

Jan 2018

AR +5.2% AG +5.3% TMG +5.1% SP500 +5.6% R2000+2.6% GDP +2.8%

Commentary

January took global markets to new heights after a better than expected 2017. Last month I cited forecasts of an 8% return for the S&P 500 in 2018 (with a high guess of 16%). Well, the return in January was more than 5%. That's just crazy, especially after 2017 beat forecasts by a mile. This melt-up is not sustainable and we gave back more than 2% on Friday. Still well in the green year-do-date.

LongRun strategies enjoyed strong performance to start the new year. Absolute Return (AR) gained 5.2%, Aggressive Growth (AG) was up 5.3%, Tax-Managed Growth (TMG) rose 5.1% and the Volatility Strategy managed 3% while being in cash the second half of the month. AR is fully exposed to equities and made only one change for February, dropping US mid cap stocks (MDY) in favor of developed international equity (EFA). AG is also fully long equities with a strong tilt to emerging markets (EEM and ILF). TMG also maintains full equity exposure with no changes for now. VolStrat's exit of a short volatility position proved timely and we remain in cash while that short position has lost almost 20% from our exit point.

Friday's downdraft brought out the typical "sky is falling" and "I told you so" commentators. The narrative behind the headline was wage inflation in the jobs report, interest rates rising rapidly and DC disfunction around the release of the Nunes memo. When the dust settled, remaining intact is the record string of 312 days without a 3% loss for the S&P 500. It's remarkable that we've forgotten how routine it is for markets to pullback 2%, 5% or (gasp) even 10%. Historically, markets have averaged a downturn of 10% or more once a year. Even so, we saw the VIX index rise to a level last seen just prior to the election in November 2016 and the investment world is nervous that more blood will be spilled this week. Dramatic episodes like this have been very short lived since February of 2016 so this week will indeed be a test of the pervasive "buy the dip" mentality. Another 3% drop would wipe out all of January's good work and might find investors rushing the exits to preserve gains from last year. Anything is possible. But as you can see from the chart below, the market has come a long way and last week doesn't look terribly dramatic. Any given week must be kept in proper context while we stick to our plans.



"How ridiculous and how strange to be surprised at anything which happens in life."
- Marcus Aurelius, Stoic philosopher

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LongRun Monthly Strategy Review



Jan 2018

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Selected Asset Class Returns for Trailing Twelve Months (%)

