

Sanctity/SafeMoneyMetrics

Your Direct Risk Management Solution for Derivatives
Limited Risk Managed Futures/Option Investments
#42

SafeMoney and Money

Marlee-Jo Jacobson ©

This article demonstrates how any and all traditional public domain and proprietary rate of return data and analysis for managed futures can be transformed into simple SafeMoneyMetric™ (SMM) Ratios. SMM facilitates concrete groundwork for constructing investments with an increased probability of positive returns over unknown future market conditions.

The Science of Mind – Ernest Holmes A Philosophy, A Faith, A Way of Life

Money: The symbol of God's substance; the idea of Spiritual Supply objectified. As God is Spirit, and man is God's creation, Spirit is man's Substance; but Spirit is ALL, so money is an expression of Substance – P613

"We are continuously living a new life, and when the old and the new do not fit nicely together, the old – being no longer able to contain the new – should be discarded. Continually we must expect new revelations of old truths. We should never lose sight of the fact that the soul is on the pathway of an endless and ever-expanding experience, and that only by expansion can it evolve.

This does not mean that we should cast away any good that the old has to offer, but that we convert it into greater good. Accepting the lessons and experiences of the past, and taking the best from everything, we should press boldly forward, looking ever for the Truth, and ever ascending high and higher into the heavens of reality. P439

Truth and Belief as Cause

A profitable managed futures account partially results from a trader expressing his/her talent to perceive and act on fluctuating market conditions for a financial gain greater than and comfortable to a financial risk perceived as reasonable relative to the potential reward. Great traders love to trade. Great traders can use less money and perceive higher quality market opportunities than mediocre traders. They have an instinct for trading – they have "IT"! Someone has "IT" or they don't! How they allow "IT" to be expressed makes no difference. The

"consciousness" or level of mind and skill at which traders function is easily perceived and evaluated by the numbers! **WHY?** A Universal Law (Truth) is that all actions taken by people can only result from how people think and their beliefs. The material world is a physical manifestation of human belief. Nothing else is possible (Truth)!

Romans 1:20

For since the creation of the world HIS invisible attributes are clearly seen, being understood by the things that are made, even His eternal power and Godhead, so that they are without excuse.

Substandard investments can "appear" to have equal returns to GREAT traders, however when looking beneath the surface, we can find increased risk because:

1. More markets were traded revealing losses in a larger percentage of more markets traded.

Labeled as increased diversification, larger account sizes are required, costing investors more money because management fees are always higher on larger accounts.

2. A profit to loss ratio per trade was lower.

Substandard investments usually have a lower profit to loss ratio per trade and the percent of profitable trades are usually less than that of great traders; under 51% sometimes close to 40% and even under.

Great traders usually have (either or both) a substantially higher percentage of profitable trades with a low profit and loss ratio for each trade, or a superior profit to loss ratio on each trade with a higher percentage of profitable trades than substandard investments offer. They also have more profitable months annually and over other time frames.

3. A minimum account size and maybe minimum funding level was higher with less money actually being used for trading. This strategy is frequently marketed to institutions as "living well within fiduciary responsibilities because the institution is prudently diversified and account volatility is low!"

Increasing an account size can create the illusion of low volatility. When people are fearful of futures or volatile returns, they are easily deceived into believing that a strategy may have lower volatility, and that low volatility translates into lower risk. Account volatility is traditionally quantified by the standard deviation of monthly returns.

Minimum account sizes need to be evaluated relative to minimum funding levels, the average to maximum margin used for trading relative to realized and unrealized returns.

4. Prolonged losing periods “appear” to be caused by and blamed on “a system” being unprofitable under current market conditions.

Many traders are “100% systematic.” Auto Pilot is a suitable discipline for some situations and people. Like everything we get involved with, it’s wise to understand how and by whom it was created! The greatest trader I ever knew also a dear friend once said: “Marlee I design systems for a hobby, they all make money, I just can’t stick to anything. ” The man is brilliant, disciplined and quietly created respectable trading income. (I was told that \$30M was created from an \$8000 loan from his Mother in less than two decades).

