

Feb 2016

AR +0.42% AG +0.98% TMG -0.59% SP500 -0.08% R2000 -0.22% GDP +1.55%

Commentary

After rallying the last week of January, equity markets started February by dipping down to hit a new low in the second week. It did not look promising but since then we've had a rip-snorting rally that has many people believing the worst may be over. As has been the case for a while, the stock market and oil were completely in sync as West Texas Crude rallied 24% from its low to the close on Leap Day. The net of it was that US equity markets were essentially flat for the month but carried some positive momentum into March.

The LongRun strategies came into February playing defense as Absolute Return (AR) was 75% cash plus a position in long-term US Treasury bonds (TLT). Aggressive Growth (AG) owned TLT and Emerging Market Bonds (EMB) plus cash. Tax-Managed Growth (TMG) reduced its equity exposure in January and again in February, now below 40% with the rest in TLT and cash. This positioning kept all three strategies roughly flat, with AR and AG slightly positive and TMG slightly in the red. As we enter March, there is no change in the AR and TMG portfolios (though TMG may adjust during the month) while AG dropped EMB in favor of US corporate bonds (LQD) and added equity exposure with Metals & Mining (XME), the big winner in February. With portfolios that remain defensive, our performance will lag if stocks continue to move higher.

Looking back on the trailing twelve months, any rally is welcome relief from the beating most markets have taken. Only the most defensive sectors of the US markets (consumer staples and utilities) show positive TTM returns. Outside the US, developed markets are down 14% and emerging markets are bleeding more than 23%. Meanwhile, long-term Treasuries are up almost 4% over the same time and have jumped almost 9% in the first two months of 2016, despite the specter of rising interest rates.

Supporters of the rally hold hope that oil prices have at least stabilized while the US economy shows signs that it will continue to grow, if only at the slow pace we've been seeing. Haters see a slowdown in global growth that will keep pressure on commodity prices and point out that recent strength has been in defensive sectors and areas that had been slammed the hardest while previous leaders (e.g. healthcare and the FANGs) have been trailing. XME is a good example, full of steel companies and gold miners that were absolutely crushed the last two years. A 20% rally from the bottom has them at prices that still look deeply depressed.

For readers who took the time to digest last month's companion piece - "Are We Bear Yet?" - the February lows scored two more points for the bad guys. Both the S&P 500 and the Nasdaq 100 went to sell signals versus the bond index - events that presaged major losses in the last two bear markets. It's certainly possible that these signals will reverse if the present rally continues. Most important is to recognize that markets remain in a precarious position and equity exposure needs to be carefully managed. Even if you're a long-term buy and hold investor with high risk tolerance, you want to make sure you have your seat belt cinched up.

"I know you believe you understand what you think I said, but I am not sure you realize that what you heard is not what I meant." – Alan Greenspan, former Fed Chairman

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Selected Asset Class Returns for Trailing Twelve Months (%)

