase a portfolio's efficiency. The goal is to decrease the portfolio's volatility risk.

Risk Reduction Benefit

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Correlation of Asset Classes from January 2000 – September 2020
Data Provided by AutumnGold.com

Data from Jan 2000 – Sept 2020	S&P 500 TR Index	Bond Index	AG CTA Index
S&P 500 TR Index	1.00	-0.08	-0.06
Bond Index	-0.08	1.00	0.24
AG CTA Index	-0.06	0.24	1.00

- *The S&P 500 TR Index is designed to reflect all sectors of the U.S. equity markets and includes 500 blue chip, large cap stocks, which together represent about 75% of the total U.S. equities market. The TR Index accounts for the reinvestment of dividends.*
- *The Barclay's US Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar- denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS, ABS, and CMBS.*
- *Managed Futures are represented by the Autumn Gold CTA Index. The Autumn Gold CTA Index is comprised of the client performance of all CTA programs included in the AG database and does not represent the complete universe of CTAs. Please note that the Autumn Gold CTA Index does not contain the complete universe of CTAs.*

Past performance is not necessarily indicative of future results.

Benefits of Enhanced Returns

The Opportunity to Enhance a Portfolio's Return:

In 1983, Dr. John Linter[1] reported that as an independent investment, Managed Futures compared favorably with stocks and bonds. Dr. Lintner found that

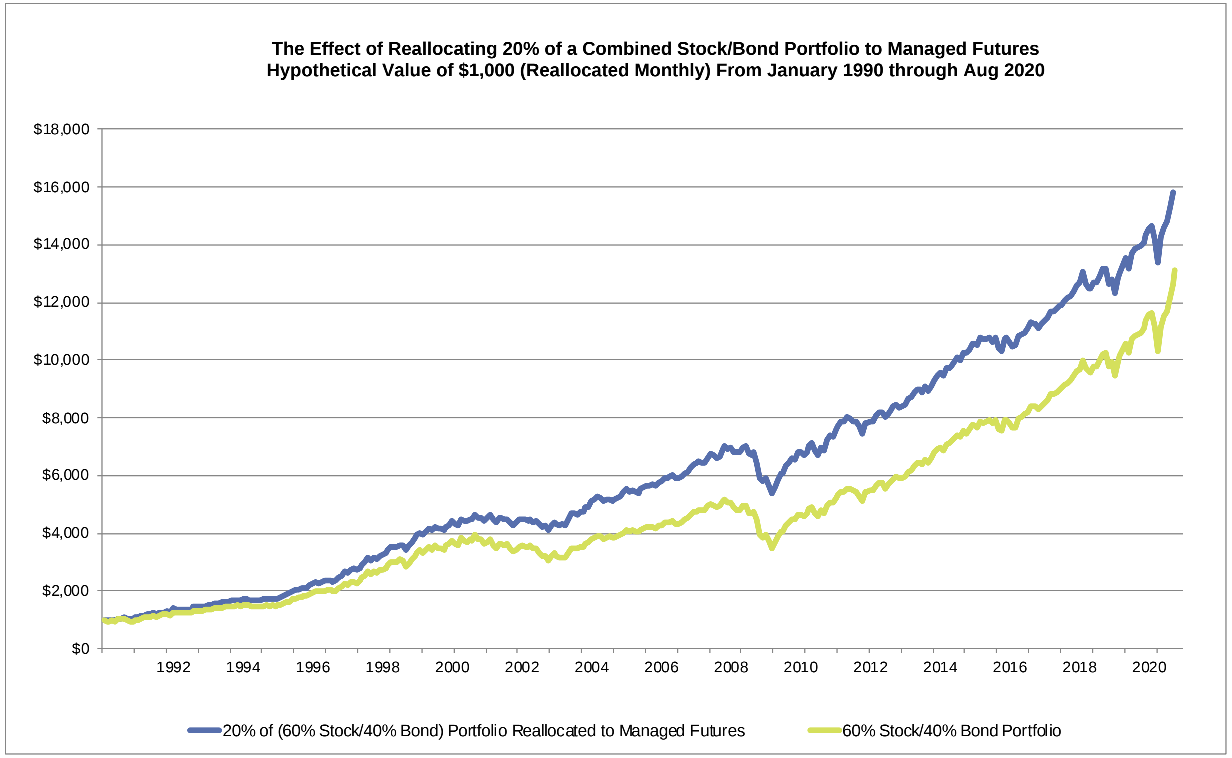
"the combined portfolios of stocks (or stocks and bonds) after including judicious investments in leveraged managed futures accounts show substantially less risk at every possible level of expected return than portfolios of stocks (or stocks and bonds) alone."