Charlie’s last breath will probably be taken watching commodity prices! He loves to trade and never once blamed his trading discipline for losing money!

5. Second-rate traders may be using markets and money to “prove” something that has no relationship to trading for investment returns. Filling any human need indirectly usually causes unwanted loss!

Based on traditional analysis of past rate of returns, clients may unknowingly pay higher management fees for second-rate traders that waste money and increase risk.

Semi-Conclusion:

Conditions described above reveal a “Material Reality” built on “belief,” that take us further from “Truth”. SafeMoneyMetrics™ mathematically perceives the “gap between truth and belief” in consciousness because it is ALWAYS revealed in the investment. We can create investment opportunities where belief and truth become ONE and the same! When belief and truth are ONE we live with the tide of life on our side! From a foundation built on rock we can then construct investments that preserve capital and endure any market condition!

Contrary to a traditional “belief” that volatility is directly related to potential returns; we can PROVE that account volatility has NO direct relationship to return relative to capital at risk. We can also prove that when acting on this and many other traditional “beliefs”, that investors actually deprive themselves from potentially lucrative investments that can have lower risk than what they may currently be considering. See www.safemoneymetrics.com Why SafeMoney?

A Problem

How do we develop and maintain high quality flexible investments that preserve capital and increase potential profitability under unknown future market conditions: Especially when those market conditions

will probably undergo prolonged periods of future adversity or difficult trading conditions?

A Solution

Choose and integrate advisors and sponsors of investments that function at higher levels of consciousness, skill and personal integrity. If their beliefs are closely aligned with natural law and support Divine Will, investments WILL ALWAYS prove to be higher quality. Be aware of how other people think and believe relative to your beliefs. Experiences that we acquire basically result from our thoughts and beliefs. Our reaction to the appearance of experiences external to ourselves determines the outcome.

Public Access Data Bases

First many thanks to Perry J founder of www.iasg.com and www.managedfutures.com for allowing me to invade their web sites! Many industry members claim the TOP 100, TOP 40, or TOP whatever. If not visibly disclosed you can ask how “TOP” claims are substantiated and what relationship they have to the entire industry.

Anyone can view 100 advisors at www.iasg.com choosing different rankings. I listed 20 ranked by the latest twelve-month returns. Bring your attention to the number of advisors in each return category, and the maximum drawdown within the return group. www.managedfutures.com offers the TOP 40 in their database. We need more detail on their entire database relative to the industry to accurately perceive “fair representation” of information that the site offers. Still the site offers easy access to 40 advisors, for this we are humbly grateful! Traditional sites are one doorway for seeking advisors with great potential. Every Futures Commission Merchant has a managed futures division, and we have the internet so advisors are easy to access.

Technology has allowed people to offer the public easy access to a database of commodity trading advisors. The information is useful when we understand how to constructively use it.

Top 100 Managers Ranked by Latest 12 Months Return Period Ending 6- 2003					
#	Manager	Latest 12 Mo	YTD	Assets (\$MIL)	Max DD
1	AlphaQuest Composite Fund	121.91	31.87	47.000	(15.22)
2	Beach Capital-Discretionary 3XL	111.67	45.89	10.910	(41.39)
3	V-Tek Capital, Inc-FX Fund (EVO)	82.09	← 16.07	450.000	(16.44)
4	Clarke Capital Management-Global Magnum	79.51	39.99	11.600	(21.61)
5	Quadriga Superfund Cayman	76.86	20.45	0.000	(35.40)
6	Global Eurofund Management-Global Markets Investment Fund	72.14	← 44.28	0.000	(6.83)
7	Clarke Capital Management-Millennium	63.70	← 21.52	106.000	(21.31)
8	Allani Capital Management-DUNN Allani Program	62.57	(8.90)	10.430	(40.80)
9	Denali Asset-Ascent	61.00	← 27.86	210.000	(4.75)
10	Schindler Trading	54.51	(11.17)	6.051	(38.80)
11	Clarke Capital Management-Global Basic	53.63	← 32.90	11.500	(22.97)
12	Abraham Trading-Diversified	52.55	34.06	17.930	(31.96)
13	ADA Investments-Diversified Trading	51.19	← 16.59	95.420	(21.51)
14	First Capital Hedge Fund Number One Limited	49.32	← 16.29	20.884	(14.04)
15	Pardo Capital-XT 99 Diversified	48.81	20.61	17.783	(40.01)
16	Altis Partners Limited-Global Futures Portfolio	47.56	15.72	17.000	(14.55)
17	John W Henry-Worldwide Bond	46.89	9.50	49.000	(26.83)
18	Kelly Angle Inc-Genesis Program	45.60	3.54	17.800	(27.53)
19	Cornerstone Trading Co-International Value	45.45	← 11.80	52.000	(15.88)
20	Quadriga Beteil. AG	45.18	← 11.95	0.000	(19.93)