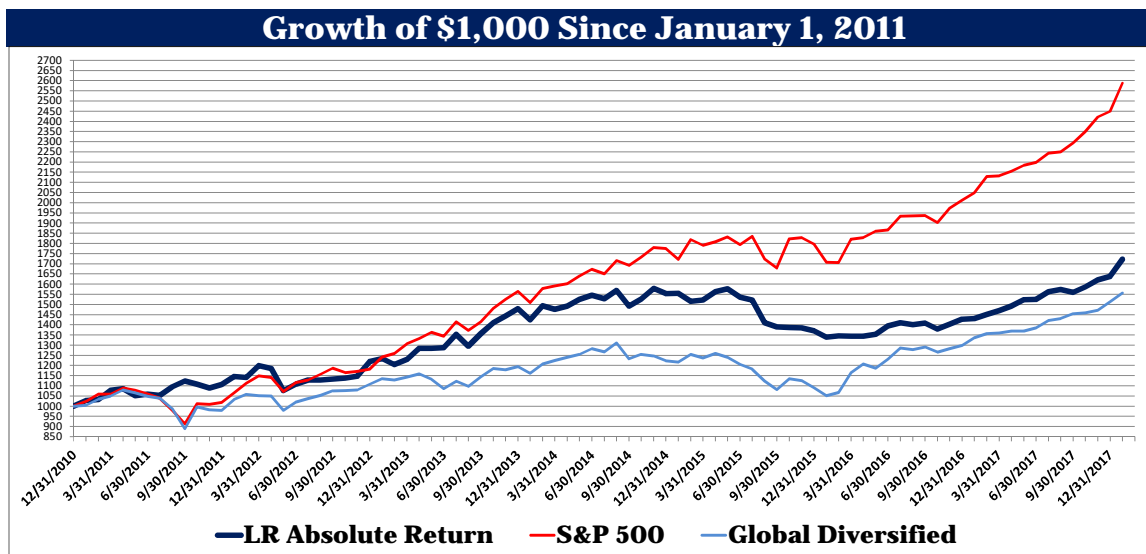
	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	YTD	TTM
US Equity														
SPY <small>S&P 500</small>	3.9	0.1	1.0	1.4	0.6	2.1	0.3	2.0	2.4	3.1	1.2	5.6	5.6	26.3
MDY <small>Mid Cap</small>	2.6	-0.5	0.8	-0.5	1.5	0.9	-1.5	3.9	2.2	3.7	0.2	2.8	2.8	17.2
IWM <small>Small Cap</small>	1.9	0.0	1.2	-2.0	3.4	0.9	-1.3	6.3	0.7	2.9	-0.4	2.6	2.6	17.2
QQQ <small>NASDAQ 100</small>	4.4	2.0	2.7	3.9	-2.3	4.1	2.1	-0.3	4.6	2.0	0.6	8.8	8.8	37.2
IYR <small>Real Estate</small>	4.4	-1.5	0.6	-0.1	2.1	1.1	0.7	-0.8	0.1	2.6	-0.1	-3.0	-3.0	5.9
XLB <small>Materials</small>	0.6	0.6	1.3	0.0	1.9	1.7	0.8	3.7	3.9	1.0	2.1	4.0	4.0	23.5
XLE <small>Energy</small>	-2.1	-1.5	-3.0	-3.5	-0.1	2.6	-5.5	10.2	-0.8	1.8	5.3	3.6	3.6	6.0
XLF <small>Financials</small>	5.3	-3.0	-0.8	-1.2	6.5	1.7	-1.6	5.1	2.9	3.5	1.9	6.6	6.6	29.7
XLI <small>Industrials</small>	3.9	-0.8	2.0	1.8	1.4	0.3	0.2	4.2	0.8	4.2	2.1	5.4	5.4	28.2
XLK <small>Technology</small>	4.5	2.2	2.0	4.0	-2.8	4.5	2.9	0.8	6.5	1.4	0.5	7.0	7.0	38.7
XLP <small>Staples</small>	4.8	-0.4	1.1	2.7	-2.3	0.7	-1.1	-0.7	-1.7	5.6	2.2	1.6	1.6	12.9
XLU <small>Utilities</small>	5.3	-0.1	0.8	4.1	-2.7	2.4	3.3	-2.8	3.9	2.7	-6.1	-3.1	-3.1	7.2
XLV <small>Healthcare</small>	6.3	-0.5	1.5	0.8	4.6	0.8	1.8	0.9	-0.8	2.9	-0.6	6.6	6.6	26.8
XLV <small>Discretionary</small>	1.8	2.1	2.4	1.1	-1.3	1.9	-1.9	0.8	2.1	5.1	2.5	9.2	9.2	28.8
XME <small>Metals & Mining</small>	-3.1	-5.9	-2.0	-3.0	3.8	4.9	3.0	-0.5	-1.6	0.9	14.8	1.5	1.5	12.0
Int'l Equity														
DXJ <small>Japan</small>	1.7	-0.2	0.9	-0.2	3.6	0.6	-0.5	5.2	6.2	0.9	2.1	1.8	1.8	24.2
EEM <small>Emerging Mkts</small>	1.7	3.7	1.7	2.9	0.9	5.8	2.4	0.0	3.3	-0.4	3.8	8.3	8.3	39.4
EFA <small>Developed Int'l</small>	1.2	3.2	2.4	3.5	0.3	2.7	0.0	2.4	1.7	0.7	1.4	5.0	5.0	27.2
EPF <small>Asia Pac ex Japan</small>	2.9	2.9	0.3	-1.3	2.3	4.4	0.4	-0.8	1.0	1.8	3.2	3.6	3.6	22.5
FXI <small>China</small>	4.1	0.8	0.1	4.2	-0.6	7.1	4.0	-0.5	4.3	0.5	2.0	14.1	14.1	47.0
ILF <small>Latin America</small>	2.9	1.8	-1.0	-3.4	1.0	8.9	4.7	1.6	-3.3	-4.0	5.8	13.9	13.9	31.1
VGK <small>Europe</small>	0.6	4.4	3.9	4.9	-0.5	2.8	0.1	3.2	0.5	-0.1	1.5	5.6	5.6	30.3
Fixed Income														
AGG <small>Aggregate Bond</small>	0.7	-0.1	0.9	0.7	0.0	0.3	0.9	-0.6	0.1	-0.2	0.5	-1.1	-1.1	2.2
EMB <small>EM Bonds</small>	1.7	0.5	1.7	0.8	-0.7	1.2	2.0	-0.2	0.2	-0.3	1.2	-0.6	-0.6	7.7
HYG <small>US High Yield</small>	1.5	-0.1	0.8	1.0	0.1	1.0	0.1	0.6	0.1	-0.4	0.3	0.1	0.0	5.2
LQD <small>US IG Corporate</small>	1.3	-0.3	1.2	1.3	0.5	0.8	0.7	-0.1	0.2	-0.1	1.2	-1.2	-1.2	5.6
TLT <small>US 20+ Treasury</small>	1.6	-0.7	1.6	1.9	0.8	-0.7	3.4	-2.3	0.0	0.7	1.6	-3.3	-3.3	4.5
Currencies														
UUP <small>US Dollar</small>	1.5	-0.6	-1.5	-1.9	-1.3	-2.8	-0.2	0.6	1.7	-1.6	-0.6	-3.3	-3.3	-9.6
FXE <small>Euro</small>	-1.9	0.6	2.0	3.1	1.6	3.6	0.5	-0.8	-1.5	2.1	0.8	3.4	3.4	14.1
FXV <small>Yen</small>	0.5	0.8	-0.2	0.6	-1.6	2.0	0.2	-2.4	-1.0	0.5	0.3	3.2	3.2	2.9
Dispersion	9.4	10.3	6.9	8.5	9.4	11.7	10.2	12.9	9.8	9.6	20.8	17.3	17.3	56.6
<i>High value minus low value for each month; large dispersion provides better opportunity for active strategies.</i>														
Global Diversified Benchmark														
	1.6	0.2	0.6	0.0	1.1	2.6	0.7	1.7	0.4	0.9	2.8	2.8	2.8	16.4