Dr. John Lintner, "The Potential Role of Managed Commodity-Financial Futures Accounts in Portfolios of Stocks and Bonds" (Harvard University, 1983)

Past performance is not necessarily indicative of future results.

Benefits of Enhanced Returns

Dr. Lintner's findings continue to be relevant. We can see from the chart below that there is a measured increase in return by adding Managed Futures to a traditional stock/bond portfolio.



Stocks are represented by the S&P 500 Total Return Index from December 1990 to the end of Data and by the S&P 500 Price Index adjusted for dividends from January 1990 through November 1990. The S&P 500 indices are designed to reflect all sectors of the U.S. equity markets. The S&P 500 includes 500 blue chip, large cap stocks, which together represent about 75% of the total U.S. equities market. Companies eligible for addition to the S&P 500 have market capitalization of at least US$3.5 billion. The TR Index accounts for the reinvestment of dividends.

Bonds are represented by the Barclay's US Aggregate Bond Index (formerly known as the Lehman US Aggregate Bond Index). The U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar- denominated, fixed-rate taxable bond market, including Treasuries, government- related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass- throughs), ABS, and CMBS. The U.S. Aggregate rolls up into other Barclays Capital flagship indices such as the multi-currency Global Aggregate Index and the U.S. Universal Index, which includes high yield and emerging markets debt. The U.S. Aggregate Index was created in 1986, with index history backfilled to January 1, 1976.

Managed Futures are represented by the Autumn Gold CTA Index.

The Autumn Gold CTA Index is comprised of the client performance of all CTA programs included in the AG database and does not represent the complete universe of CTAs.

CTA programs with proprietary performance are not included. Monthly numbers are updated until 45 days after the end of the month.

Past performance is not necessarily indicative of future results.

Benefits – Global Diversification

Today's Commodity Trading Advisors have the opportunity to trade a variety of global instruments including:

Energy	Index Futures	Metals (Base & Precious)
Soft Commodities	Agricultural Products	Currencies
Interest Rates	Livestock	

Profit Potential In A Rising Market

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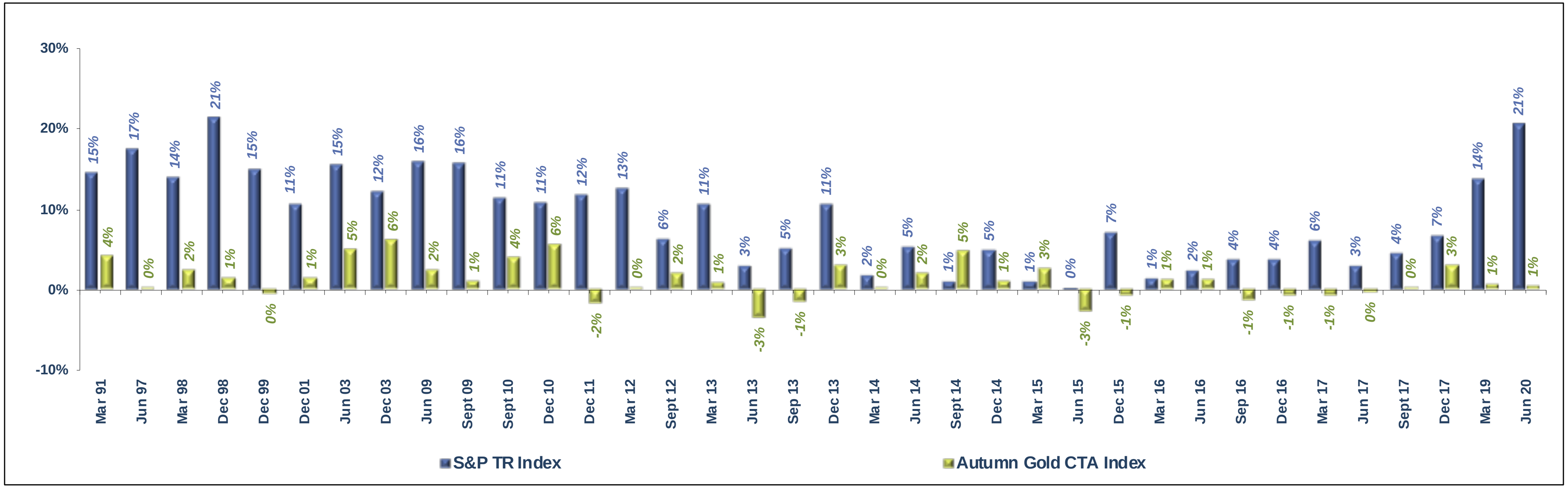
Return Comparisons During Gaining Periods in the Stock Market

