Defending Capital. Redefining Risk.

Week ending March 4, 2016

Q-Tube Watch

A brief digest of the past week's market activity through the RPg quantitative model with a focus on evolving risk, reward and correlation trends and their implications for portfolio construction.

Q-POINT of the week: Improving economic data leads to a reduction in volatility

1. **Volatility continues to drop:** The S&P 500 rallied this week on the back of a slew of strong growth data that has helped drive down volatility, sustain the recent bounce back in oil prices, and even provided relief to the corporate credit markets.

2. **Gold:** It was reported that iShares Gold ETF (IAU) suspended creations in the product on Friday March 4th because so much money has been investing in this ETF that iShares used up their allotment for creation units and they needed to file for more.

Domestic Indexes as of 03/04/16

Index	WTD	MTD	QTD	YTD	1YR
S&P 500	2.71%	3.54%	-1.73%	-1.73%	-3.04%
DJII	2.24%	2.98%	-1.84%	-1.84%	-4.14%
Nasdaq	2.82%	3.54%	-5.53%	-5.53%	-4.04%
RU 2000	4.31%	4.67%	-4.55%	-4.55%	-11.12%
7-10 Y UST	-1.00%	-1.16%	3.49%	3.49%	4.42%

Source: Bloomberg Finance L.P.

Insights from the RPg ActiveParadigm Model as of 03/04/16

Asset Class	Trend	Key Message
US Equities	Improving	Technology and Industrials added
International Equities	Negative	Japan and Canada added; cash reduced to 50% allocation
Fixed Income	Improving	Corporates, Inflation Protection and some spread product sectors added. Some appetite for risk came back into the fixed income sleeve.
	Positive	High Quality, Short Duration sectors remain ON.
Alternatives	Improving	REITs added, Cash reduced to 30% allocation, Gold remained ON. MLP's and Core S&P 500 still OFF.

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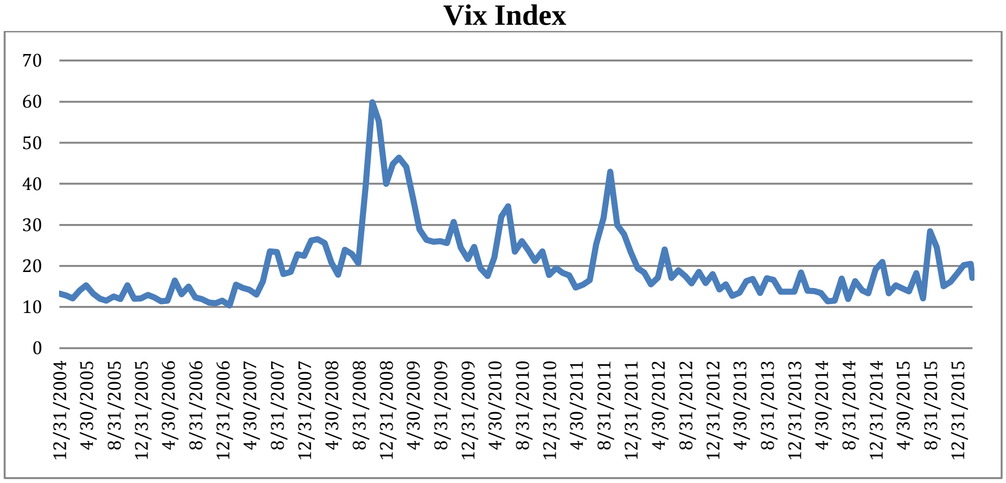
Q-OVERVIEW of the week: Another batch of strong data lifted the S&P 500

US stocks gained ground this week on the back of continued improvements in economic data. A positive GDP revision and the jobs report were encouraging. In addition, stabilization in the price of oil and the influence of oil on the overall markets has led to volatility receding as there seems to be less of a focus on tail risk.

While we can continue to point to data that is more constructive for risk assets in the US, data representing European loans, juxtaposed with the stock prices of European banks, suggests the Global economy is more fragile than it has been in the post-crisis era. As well, with more than half of European 10-year debt offering negative interest rates, the market is in uncharted territory and is still digesting what that means.

Vix Index



Source: Bloomberg Finance L.P.

Q-TREND of the week: Energy, Jobs and growth improvement stabilize US equities

Domestically, the S&P 500 was up 2.7% this week as Energy was the best-performing sector (+5.8%), and Utilities was the worst performing sector (+0.2%). A gain of 242,000 jobs and the trend of strong labor market data continue the strong batch of recent economic data is providing a bid for risk assets.

Coming into 2016, the RPg Tactical ETF solutions were defensively positioned which allowed the portfolios to weather the volatility of January and the first half of February. The recent recovery has prompted the model to dip its toe back into more market exposure. With so many sector scores so close to zero, we view this as an opportune time to establish or adjust point of entry in the portfolios. Should this environment persist, the RPg Tactical solutions should be well positioned to materially participate, and if markets slide into a bear market from here, the portfolios will swiftly move to a defensive posture and seek to defend capital, which for RPg Asset Management is priority number one.

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References to Indexes:
The S&P 500 Index is an unmanaged index of 500 stocks that is generally representative of the equity performance of larger companies in the U.S. Please note that an investor cannot invest directly into an index.

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Sources: Bloomberg. JP Morgan.

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