	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	YTD	TTM
US Equity														
SPY <i>S&P 500</i>	-1.6	1.0	1.3	-2.0	2.3	-6.1	-2.5	8.5	0.4	-1.7	-5.0	-0.1	-5.1	-6.2
MDY <i>Mid Cap</i>	1.3	-1.5	1.7	-1.3	0.1	-5.7	-3.2	5.6	1.3	-4.2	-5.5	1.2	-4.4	-10.2
IWM <i>Small Cap</i>	1.8	-2.6	2.2	0.8	-1.1	-6.3	-4.9	5.6	3.3	-5.0	-8.6	-0.2	-8.8	-14.9
QQQ <i>NASDAQ 100</i>	-2.6	1.9	2.3	-2.5	4.6	-6.8	-2.2	11.4	0.6	-1.6	-6.9	-1.6	-8.4	-4.7
IYR <i>Real Estate</i>	1.1	-4.8	-0.3	-4.4	5.0	-5.8	1.6	6.2	-0.2	1.1	-4.1	-0.8	-4.8	-6.1
XLB <i>Materials</i>	-4.9	3.4	0.4	-4.0	-5.0	-5.6	-7.4	13.4	1.0	-4.3	-10.7	7.8	-3.7	-17.1
XLE <i>Energy</i>	-1.2	6.6	-5.2	-3.5	-7.7	-4.3	-7.2	11.2	0.0	-10.5	-3.5	-2.8	-6.2	-26.2
XLF <i>Financials</i>	-0.6	0.1	2.0	-0.5	3.4	-7.1	-2.8	6.3	2.0	-2.4	-8.9	-2.9	-11.5	-11.7
XLI <i>Industrials</i>	-2.6	-0.3	0.3	-2.7	0.3	-5.4	-2.2	8.8	0.9	-2.6	-5.7	4.3	-1.7	-7.4
XLK <i>Technology</i>	-3.4	2.8	1.9	-4.1	2.9	-5.5	-1.4	10.5	0.7	-2.1	-3.7	-0.7	-4.3	-3.2
XLP <i>Staples</i>	-2.0	-0.8	0.9	-1.8	5.7	-6.0	0.4	5.7	-0.9	2.9	0.5	0.3	0.9	4.5
XLU <i>Utilities</i>	-1.0	-0.5	0.6	-6.0	6.1	-3.5	2.9	1.1	-2.1	2.1	4.9	1.9	7.0	6.2
XLV <i>Healthcare</i>	0.6	-1.1	4.5	-0.4	3.0	-8.0	-5.7	7.7	-0.3	1.7	-7.7	-0.4	-8.1	-7.0
XLY <i>Discretionary</i>	-0.5	-0.1	1.3	0.6	4.9	-6.5	-0.6	9.0	-0.2	-2.8	-5.2	0.5	-4.8	-0.6
XME <i>Metals & Mining</i>	-6.8	4.0	-4.0	-10.1	-16.8	1.2	-18.0	3.0	-6.6	-6.1	-7.0	20.0	11.6	-41.7
Int'l Equity														
DXJ <i>Japan</i>	2.3	2.4	6.0	-3.8	0.4	-9.0	-6.8	9.5	3.2	-4.2	-5.0	-12.5	-16.9	-18.2
EEM <i>Emerging Mkts</i>	-1.5	6.9	-4.1	-2.9	-6.3	-8.8	-3.1	6.4	-2.5	-3.8	-5.0	-0.8	-5.8	-23.9
EFA <i>Developed Int'l</i>	-1.4	3.7	0.2	-3.1	2.0	-7.4	-4.4	6.6	-0.8	-0.8	-5.5	-3.3	-8.7	-14.1
EPP <i>Asia Pac ex Japan</i>	-2.2	4.3	-2.7	-3.7	-1.3	-11.7	-3.1	6.6	-0.5	1.2	-7.8	-0.6	-8.4	-20.6
FXI <i>China</i>	1.5	15.6	-5.0	-5.0	-12.2	-11.3	-1.2	7.9	-2.1	-3.7	-11.6	-3.0	-14.2	-29.0
ILF <i>Latin America</i>	-7.7	9.7	-7.3	0.9	-9.0	-10.0	-7.7	4.8	-3.5	-5.7	-3.2	1.6	-1.6	-32.8
VGK <i>Europe</i>	-2.4	4.2	0.3	-3.3	2.7	-7.0	-4.1	5.9	-1.3	-2.6	-5.6	-3.2	-8.6	-16.0
Fixed Income														
AGG <i>Aggregate Bond</i>	0.4	-0.3	-0.4	-1.1	0.9	-0.3	0.8	0.1	-0.4	-0.2	1.2	0.9	2.1	1.5
EMB <i>EM Bonds</i>	0.0	1.2	-0.3	-1.8	0.2	-1.1	-1.1	2.4	0.3	-1.5	0.0	1.8	1.8	0.0
HYG <i>US High Yield</i>	-1.0	0.9	0.4	-1.9	-0.5	-1.5	-3.0	3.2	-2.5	-2.0	-1.6	1.5	-0.1	-7.9
LQD <i>US IG Corporate</i>	0.2	-1.2	-1.1	-1.9	0.8	-0.8	1.2	0.6	-0.2	-1.1	0.1	1.1	1.2	-2.3
TLT <i>US 20+ Treasury</i>	1.1	-3.4	-2.4	-4.1	4.6	-0.7	2.0	-0.4	-0.9	-0.3	5.6	3.1	8.8	3.7
Currencies														
UUP <i>US Dollar</i>	2.8	-3.8	2.2	-1.7	1.6	-1.5	0.2	0.6	3.3	-1.7	0.8	-1.4	-0.6	1.2
FXE <i>Euro</i>	-4.0	4.4	-2.2	1.4	-1.5	2.1	-0.4	-1.7	-4.0	2.8	-0.4	0.4	0.0	-3.4
FXJ <i>Yen</i>	-0.3	0.4	-3.9	1.4	-1.3	2.2	1.0	-0.6	-2.0	2.4	-0.8	7.3	6.5	5.7
Dispersion	10.5	20.4	13.2	11.6	22.9	13.9	20.9	15.1	9.9	13.4	17.2	32.5	28.5	47.9
<i>High value minus low value for each month; large dispersion provides better opportunity for active strategies.</i>														
Global Diversified Benchmark														
	-1.34	1.80	-1.54	-2.80	-1.94	-4.90	-3.80	4.96	-0.92	-3.02	-3.65	1.55	-2.2	-14.9