The chart below demonstrates how the Autumn Gold CTA Index* performed during periods when the S&P 500 TR Index experienced quarterly gains greater than 10%. The chart demonstrates that the Autumn Gold CTA index produced gains or minimal losses during periods when the S&P 500 TR Index incurred quarterly gains in excess of 10%. In every instance, when the S&P 500 TR Index incurred these gains, the Autumn Gold CTA index produced positive return or losses less than 2%.

CTA Return during Periods when the S&P gained more than 10% in a Quarter. Jan 1990 – Sept 2020



*** The Autumn Gold CTA Index is comprised of the client performance of all CTA programs included in the AG database and does not represent the complete universe of CTAs.** *CTA programs with proprietary performance are not included. Monthly numbers are updated until 45 days after the end of the month.*

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Profit Potential In a Fall Market

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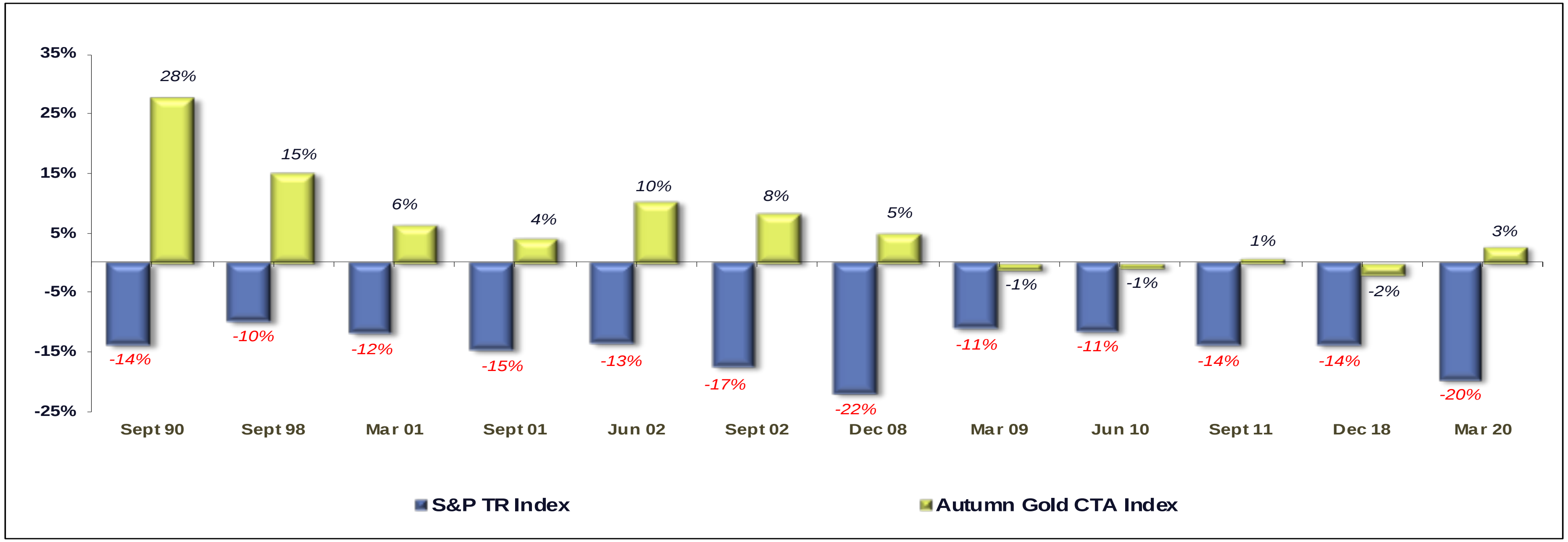
Return Comparisons During Losing Periods in the Stock Market

