

HB Capital Management, Inc. (Diversified)

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December 2018

ANNUAL RETURNS

	2014	2015	2016	2017	2018 YTD
Advisor	5.90%	-1.06%	2.55%	8.24%	-9.54%
Barclay CTA Index	7.61%	-1.50%	-1.23%	0.70%	-3.14%
Funds Managed (Mil.)	\$ 6.80	\$ 5.97	\$ 5.56	\$ 6.07	\$ 5.30

ACCOUNT INFORMATION

Mgmt. Fee:	1.00%	M/E Ratio:	10.00
Incentive Fee:	20.00%	Options:	35%
Min. Acc:	\$ 100K	Discretion:	70
Rt/yr/\$Million:	1700	Interbank:	0.00%

REWARD/RISK RATIOS

	3-Years	Cumulative
Sharpe Ratio:	-0.09	0.18
Sterling Ratio:	0.02	0.02
Barclay Ratio:	0.44	0.13
Efficiency Index:	0.01	0.22

PERFORMANCE ANALYSIS

Start Date:	March 2008
Total Return Since Inception:	28.09%
Compounded Annual Return:	2.31%
Average Monthly ROR:	0.24%
Std. Deviation of Monthly ROR:	3.01%
Winning Months: 77	Average Gain: 2.20%
Losing Months: 53	Average Loss: -2.62%

PORTFOLIO COMPOSITION

Currencies:	5%	Energy:	10%
Equities:	0%	Grains:	35%
Interest Rates:	5%	Meats:	10%
Base Metals:	0%	Precious Metals:	15%
Softs:	10%	Stock Indices:	15%
SSF:	0%	VIX:	0%
Other:	0%		

RELATIVE VOLATILITY

Loss of 25% or more:	7.53%
Loss of 50% or more:	0.03%
Loss of 75% or more:	0%

CORRELATIONS

Barclay CTA Index:	-0.03	S&P 500	-0.02
US Treasury Bonds:	-0.11	EAFE	-0.01
World Bonds:	-0.04		

DRAWDOWN REPORT

Depth	Length (Mos.)	Recovery (Mos.)	Start Date	End Date
23.71%	18	16	Aug 14	Feb 16
21.22%	40	9	Jun 10	Oct 13
15.33%	15	*	Aug 17	Nov 18
3.18%	1	1	Jun 17	Jul 17
2.80%	1	1	Apr 09	May 09
2.06%	2	4	Jul 08	Sep 08
0.80%	2	1	Mar 10	May 10

