

Preserving your Wealth: A Risk Management fund using alternative investments

I have been managing money for clients for over 20 years and I have seen all kinds of investment environments, good and bad. I would be hard pressed to find a time that has been more difficult than the present. I have seen equity markets ignore fundamentals and react violently to positive and negative news. With corrections to the downside of 5% to 10% occurring regularly, investors have to work harder just to get back to even. Consider this, if you lose 15% you must generate a return of 17.6% just to break even. To make matters worse, investors cannot fall back on income generated from their fixed income investments as they have been paying next to nothing. Traditional methods of investing have left investors confused and unsatisfied. With all of this going on investors are eagerly searching for the right thing to do. A typical investor wants to achieve the best possible return with limited downside risk. In order to accomplish this they must turn to alternative investments.

In January I am bringing to market a risk management fund, Freedom Wealth Fund, LP. The fund's primary objective is to achieve a positive absolute return. Traditional methods of investing would be on a relative basis, where the results of the portfolio would be compared to an Index such as the S & P 500. The problem with this is that if the index is down 10% but the portfolio is down only 5% it is considered a successful year for the manager, but the investor has still lost money. The key to meeting the client's objective is to eliminate or reduce losses. While the only way to guarantee against market losses is to not participate in it, but by employing a few alternative strategies, when used properly, a great deal of protection is provided.

Freedom Wealth Fund, LP will attempt to provide absolute returns by combining some alternative strategies with some fundamentally based top down strategies that have been used successfully for many years. It will have a target allocation of 60% to 70% of the fund in sector ETF's (exchange traded funds) using our top down analysis to over or under weight each sector of the S & P 500. When market indicators dictate that we are moving towards negative markets we can quickly sell call options and buy put options on the S&P 500 Exchange Traded Fund. This strategy would position the fund similar to a cash position and provide protection from the downside. We use sector ETF's and S & P 500 options instead of individual securities because it eliminates some of the company specific risk and also allows for a quicker transition when the market turns.

The other 30 to 40% of the fund would be allocated to a long/short strategy that could be accomplished while reducing a majority of the market risk. This strategy is implemented by using an investment research and analysis discipline that I have been using successfully in my long only portfolios. Historically, this investment research and analysis process has been used to find high quality and fundamentally strong companies in order to make purchases. If a company's fundamentals appeared weak or negative, nothing was done with the data. The long/short strategy will allow me to continue to buy the quality companies along with ability to short the companies that look fundamentally weak. To explain in a little more detail: I will focus on two companies from the same sector, such as Visa and Morgan Stanley. Fundamentally Visa looks stronger and is growing earnings at a faster rate. I would buy Visa and sell short Morgan Stanley. It would make no difference which direction the market goes. If

the market goes down and Morgan Stanley drops more in value than Visa we still make money. If Visa goes up more in an up market we still profit.

As I stated earlier, the only way to guarantee against market losses is not to invest in the market. By doing that, there is also a good probability that your investments will grow at a slower rate than inflation, thereby reducing your purchasing power. By remaining disciplined and implementing a strategy such as the one the Freedom Wealth Fund will use, an investor has the potential to enjoy the upside to equity investing while reducing the downside risk. This fund is not for everyone, any investor that is interested in it should consult with their financial advisor to see if this is appropriate for them. There is a minimum investment requirement of \$100,000.

For more details you can contact Paul McClain with Freedom Wealth Advisors, LLC at 816-820-7900 or email pmcclain@freedom-wealth.com. Before investing you should review the Private Placement Memorandum, Executive Summary, the firms Form ADV Part 2 Brochure and our privacy policy statement.