The chart below demonstrates how the Autumn Gold CTA Index* performed during periods when the S&P 500 TR Index experienced quarterly losses greater than 10%. The chart demonstrates that the Autumn Gold CTA index outperformed the S&P 500 TR Index during periods when the S&P 500 TR Index incurred quarterly losses in excess of 10%. In every instance, when the S&P 500 TR Index incurred these losses, the Autumn Gold CTA index produced positive returns or losses less than 2%.

CTA Return during Periods when the S&P lost more than 10% in a Quarter. Jan 1990 – Sept 2020

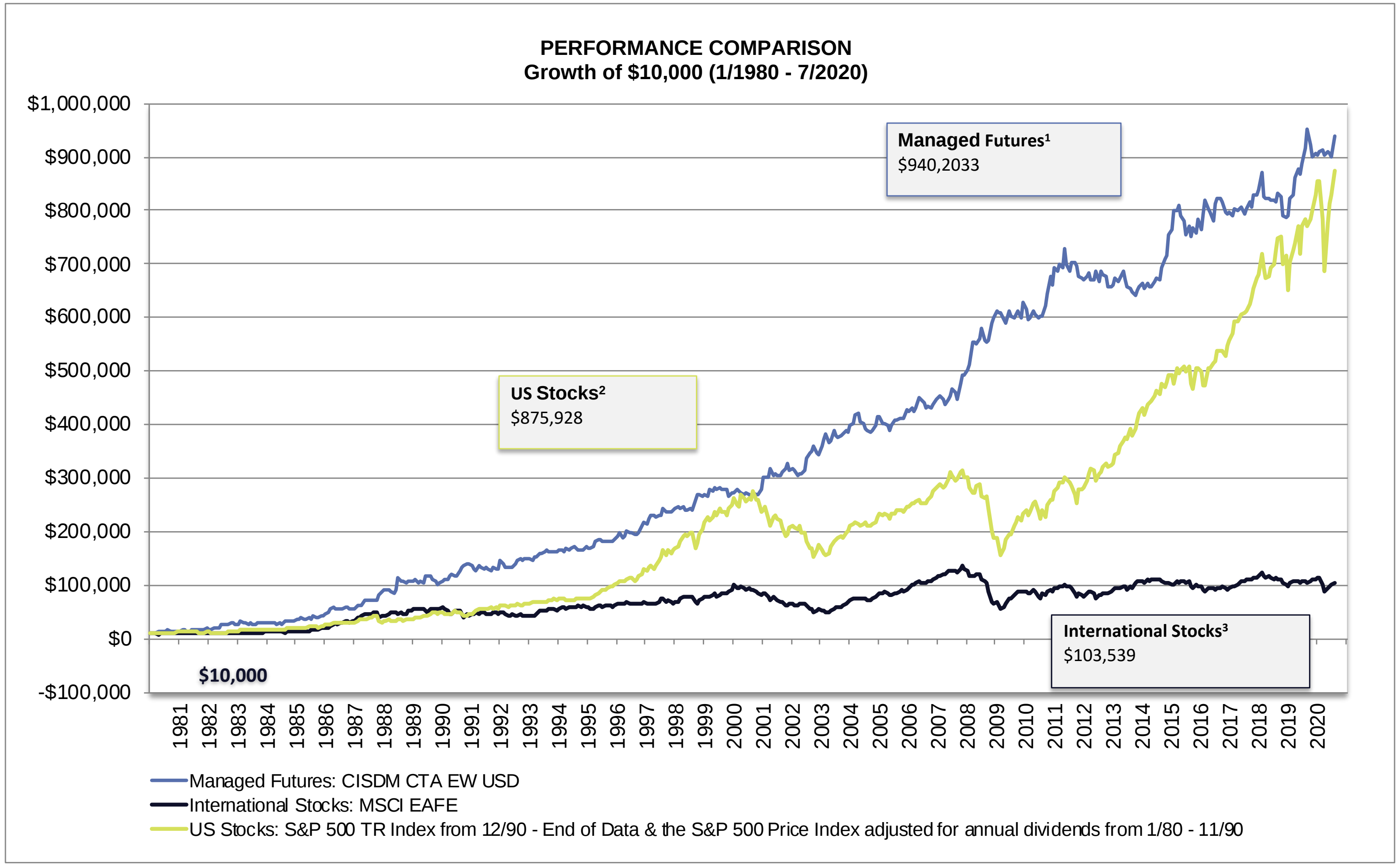


***The Autumn Gold CTA Index is comprised of the client performance of all CTA programs included in the AG database and does not represent the complete universe of CTAs**. CTA programs with proprietary performance are not included. Monthly numbers are updated until 45 days after the end of the month.