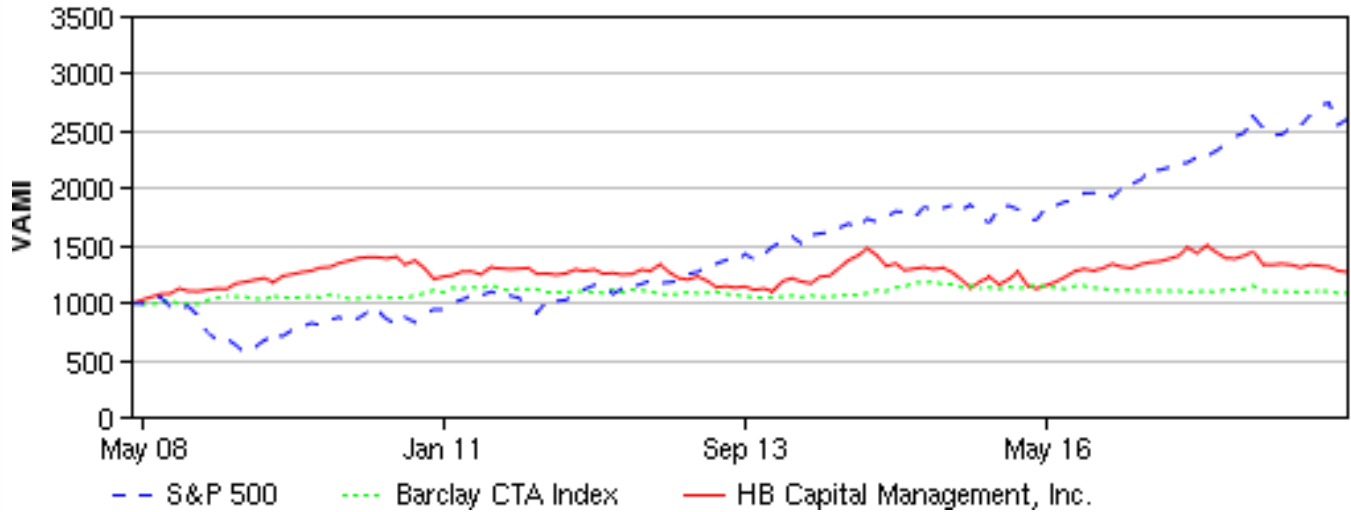
TIME WINDOWS

Length (Mos.)	Best	Worst	Average
1	7.79%	-9.56%	0.24%
3	14.13%	-13.43%	0.65%
6	25.94%	-14.74%	1.27%
9	27.94%	-15.15%	1.91%
12	32.24%	-19.92%	2.59%
