RPg asset management

Defending Capital. Redefining Risk.

November 2015 Commentary

Solutions based upon the RPg ActiveParadigm Methodology

Risk Paradigm Group seeks to defend capital through our ETF strategies based upon the RPg ActiveParadigm methodology. The below monthly commentary is related to the RPg Tactical ETF managed portfolios available as separately managed accounts.

Overview

The S&P 500 traded slightly higher in November with significant dispersion at the sector level coming off of the strongest month since 2011. The US looks to be a little better than the rest of the world, and most agree that the Fed will look to tighten by increasing the Federal Funds rate at the December 15-16 meeting. Economic data has become more of a focus as the December 2015 interest rate decision approaches.

RPg Tactical US Equity

Coming into November, the RPg Tactical US Equity portfolio was invested in four sectors: Utilities, Consumer Staples, Consumer Cyclicals and Technology. By the end of the month, all nine sectors were allocated to with the additions of Energy, HealthCare, Financials, Materials, and Industrials. Strongest sectors of the month included Financials, Industrials and Technology. Utilities experienced the most pressure, as money flowed from higher yielding equities to fixed income. Also experiencing some pressure in the month was Energy, the strongest sector in October, as OPEC and the US continue to build inventories.

RPg Tactical US Equity FT

Coming into November, the RPg Tactical US Equity FT portfolio was invested in four sectors: Utilities, Consumer Staples, Consumer Cyclicals and Technology. By the end of the month, all nine sectors were allocated to with the additions of Energy, HealthCare, Financials, Materials, and Industrials. Strongest sectors of the month included Financials, Industrials and Technology. Utilities experienced the most pressure, as money flowed from higher yielding equities to fixed income. Also experiencing some pressure in the month was Energy, the strongest sector in October, as OPEC and the US continue to build inventories.

RPg Tactical US Long/Short Equity

At the beginning of November, the RPg Tactical US Long/Short portfolio was inverse Energy, Financials and Industrials which all moved to long positions by month end. The portfolio ended the month with being long all nine sectors.

RPg Tactical Global Balanced

RPg Tactical Global Balanced portfolio has targeted allocations to four asset classes: US Equity (33%), Global Fixed Income (28%), International Equity (28%), and Alternatives (11%). Below are highlights of the activity for each asset class within the portfolio for the month of October.

US Equity: Coming into November, the US Equity sleeve was invested in four sectors: Utilities, Consumer Staples, Consumer Cyclicals and Technology. By the end of the month, all nine sectors were allocated to with the additions of Energy, HealthCare, Financials, Materials, and Industrials. Strongest sectors of the month included Financials, Industrials and Technology. Utilities experienced the most pressure, as money flowed from higher yielding equities to fixed income. Also experiencing some pressure in the month was Energy, the strongest sector in October, as OPEC and the US continue to build inventories.

Global Fixed Income: During November, the Global Fixed Income sleeve went from an allocation to: US Treasuries, US Corporates, Mortgages, Senior Loans, EM Debt, and Intl Corporates. During the month, US Corporates and Intl Corporates were removed, leaving only four of the 10 fixed income sectors allocated to. The sleeve is favoring high quality and avoiding inflation protected securities as of the end of the month.

International Equity: For the start of the month, the International sleeve was invested in Japan and Europe with 50% in cash. This position shifted mid-way through, with the Asia ex-Japan and the developing markets ex-US being added to the existing Europe and Japan sector international exposures. The sleeve's allocation continued to benefit performance by avoiding a significant portion of the global sell-off within the international equity markets that started in May of this year.

Alternatives: The sleeve started the month with allocations to REITs and Gold. By the end of the month, the allocation for this portion of the portfolio was invested only in the Core S&P 500 ETF position and had a 50% weighting to cash.

Outlook

As a quantitative rules-based asset manager who relies on data to drive the investment decisions, we do not make market forecasts. However, the portfolio allocation does offer useful intelligence to how the methodology is interpreting current market activity. Some specific observations:

- While fully invested in US Equities, the risk on/risk off environment has been challenging
- International Equity is back to a defensive stance
- Global Fixed Income has seen a rotation to a defensive posture positioned in a short duration/high liquidity oriented portfolio
- Alternative ETF sectors, such as REITs and GOLD are showing weakness.

Commentary Disclosure

Risk Disclosures
Concentration, volatility, and other risk characteristics of a client's account also may differ from the information shown herein. There is no guarantee that any client will achieve performance similar to, or better than, the strategy mentioned herein.

Sources: Bloomberg.

For more information including risks of investing in our strategies, visit our website at www.rpgassetmanagement.com