*

Past performance is not necessarily indicative of future results.

Asset Class Performance Comparisons

Managed Futures vs. U.S. Stocks vs. International Stocks Jan 1980 – Jul 2020



The Chart represents the Growth of $10,000 invested in Managed Futures, US Stocks and International Stocks from January 1980 to July 2020.

It is not possible to directly invest in these indices and their returns do not reflect the fees and expenses inherent in investing in a vehicle designed to replicate a particular index.

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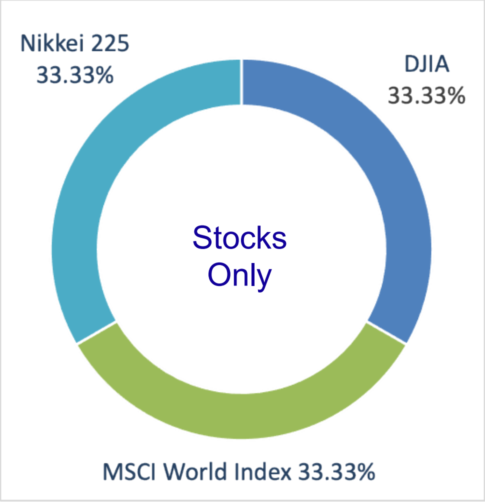
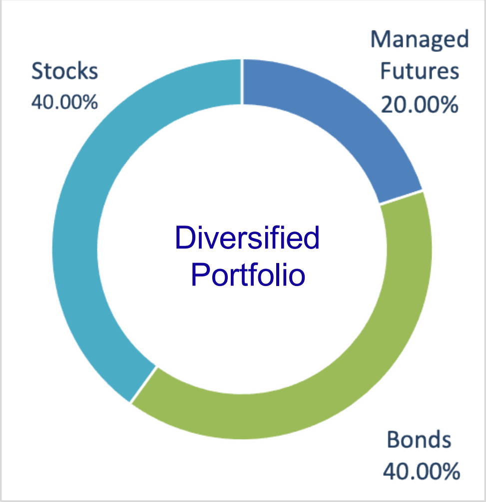
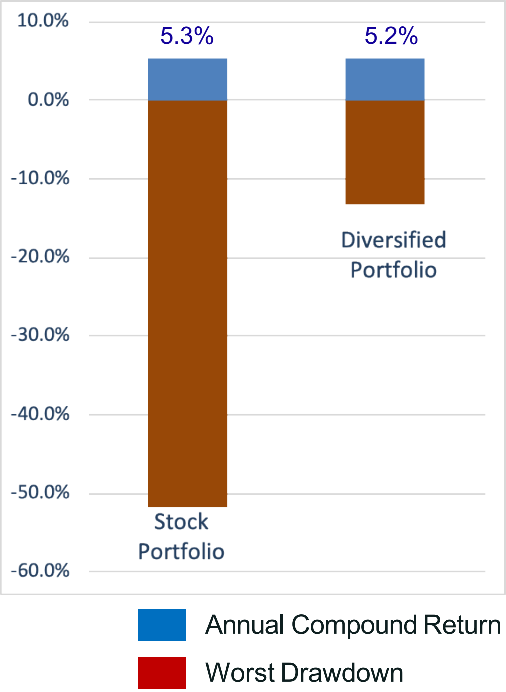
Past performance is not necessarily indicative of future results.