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LongRun Absolute Return Strategy - Jan 2018



The LongRun Absolute Return Strategy is a disciplined, quantitative approach to tactical asset allocation using exchange-traded funds (ETFs) for access to a wide range of equity and fixed income investments. Absolute Return is designed to outperform benchmark returns over a full market cycle with significantly less risk. ETFs are ranked using a combination of factors favoring positive momentum and low volatility. The Absolute Return portfolio is generally invested in the four ETFs at the top of a monthly ranking but may allocate as much as 100% to cash in severe bear market conditions. This version of Absolute Return was introduced in August 2013 and has completely replaced the initial version.



Return Data for the Strategy (%)*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	2.7	0.5	4.4	0.8	-3.1	0.8	-0.7	4.2	2.6	-1.4	-1.7	1.6	10.7
2012	3.4	-0.3	5.0	-1.2	-9.1	2.8	1.9	0.0	0.3	0.5	0.8	6.3	10.2
2013	1.1	-2.4	2.1	4.4	0.0	0.3	5.1	-4.2	4.7	4.0	2.4	2.5	21.3
2014	-3.7	4.8	-1.2	1.1	2.2	1.4	-1.1	2.7	-5.0	2.3	3.4	-1.6	5.0
2015	0.1	-2.5	0.5	2.7	0.9	-2.7	-0.9	-7.4	-1.4	-0.2	-0.2	-1.0	-11.7
2016	-2.3	0.4	-0.1	0.0	0.7	3.0	1.2	-0.7	0.5	-2.1	1.7	1.8	4.1
2017	0.2	1.4	1.3	1.6	2.1	0.1	2.5	0.7	-0.9	1.8	2.2	1.0	14.7
2018	5.2												5.2

* Returns in italics are from a systematic backtest of the strategy; non-italicized periods represent client composite results.