18	33.11%	-23.71%	3.71%
24	39.38%	-14.51%	4.09%

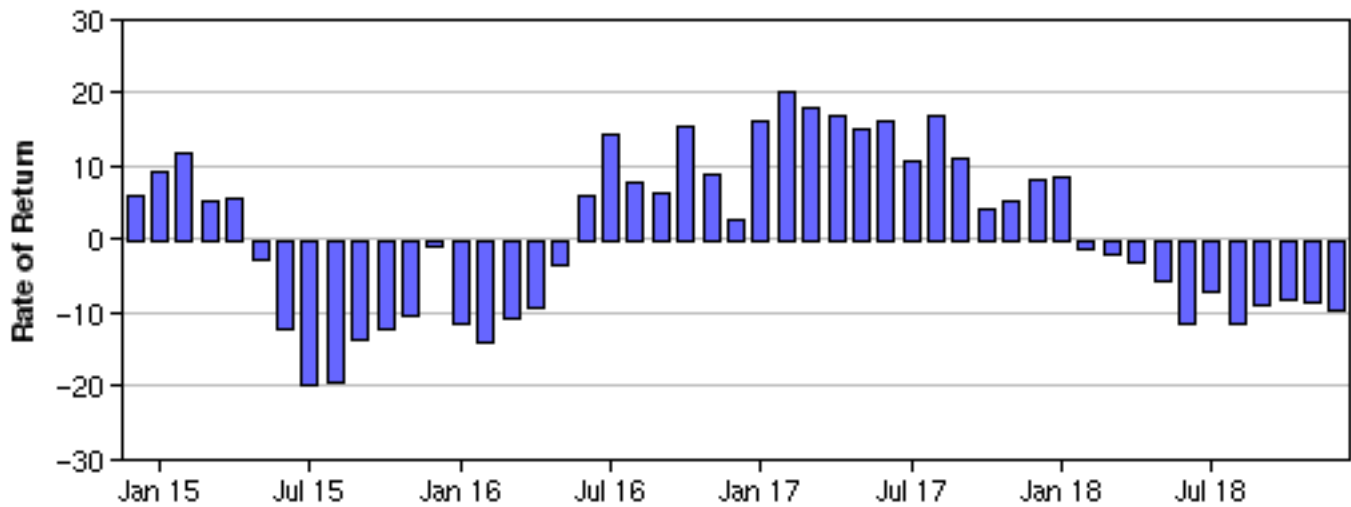
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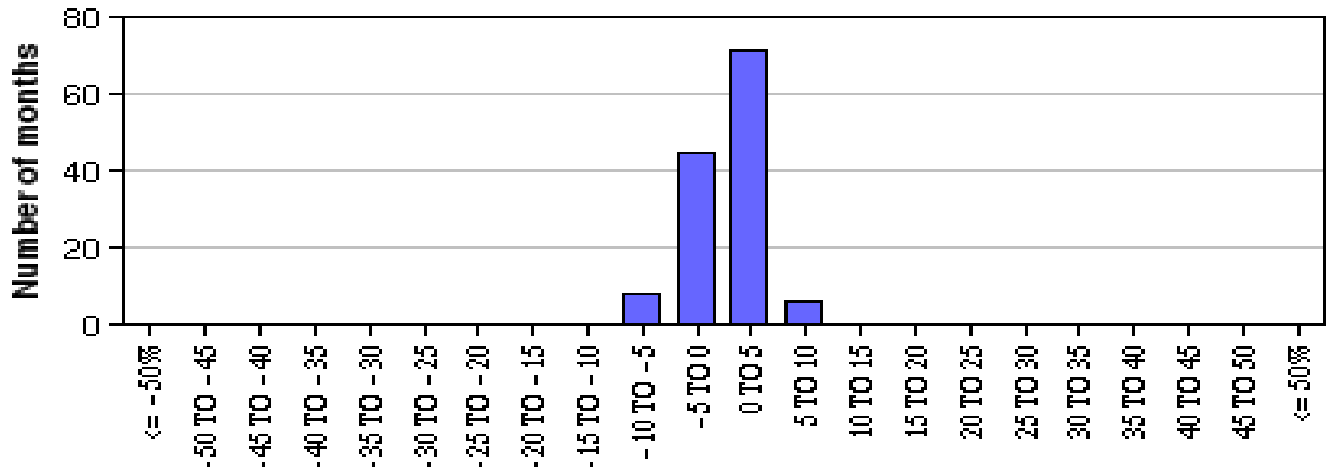
VAMI vs BARCLAY vs S&P 500