Stock Only vs. Diversified Portfolio

Comparison of a Stock Only vs. Diversified Portfolio Jan 1990 – Sept 2020







Correlations

Dow – Nikkei	0.51
Dow – MSCI World	0.88
MSCI World - Nikkei	0.69

Correlations

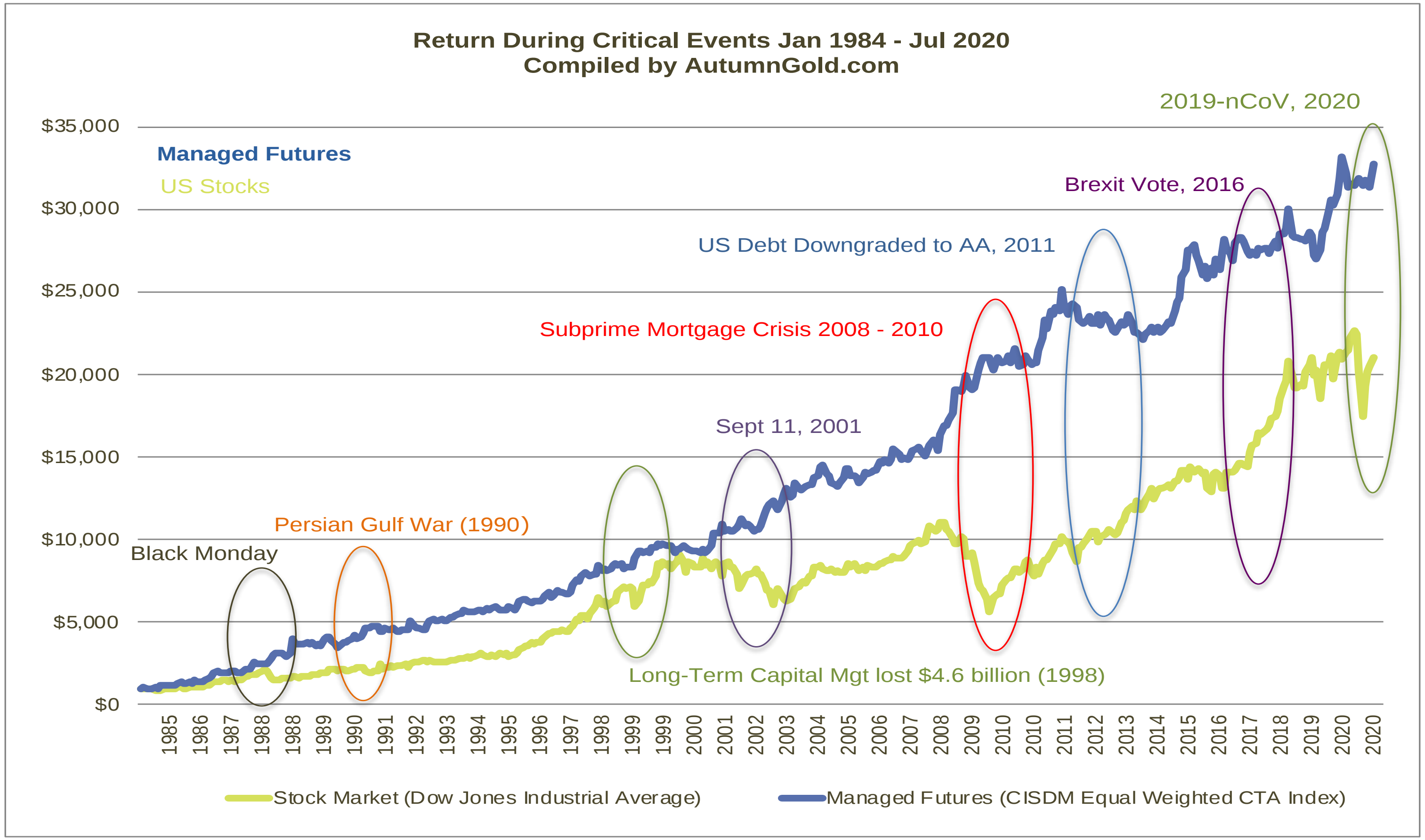
Stocks – Managed Futures	-0.10
Managed Futures - Bonds	0.20
Bonds - Stocks	0.05