	Absolute Return	S&P 500	Global Diversified
Year-to-Date Return	5.2%	5.6%	2.8%
Trailing 1-Year Return	20.4%	26.3%	16.4%
Trailing 3-Year Cume Return	10.8%	50.3%	27.9%
Annualized Return from 2/1/03*	14.3%	10.3%	10.7%

* Common start date for backtests of three LongRun strategies

Portfolio Holdings for Prior Month and Current Month

January 2018		February 2018	
EEM	Emerging Mkt Stocks	EEM	Emerging Mkt Stocks
MDY	US Mid Cap Stocks	EFA	Int'l Developed Mkt Stocks
SPY	US Large Cap Stocks	SPY	US Large Cap Stocks
XLE	Energy Sector	XLE	Energy Sector

Management and Operational Details

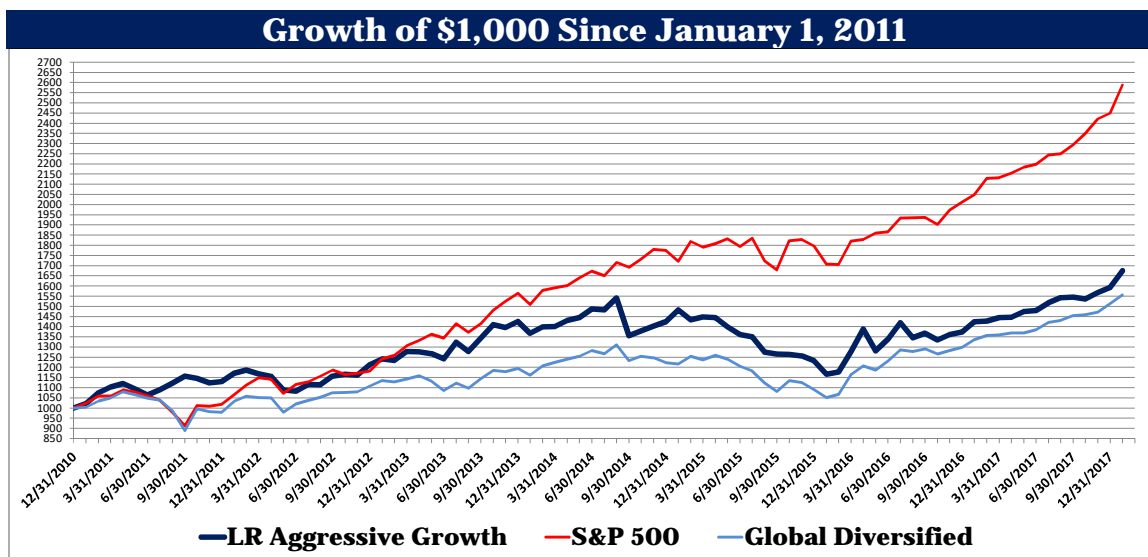
Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Liquidity/Redemption:	Upon client request
Management fee:	1% of first \$5 million; .75% of assets above \$5 million
Contact Information:	Jim Carroll, jim@longruncapital.com, 914-202-2755

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LongRun Aggressive Growth Strategy - Jan 2018



The LongRun Aggressive Growth Strategy is a disciplined, quantitative approach to tactical asset allocation using exchange-traded funds (ETFs) for access to a diverse selection of equity and fixed income investments. Aggressive Growth is designed to significantly outperform benchmark returns over a full market cycle with less risk. ETFs are ranked based on total return for a relatively short lookback period as the single quantitative factor. The Aggressive Growth portfolio is always invested in the top three ETFs from the monthly ranking. In our research, this methodology demonstrated a higher return/higher risk profile than the Absolute Return strategy.