RETURNS FOR PRECEDING 12-MO. PERIODS



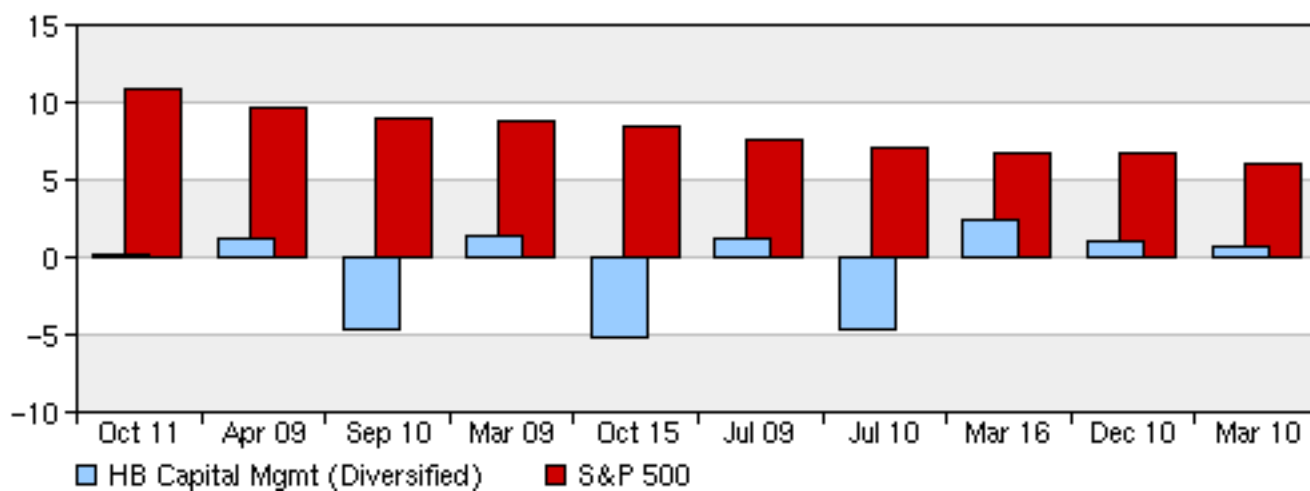
DISTRIBUTION OF MONTHLY RETURNS



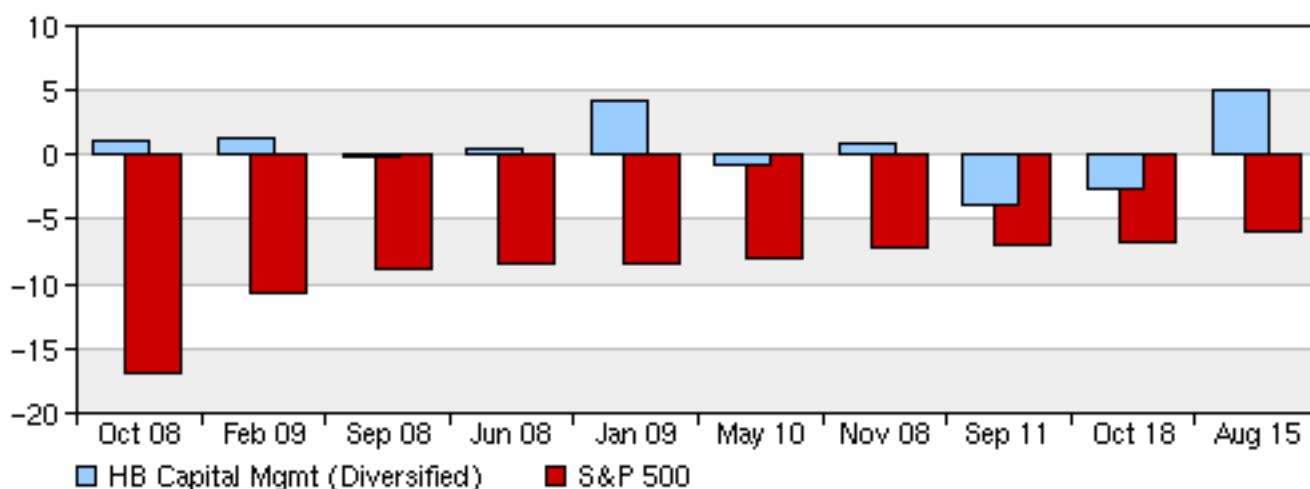
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UP CAPTURE VS S&P 500



DOWN CAPTURE VS S&P 500



LAST 48 MONTHS OF PERFORMANCE

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2018	2.59	-7.84	-0.15	0.60	-0.71	-1.63	1.77	-0.69	-0.68	-2.62	-0.94	0.71	-9.54%
2017	2.42	1.35	0.63	1.54	1.83	5.19	-3.18	4.39	-3.56	-3.57	-0.50	1.87	8.24%
2016	-9.56	-2.18	2.47	2.68	3.54	3.99	1.64	-1.13	1.66	2.82	-1.79	-0.81	2.55%
2015	0.99	0.90	-1.29	1.05	-3.01	-5.12	-5.93	5.00	3.10	-5.16	3.82	5.49	-1.06%

ASSETS UNDER MANAGEMENT FOR THE LAST 48 MONTHS (\$ MILLIONS)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2018	6.23	5.49	5.58	5.71	5.67	5.58	5.68	5.64	5.6	5.55	5.5	5.3
2017	5.7	5.57	5.56	5.65	5.79	6.13	5.94	6.2	6.07	5.99	5.96	6.07
2016	5.3	5.13	5.26	5.4	5.59	5.81	5.9	5.65	5.53	5.71	5.61	5.56
2015	6.86	6.71	6.62	6.78	6.76	6.42	4.26	4.47	4.61	5.42	5.66	5.97

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TRADING METHOD

The program uses a number of different options and futures strategies. The option strategies include a variety of different spreads such as verticals, calendars, ratios, strangles, and straddles amongst others. The program will also outright sell or buy an option in certain situations. In addition, the program may purchase or sell futures to offset an open option position. The program trades options and futures contracts in the crude oil, coffee, soybean, gold, natural gas and corn markets, among others. The implementation of this trading program depends on both technical and fundamental considerations. Technical analysis involves the study of charted prices, volume and momentum to determine the future course of prices. Other analysis may also be performed on the prices of various options, both in absolute terms in relation to their historic price level, and in relative terms comparing the prices of puts to the prices of similar calls. Implied and historical volatility of both the option and its underlying commodity are also studied. Fundamental considerations, utilized on a commodity by commodity basis, include supply and demand, seasonal movements as well as business and economic factors, governmental policies, weather, and other worldwide events, which can influence the commodity markets.