The Barclay CTA Index is a leading industry benchmark of representative performance of commodity trading advisors. There are currently 510 programs included in the calculation of the Barclay CTA Index for 2020. The Index is equally weighted and rebalanced at the beginning of each year. ***Please note that the Barclay's CTA Index does not contain the complete universe of CTAs.***

Bonds are represented by the Bloomberg Barclay's US Aggregate Bond Index. The U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar- denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass- throughs), ABS, and CMBS. The U.S. Aggregate Index was created in 1986.

Past performance is not necessarily indicative of future results.

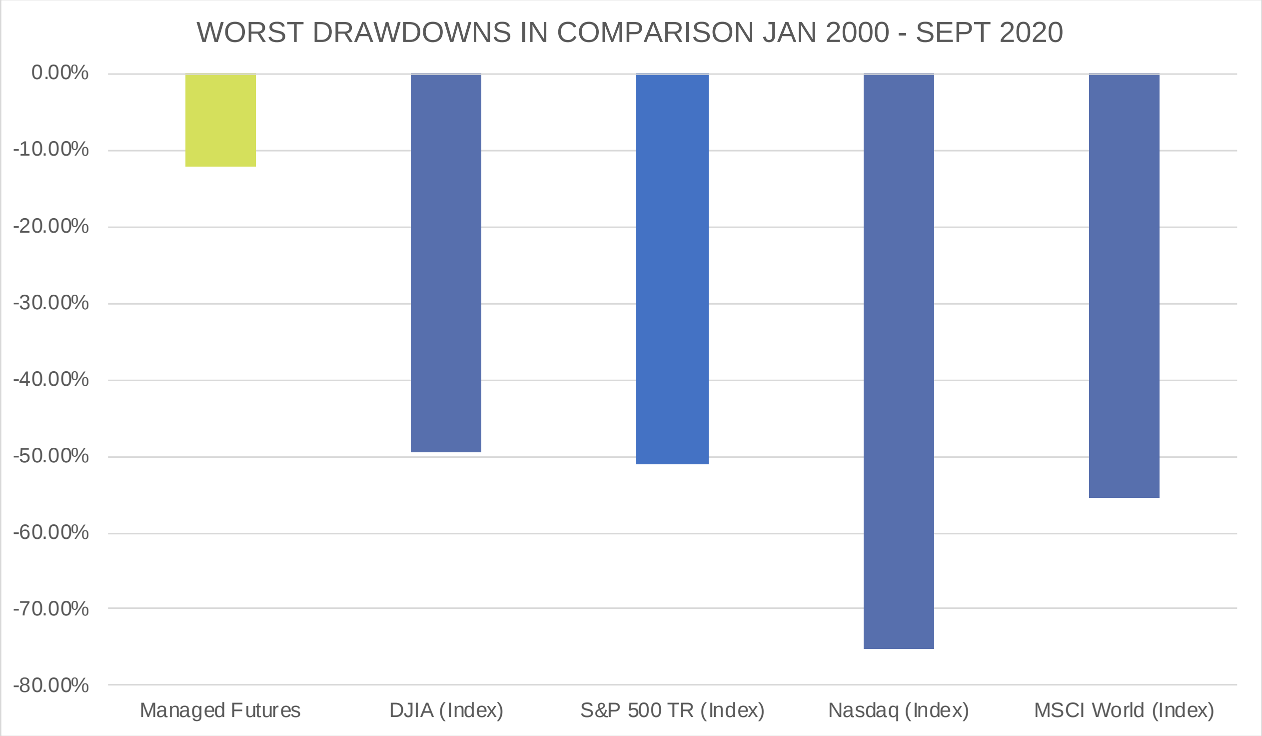
Return During Critical Events



- *The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.*
- *The CISDM Equal Weighted CTA Index is an equal weighted index of CTAs maintained by The Center for International Securities and Derivatives Markets at the University of Massachusetts Amherst. It reflects the average performance of Commodity Trading Advisors reporting to the CISDM Hedge Fund/CTA Database. Each CTA must have at least $500,000 under management and at least a 12-month track record.* ***Please note that the CISDM Equal Weighted CTA Index does not contain the complete universe of CTAs.***

Past performance is not necessarily indicative of future results.

Comparisons of Worst Drawdowns*



Trading futures and options involves substantial risk of loss and is not suitable for all investors. The use of the phrase "Managed Futures" refers to the asset class, and not to any individual Commodity Trading Advisors program.

Be advised that an individual program could have better or worse performance results when compared to the Stock Market.

There are no guarantees of profit no matter who is managing your money. Past performance is not necessarily indicative of future results. Investors should note that it is not possible to invest in these indices.

***Managed Futures**: CISDM CTA Equal Weighted Index reflects the average return for CTAs reporting to CISDM database. In order to be included in a CISDM CTA Index, a CTA must have at least $500,000 under management and at least a 12- month track record. **Please note that the CISDM Equal Weighted CTA Index does not contain the complete universe of CTAs. Dow Jones Index** (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq **S&P 500 Total Return Index** is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. **The NASDAQ** is a stock market index of the common stocks and similar securities. Along with the Dow Jones Average and S&P 500 it is one of the three most- followed indices in US stock markets. The composition of the NASDAQ Composite is heavily weighted towards information technology companies. **MSCI World Index** is a market cap weighted stock market index of 1,649 stocks from companies throughout the world. The index includes securities from 23 countries but excludes stocks from emerging and frontier economies making it less worldwide than the name suggests.