The Polar Letter

January 2015

"THE GOOD TIMES ARE OVER"

Bill Gross (January 2015)

Our November letter advised dramatic reductions in most debt and equity positions. Since that time, a significant number of market participants (such as Mr. Gross above) have come forward. For instance, Jim Grant of Grant's Interest Rate Observer, a highly respected fixed income analyst says, "History will not treat central banks kindly, the heirs of today's bondholders will read with amazement the history of post 2008 monetary policy." Jim Rogers (who needs no introduction) opines, "We are living in a fool's paradise, the U.S. economy is poised for a major crash." And, of course, he is warning investors to protect themselves!

We have been using carefully selected managed futures programs in the management of client portfolios for more than three decades. These programs are, for the most part, completely uncorrelated with the equity markets. Several studies have concluded that the addition of one or more managed futures programs to traditional equity portfolios tends to reduce overall volatility and enhance return. An excellent source of information for those not acquainted with this product is in the "education" section on the website of the Chicago Mercantile Exchange.

This product is available in four basic forms, pools or partnerships, ETFs, mutual funds, and individually managed accounts. Throughout the 1990s and up until about 2004 we were able to offer small investors and retirement plan investor's partnership interests in this product, however, the trend following models they use have not been profitable in recent years.

Presently, we follow dozens of programs. At this time our favorite program is an agriculture program managed by Mr. Harvey P who has been registered with the CFTC as a floor trader since 1982. The minimum investment in Mr. P's program is $100,000 (in some cases less may be acceptable). The program commenced in mid-2006. Annual returns, net of the advisors fees, are shown below. Over these years, the maximum drawdown (or loss) was -19.89%, which occurred in 2007.

2006 = 40.45%	2007 = 61.62%	2008 = 531.19%	2009 = 42.35%
2010 = 92.49%	2011 = 69.96%	2012 = 20.88%	2013 = 2.94%
2014 = 17.89%			

We are obliged to say that past performance is not necessarily indicative of future results, and naturally, such programs may be volatile, with risk of loss, and may not be suitable for all investors. If you would like further information concerning this or other programs we offer please contact us.

Michael C. Jordan – President

Please visit Polarinvest1.com – President's Corner for prior letters.

The firm's senior principal, Michael Jordan has over forty years of industry experience.

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