A secondary strategy seeks to profit from seasonal patterns inherent in various commodity markets. The trades taken may be outright long (buy) and short (sell) positions or spread trades between two similar commodities. Seasonal trading may also employ the use of buying and-or selling options.

A third strategy that HB Capital Management has developed is a proprietary program for trading the stock market. We may take a long position when a buy signal is generated for the stock market and may take a short position when a sell signal is generated.

KEY PRINCIPALS - BIO

HOWARD A. BERNSTEIN holds a Bachelor of Arts degree from Rutgers University and a Masters degree in Geology from the University of North Carolina, Chapel Hill. From June 1977 to June 1979 he worked as a geophysicist for the U. S. Geological Survey. From June 1979 to August 1993 he was employed as a geologist for the Federal Energy Regulatory Commission. Mr. Bernstein first registered as a Commodity Trading Advisor in April 1989 and as a Registered Investment Advisor in 1998. He was President of HB Capital Management, Inc. from inception in 1990 until 2004. Mr. Bernstein was head trader at Financial Investments, Inc. from July, 2004 until December, 2006 and managed both their Financial Investments Limited Partnership and their Financial Commodities Investments' (FCI) client commodity accounts. Mr. Bernstein reinstated HB Capital Management, Inc. as a Commodity Trading Advisor in February 2008.

Mr. Bernstein first achieved recognition by finishing in the top ten of the US Investing Championship, Futures Division in 1990, 1991 and 1992, highlighted by a 2nd place finish in 1991. Other performance awards include: Managed Derivatives Magazine, high performance award, 1994; Stark Research Report ranked #3 for previous 4 years, 1994; CTA Research Corporation ranked #2 for risk-adjusted return, 1995; Managed Account Reports, Quarterly Performance Reports, ranked #6 for performance and #8 for risk-adjusted return over previous 5 years, 1996; Moniresearch newsletter ranked #1 for performance over previous 3 years, March 2001; Autumn Gold newsletter #1 ranking for 1 year performance to FCI for Commodity Trading Advisors, August, 2006. BarclayHedge #1 ranking (Option Strategies) for risk-adjusted return, August 2009.

Mr. Bernstein has appeared in publications such as Barron's, Investor's Business Daily, Wall Street Transcripts, Financial Planning Magazine, Futures Magazine, America's Best Timers, Managed Account Reports, Society of Market Technicians Newsletter, Formula Research Newsletter and Technical Traders Bulletin. He has also been a featured speaker at professional investment seminars and on business radio.

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- * The funds represent speculative investments and involve a high degree of risk. An investor could lose all or a substantial portion of his or her investment.
- * Any investment in the funds should be discretionary capital set aside strictly for speculative purposes.
- * An investment in a fund is not suitable for all investors.
- * The funds can be leveraged and a fund's performance can be volatile.
- * Some funds may use a single advisor or employ a single strategy, which could mean a lack of diversification
- * Some funds may execute a substantial portion of trades on foreign exchanges, which could mean higher risk.
- * An investment in the funds may be illiquid and there are significant restrictions on transferring interests in a fund. There is no secondary market for an investor's investment in a fund and none is expected to develop.
- * A fund's fees and expenses - which may be substantial regardless of any positive return - will offset the fund's trading profits.
- * Some funds may involve complex tax structures and delays in distributing important tax information.
- * This summary is not a complete list of the risks and other important disclosures involved in investing in the funds and is subject to the more complete disclosures contained in the fund's respective offering documents, which should be reviewed carefully.
- * All performance information is believed to be Net All Fees unless otherwise specifically noted.

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