SafeMoneyMetricsä and Traditional Analysis

This topic was detailed in Article #31 Evaluation of Managed Futures Using SafeMoneyMetrics at www.sanctity.com- Monthly Articles. Refer to the data tables and explanations in that article to understand the end result of the initial advisor selection process described from a different viewpoint here.

Preliminary SafeMoneyMetrics™ analysis applied to public domain data and all traditional analysis requires sorting advisors by:

Account Size:

1. Determines the relevance of the investment to our available capital.

Minimum Funding Level:

1. Determines leverage used relative to account size required by the advisor.
2. Excess fees paid – the difference between a minimum and funding level account size needs to be evaluated relative to returns calculated based on the average to maximum margin amount used for trading.

Market Sectors:

1. Allows superficial analysis of market conditions relative to past return. Those same market conditions and opportunities will not exist during our investment term.
2. Allows a superficial diversification to be considered relative to market conditions the analyst expects and the investor's available capital.

Information offered by the IASG table above is exceptionally useful for locating the names of advisors we would consider. The account size, minimum funding level and market sectors are available on some of the individual profiles created for each advisor. The monthly rate of return on each profile needs to be evaluated relative to beginning net assets. That information is only available directly from each advisor.

Round Turns Per Million:

1. Allows us to determine the cost relative to the NET Ratio or return NOT account equity.

All of the above allows us to locate advisors offering the greatest return using least amount of capital at the lowest cost within a group of advisors having similar returns over the same time frames. It's a good beginning!

Again article #31 has a table format created for the initial advisor selection process. Once a small group of advisors are superficially selected, in-depth evaluation for each then begins.

Consciousness and FACT:

If the consciousness of an advisor proves to be high, it will show in their work. There will be little reason to worry about anything if our SafeMoney analysis was thorough. WHY? – The advisor has sufficient awareness, integrity and skill to do what needs to be done under any market condition. Our job is to understand the investment, learn to live with it and stay out of their way! We believe that advisors revealed by SafeMoneyMetrics should be cherished

and well paid. Any trader or analyst that offers the opportunity to have peace of mind in managed futures is a gift we gave ourselves. Relax and enjoy the experience.

Conclusion:

In this month's Oprah Magazine, the Financial Freedom column by Suze Orman says: " The stock market is only for money you won't need for 10 to 20 years or longer. You should never invest in the stock market if you'll need that money in a year or two – you're setting yourself up for a huge disappointment." P48

She uses the word "invest" – I choose to replace the word with "speculate" because capital in the stock market is always at risk. Recent regulatory changes that now allow the creation of futures contracts on individual stocks tell us that those responsible for the fiscal integrity of this country are fearful of what is to come. For over a century the futures markets have and ALWAYS WILL allow volatility and risk of the cash market to be reduced and offset. This is exactly WHY futures contracts are created!

See www.sanctity.com - right after the sites disclosure document is the index. A short introduction called **Accurate Thinking** was written– Read it!

The stock market is speculative, and volatility will probably increase over the next decade or so. Allocating speculative capital to managed futures, has the potential to produce positive returns with less risk and in a much shorter time frame than capital allocated to a stock market strategy. Together they can be a perfect marriage for comfortably allocating speculative capital.