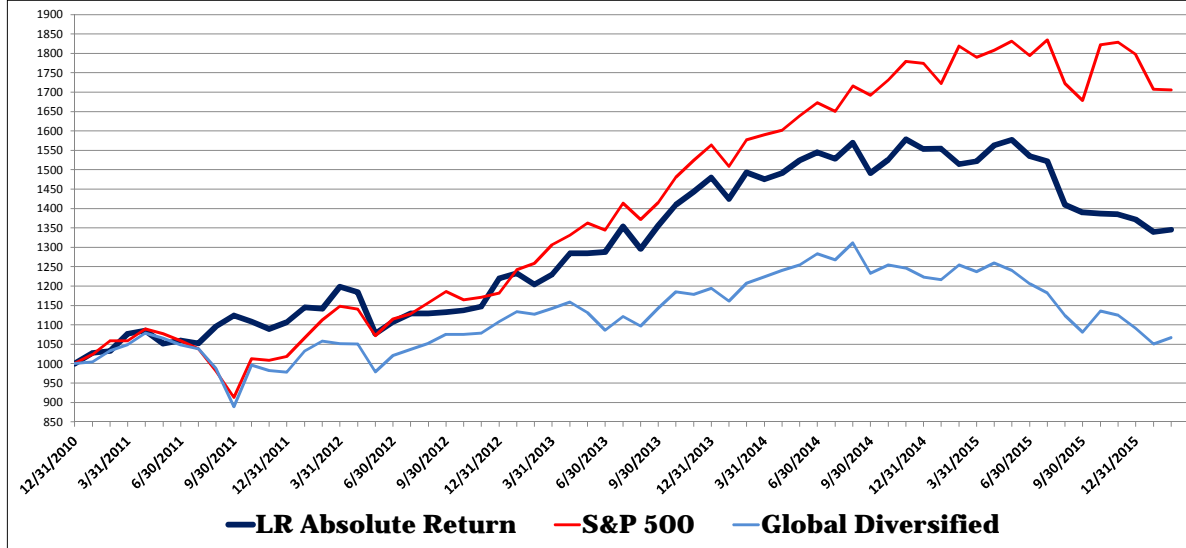
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LongRun Absolute Return Strategy - Feb 2016



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.