Return Data for the Strategy (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	2.2	5.2	2.6	1.6	-2.4	-2.8	2.4	2.9	3.2	-0.9	-2.0	0.6	13.0
2012	3.7	1.3	-1.6	-1.0	-5.7	-0.6	3.1	-0.1	3.7	0.8	-0.4	4.4	7.3
2013	2.4	-0.6	3.6	-0.2	-0.7	-1.9	6.5	-3.4	5.1	5.0	-1.0	2.1	17.5
2014	-4.1	2.3	0.1	2.2	0.9	2.9	-0.3	3.9	-12.0	1.7	1.8	1.5	-0.1
2015	4.1	-3.2	1.0	-0.3	-3.2	-2.7	-0.8	-5.6	-0.7	-0.1	-0.6	-1.9	-13.5
2016	-5.4	1.0	8.5	8.7	-7.7	4.4	6.2	-5.2	1.7	-2.5	2.1	1.0	11.6
2017	3.6	0.2	1.2	0.2	2.0	0.3	2.6	1.6	0.2	-0.6	2.1	1.5	15.8
2018	5.3												5.3

Returns for all periods represent client composite results.

	Aggressive Growth	S&P 500	Global Diversified
Year-to-Date Return	5.3%	5.6%	2.8%
Trailing 1-Year Return	17.7%	26.3%	16.4%
Trailing 3-Year Cume Return	13.1%	50.3%	27.9%
Annualized Return from 2/1/03*	16.9%	10.3%	10.7%

* Common start date for backtests of three LongRun strategies

Portfolio Holdings for Prior Month and Current Month

January 2018		February 2018	
EEM	Emerging Mkt Stocks	EEM	Emerging Mkt Stocks
IVV	US Large Cap Stocks	ILF	Latin America Stocks
XME	Metals & Mining	XME	Metals & Mining

Management and Operational Details

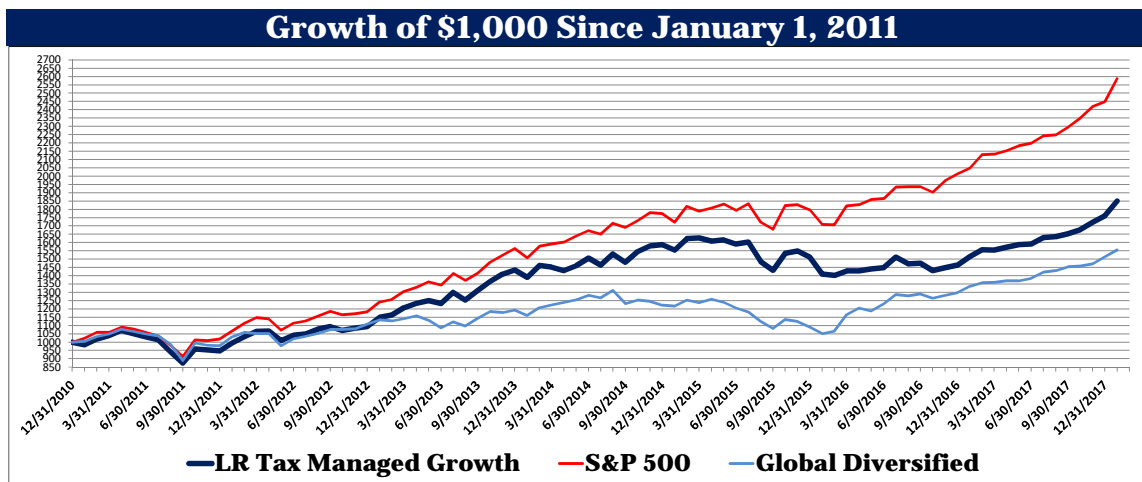
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Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
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Liquidity/Redemption:	Upon client request
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LongRun Tax Managed Growth Strategy - Jan 2018



The LongRun Tax-Managed Growth Strategy ("TMG") is a disciplined, quantitative approach to tactical asset allocation using exchange-traded funds (ETFs) for access to a diverse selection of primarily equity and fixed income investments. TMG is designed to outperform benchmark returns over a full market cycle with less risk while also being highly tax efficient. ETFs are ranked based on an assessment of relative strength versus each of the 36 ETFs in the model. The strategy generally owns the top 8 ETFs subject to a buffer and may also allocate as much as 100% to cash in adverse market conditions. Rankings are reviewed daily and holdings adjusted as ranking changes dictate.