*

**A drawdown is the peak-to-trough decline during a specific recorded period of an investment, fund or commodity security. A drawdown is usually quoted as the percentage between the peak and the subsequent trough. Those tracking the entity measure from the time a retrenchment begins to when it reaches a new high.*

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Harvard Study Slide

Harvard University boasts the largest endowment fund of any institution in the world. But did you know that commodity and financial futures-related instruments are regularly included in their portfolio?

Jack Meyer, the former chief executive of the Harvard endowment fund, once said,

"Holding managed futures offers protection against the ups and downs of stocks and bonds; they're the most diversifying asset in the portfolio. The benefits of diversification are indisputable; diversification rules. It's powerful, and our portfolio is a good deal less risky [with commodities] that with only the S&P 500."

What is a Managed Futures Account

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A Managed Futures account, also known as a Single Managed Account ("SMA") is an individual account opened in the customer's name at a Futures Commission Merchant (”FCM”).

Limited Power of Attorney is assigned to one CTA who makes all of the trading decisions in a customer account. This Power of Attorney may be withdrawn at any time.

Investors may be able to diversify their portfolio by opening individual SMAs with a variety of different CTAs.

Customers have full transparency and are able to view their accounts in real-time through an online portal.

The Straits Managed Futures Account

Once a client has opened a Straits Financial Managed Futures Account, they have access to ***Straits Financial Customer Portal***. The Customer Portal will be the central location for all account needs and additional resources including:

- **Secure access to account statements and balances**—access current and historical account statements online and view account balances from the secure portal.
- **Submit ACH, check, and wire requests online**—use our convenient and secure form to request funds instead of email, and view request status in real time online.
- **Trade movement requests**—complete requests online quickly and easily, replacing emailed requests.
- **Access to online application information**—if a customer completed a futures account application online, they'll be able to access their original account documents, or process a new account application.
- **Market research and information (coming soon)**—premium market information will also be available within the portal, exclusively to Straits Financial customers.

Oahu Capital Group – Managed Futures Division

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