More important managed futures can be built to potentially deliver profitability independent of any market condition and with limited risk. Great strategies need only one year for clients to stabilize themselves with the investment.

From my soul, I "believe" that investors should EXPECT profitability over every 18-24 month time frame as a MAXIMUM acceptable downside. If a futures investment cannot deliver profits over every 18-24 month time frame, I would avoid the industry at any cost! (For me, 12 months is a fair waiting time – since my standards are considered impossible – you can be more than fair and think that 18-24 is rational without hurting yourself).

If we "allow" the industry to "sink" into what is currently considered as acceptable risk/return models for stock market and mutual fund investments, we are setting ourselves up for a colossal surge of mediocrity that will eventually devastate the fiscal backbone of America. The tendency toward mediocrity must be stopped and I believe people

from the futures industry can rise to the occasion once they understand what needs to be done and how to implement a working strategy!

If the human "powers that be" need futures contracts on individual stocks for institutions to offset their portfolio risk: We must ask ourselves what can be done for normal people?

Our purpose is that SafeMoneyMetrics™ find the entire universe of sponsors, advisors and investors with it's higher standard for producing and using managed futures investments.

Live, Love Well and Remember

Because the creation itself also will be delivered from the bondage of corruption into the glorious liberty of the children of God.

Romans8:21

www.safemoneymetrics.com

Advisor Analysis - Monthly Advisor Rankings
MJ – 212-777-3862

Services offered by
Sanctity/SafeMoneyMetrics.

Kim Hunter – editor of Risk and Reward magazine is also a Freelance Writer. – Kim is available to write about SafeMoneyMetrics™ for print and electronic media. Based in London Kim's skills are exceptional for people interested in communicating the benefits of SafeMoneyMetrics™ Risk Management Services to the International and Institutional marketplace. My esoteric state of consciousness, incorrect grammar and excessive wordiness is automatically removed from the writing, allowing SafeMoneyMetrics™ to reach a larger international audience.

Kim's first article on SafeMoneyMetrics™ was published in Risk and Reward Magazine. You can access the magazine FREE at www.fow.com

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For All People: SafeMoneyMetrics™ risk management services. Analysis is applied to the advisor or composite investment under consideration and after the account is open to all account activity. Frequency of reporting is optional. See <http://www.safemoneymetrics.com> For Investors and www.sanctity.com Investments for All People and the Sanctity Capital Management Disclosure Document for details.

For Hedge Funds of Funds –As a Trading Manager we design, monitor and repair managed futures and options strategies. SafeMoneyMetrics™ is integrated

into every aspect of the service. Working with the industry's most prominent traditional companies allows a cooperative endeavor to evolve that offers less risk than what traditional alone can probably provide.

For Broker Dealers, Banks and Other Financial Institutions Sanctity/SafeMoneyMetrics™ will design and support private label profit centers for broker-dealers, futures commission merchants or any group interested in managed futures and options. The process begins with management and filters into a vigorous marketing strategy and educational process for clients of each participating advisor. Compensation is negotiable and includes revenue sharing or annual retainer paid monthly. Broker-dealers and other institutions may be exempt from registration if managed futures produce under 10% of gross revenues.

For Traditional Financial Advisors or Introducing Brokers – we act as Risk Managers and General Partners for private label limited risk partnerships beginning at \$500,000.

For Trading Advisors –SafeMoneyMetrics™ can be offered as a third party risk management and marketing strategy. Trading Advisors have no out of pocket cost because the FCM sponsoring your services or client compensates us.

For Electronic and Print Media - SafeMoneyMetrics™ designs investment models teaching prudent integration of managed futures into traditional, hedge fund or any other investment, including real estate! Services can be supported with monthly articles, research and simple ratios on a data-base of advisors. See www.safemoneymetrics.com

For National and International Commodity Exchanges and Associations - SafeMoneyMetrics™ education can be integrated into managed futures and options marketing. Services can be offered through the exchange as a benefit to clearing member firms and their clients.

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"Let's raise a standard where the good and wise can repair. The Rest is in God's hands."
George Washington