Growth of \$1,000 Since January 1, 2011



Return Data for the Strategy (%)

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

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	-1.9%	-5.1%	-2.2%
Trailing 1-Year Return	-11.2%	-6.2%	-14.9%
Trailing 3-Year Cume Return	11.7%	35.6%	-5.4%
Annualized Return from 2/1/03*	14.3%	8.4%	9.2%

* Common start date for backtests of three LongRun strategies

Portfolio Holdings for Prior Month and Current Month

February 2016

TLT 20+ Year Treasury Bonds
CASH
CASH
CASH

March 2016

TLT 20+ Year Treasury Bonds
CASH
CASH
CASH

Management and Operational Details

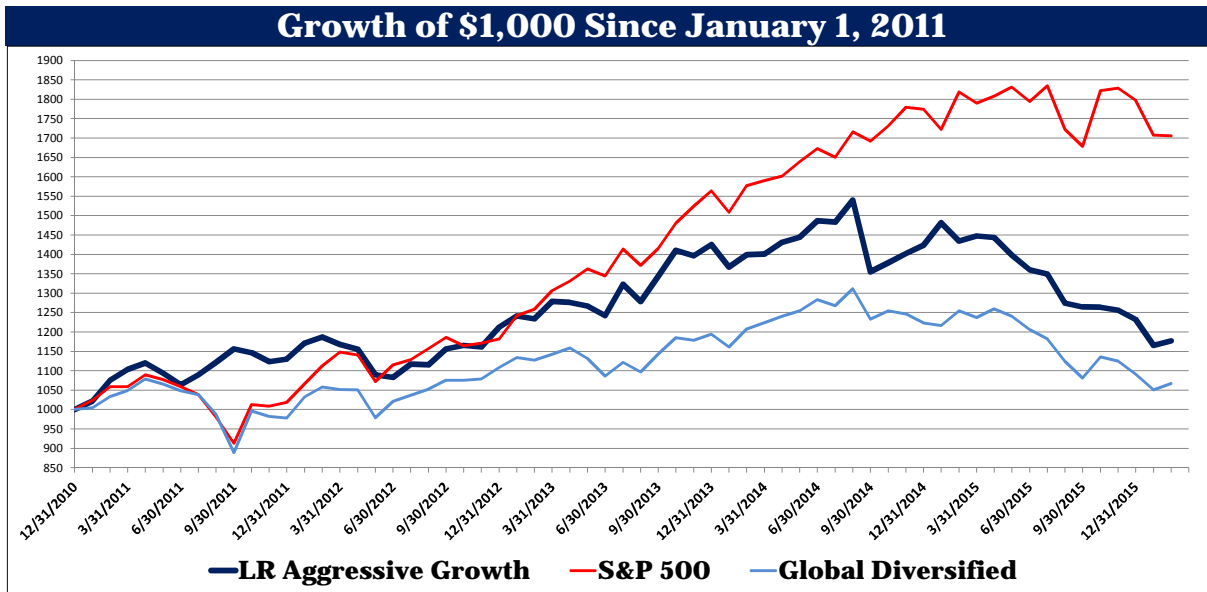
Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of first \$5 million; .75% of assets above \$5 million
Contact Information:	Jim Carroll, jim@longruncapital.com, 914-202-2755

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LongRun Aggressive Growth Strategy - Feb 2016



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											-4.4

Returns for all periods represent client composite results.

	Aggressive Growth	S&P 500	Global Diversified
Year-to-Date Return	-4.4%	-5.1%	-2.2%
Trailing 1-Year Return	-17.9%	-6.2%	-14.9%
Trailing 3-Year Cume Return	-4.6%	35.6%	-5.4%
Annualized Return from 2/1/03*	16.4%	8.4%	9.2%

* Common start date for backtests of three LongRun strategies

Portfolio Holdings for Prior Month and Current Month

February 2016		March 2016	
EMB	Emerging Market Bonds	LQD	US Inv Grade Corporate Bonds
TLT	20+ Year Treasury Bonds	TLT	20+ Year Treasury Bonds
SHY	1-3 Year Treasury Bonds	XME	Metals & Mining