Return Data for the Strategy (%)*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	<i>-1.7</i>	<i>3.5</i>	<i>2.2</i>	<i>2.9</i>	<i>-1.7</i>	<i>-1.9</i>	<i>-1.7</i>	<i>-7.1</i>	<i>-7.3</i>	<i>9.7</i>	<i>-0.6</i>	<i>-0.6</i>	-5.3
2012	<i>5.1</i>	<i>3.6</i>	<i>3.4</i>	<i>0.0</i>	<i>-5.3</i>	<i>3.3</i>	<i>0.6</i>	<i>2.8</i>	<i>1.5</i>	<i>-2.1</i>	<i>1.3</i>	<i>0.8</i>	15.5
2013	<i>5.1</i>	<i>1.2</i>	<i>3.9</i>	<i>2.2</i>	<i>1.2</i>	<i>-1.4</i>	<i>5.6</i>	<i>-3.6</i>	<i>4.5</i>	<i>4.2</i>	<i>3.2</i>	<i>1.8</i>	31.2
2014	<i>-3.1</i>	<i>5.1</i>	<i>-0.6</i>	<i>-1.4</i>	<i>1.9</i>	<i>3.3</i>	<i>-2.8</i>	<i>4.6</i>	<i>-3.3</i>	<i>4.2</i>	<i>2.3</i>	<i>0.5</i>	10.7
2015	<i>-2.1</i>	<i>4.4</i>	<i>0.2</i>	<i>-1.1</i>	<i>0.4</i>	<i>-1.6</i>	<i>0.7</i>	<i>-7.3</i>	<i>-3.5</i>	<i>7.1</i>	<i>0.8</i>	<i>-2.3</i>	-4.7
2016	<i>-6.7</i>	<i>-0.6</i>	<i>1.9</i>	<i>0.0</i>	<i>0.9</i>	<i>0.4</i>	<i>4.5</i>	<i>-2.7</i>	<i>0.2</i>	<i>-3.0</i>	<i>1.2</i>	<i>1.1</i>	-3.2
2017	<i>3.5</i>	<i>2.7</i>	<i>-0.1</i>	<i>1.1</i>	<i>0.9</i>	<i>0.3</i>	<i>2.4</i>	<i>0.4</i>	<i>1.1</i>	<i>1.5</i>	<i>2.7</i>	<i>2.3</i>	20.3
2018	<i>5.1</i>												5.1

* Returns in italics are from a systematic backtest of the strategy; non-italicized periods represent client composite results.

	Tax-Managed Growth	S&P 500	Global Diversified
Year-to-Date Return	5.1%	5.6%	2.8%
Trailing 1-Year Return	22.1%	26.3%	16.4%
Trailing 3-Year Cume Return	19.0%	50.3%	27.9%
Annualized Return from 2/1/03*	13.6%	10.3%	10.7%

* Common start date for backtests of three LongRun strategies

Portfolio Holdings for Latest Prior and Current Month

January 2018		February 2018	
IJT	US Small Cap Growth Stocks	IJT	US Small Cap Growth Stocks
QQQ	NASDAQ 100	QQQ	NASDAQ 100
RSP	US Equal Weight Large Stocks	RSP	US Equal Weight Large Stocks
XLP	US Consumer Staples	XLP	US Consumer Staples
XLK	US Technology	XLK	US Technology
XLV	US Healthcare	XLV	US Healthcare
XLY	US Consumer Discretionary	XLY	US Consumer Discretionary
XME	Metals & Mining	XME	Metals & Mining

Holdings shown reflect the portfolio at the start of the given month; changes are infrequent but may occur intra-month

Management and Operational Details

Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
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Contact Information:	Jim Carroll, jim@longruncapital.com, 914-202-2755

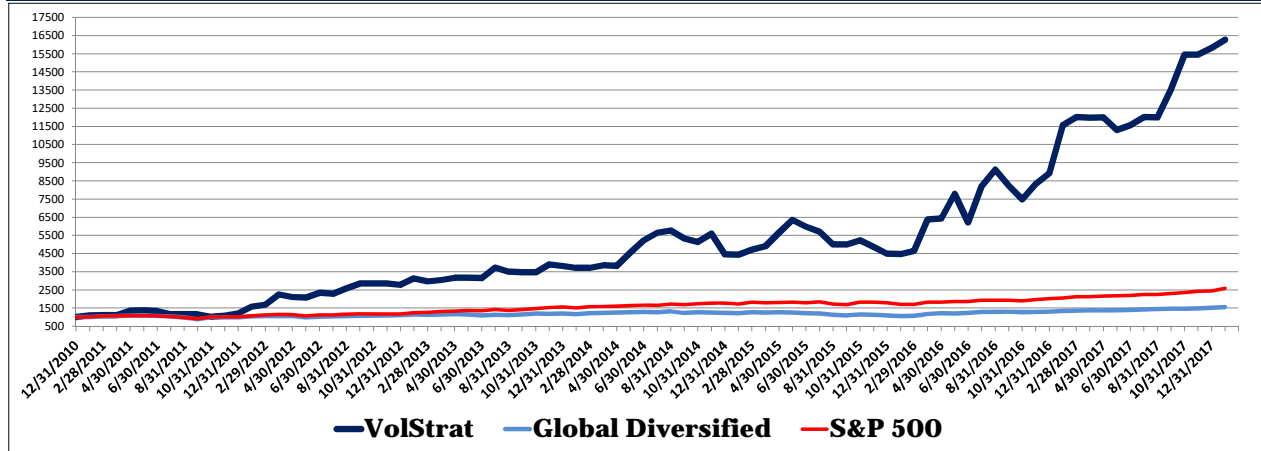
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LongRun Volatility Strategy - Jan 2018



The LongRun Volatility Strategy (VolStrat) is designed to produce aggressive returns with a low correlation to broad equity market indices. VolStrat uses a systematic approach to investing in volatility through exchange traded products that are either long or short VIX futures and may also take a neutral position in cash. VolStrat methodology is the product of extensive research into the behavior of equity market volatility and securities designed to harvest returns from that behavior. Backtest results and recent live trading demonstrate attractive long-term returns but also periods of very high volatility. Investors must have a high tolerance for exposure to significant drawdowns in the value of their investment. VolStrat produces short-term gains and losses and is therefore most appropriate for tax-advantaged structures such as retirement accounts, charitable entities and private insurance vehicles.

Growth of \$1,000 Since 12/31/2010



Return Data for the Strategy (%)*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	9.7	0.9	0.3	21.9	1.1	-3.1	-12.5	-0.2	-0.2	-11.5	4.0	13.9	21.1
2012	30.7	6.3	33.4	-6.0	-2.2	12.7	-2.1	13.5	9.9	0.5	-0.4	-2.3	129.2
2013	12.5	-4.9	2.2	4.3	-0.2	-0.2	18.0	-6.0	-1.0	-0.1	12.7	-2.0	37.7
2014	-3.0	-0.2	4.1	-0.9	18.7	15.3	8.1	2.1	-7.6	-3.5	8.8	-20.5	16.3
2015	-0.2	6.3	4.1	15.0	12.6	-5.8	-4.7	-12.3	-0.2	4.6	-6.9	-7.8	0.8
2016	-0.2	3.8	37.2	1.0	21.1	-20.2	31.8	11.2	-9.6	-9.1	11.2	7.1	98.9
2017	29.7	3.8	-0.2	0.1	-5.7	2.2	3.9	-0.2	12.7	14.2	0.0	2.4	77.4
2018	2.9												2.9

* Returns in italics are from a systematic backtest of the strategy; non-italicized periods represent client composite results.

	VolStrat	S&P 500	Global Diversified
Year-to-Date Return	2.9%	5.6%	2.8%
Trailing 1-Year Return	40.7%	26.3%	16.4%
Annualized Return from August 2008*	61.7%	10.9%	6.4%

* Start date of VolStrat backtest

Fund Holdings for Prior Month and Current Month

January 2018	February 2018
XIV (Short volatility)	Cash (Neutral)*

* Represents current positioning of LongRun Volatility Strategy that is subject to change at any time

Management and Operational Details

Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$500,000 (subject to waiver)
Liquidity/Redemption:	Upon client request
Management fee:	1% of initial assets; 2% above threshold return
Contact Information:	Jim Carroll, jim@longruncapital.com, 914-202-2755

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