Management and Operational Details

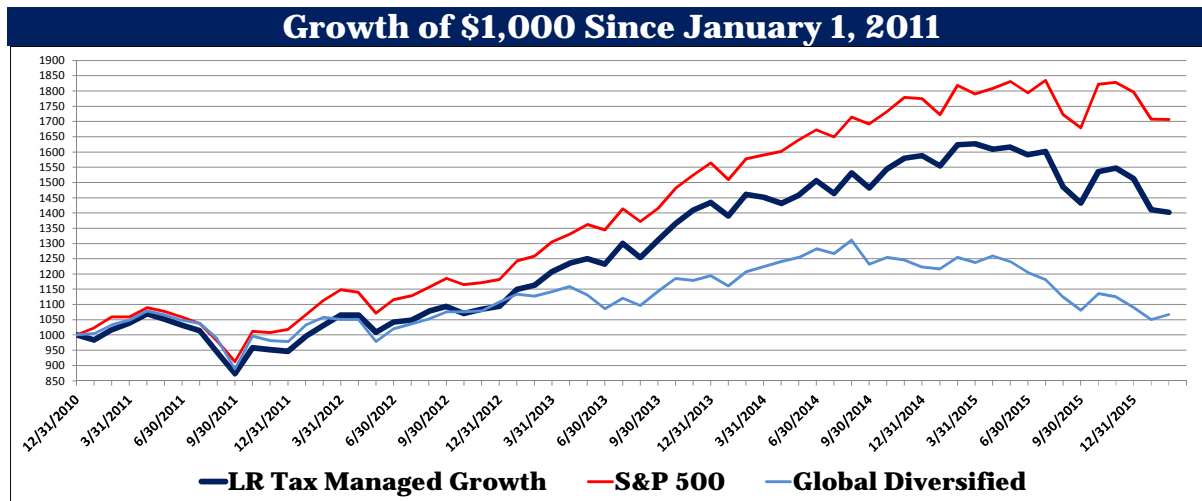
Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of first \$5 million; .75% of assets above \$5 million
Contact Information:	Jim Carroll, jim@longruncapital.com, 914-202-2755

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LongRun Tax Managed Growth Strategy - Feb 2016



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	-1.7	3.5	2.2	2.9	-1.7	-1.9	-1.7	-7.1	-7.3	9.7	-0.6	-0.6	-5.3
2012	5.1	3.6	3.4	0.0	-5.3	3.3	0.6	2.8	1.5	-2.1	1.3	0.8	15.5
2013	5.1	1.2	3.9	2.2	1.2	-1.4	5.6	-3.6	4.5	4.2	3.2	1.8	31.2
2014	-3.1	5.1	-0.6	-1.4	1.9	3.3	-2.8	4.6	-3.3	4.2	2.3	0.5	10.7
2015	-2.1	4.4	0.2	-1.1	0.4	-1.6	0.7	-7.3	-3.5	7.1	0.8	-2.3	-4.7
2016	-6.7	-0.6											-7.3

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	-7.3%	-5.1%	-2.2%
Trailing 1-Year Return	-13.6%	-6.2%	-14.9%
Trailing 3-Year Cume Return	20.6%	35.6%	-5.4%
Annualized Return from 2/1/03*	13.4%	8.4%	9.2%

* Common start date for backtests of three LongRun strategies

Portfolio Holdings for Latest Prior and Current Month

February 2016		March 2016	
LJK	US Mid Cap Growth	QQQ	NASDAQ 100
QQQ	NASDAQ 100	TLT	20+ Year Treasury Bonds
TLT	20+ Year Treasury Bonds	XLV	US Healthcare
XLV	US Healthcare	XLY	US Consumer Discretionary
XLY	US Consumer Discretionary	CASH	
CASH		CASH	
CASH		CASH	
CASH		CASH	

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)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of first \$5 million; .75% of assets above \$5 million
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